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Moral Judgment in Economic Situations
Towards Systemic Ethics


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MORAL UNIVERSALISM AND MORAL DOMAINS

In many societies, whether traditional or modern, whether religious or secular, it is common sense that moral rules are considered to be valid universally, i.e. they claim obedience at any time and in any place. Prominent examples are the Ten Commandments, especially the ban of killing human beings or the ban of lying. Respect for the dignity of man or the claim to fulfil a promise, the principle of equal justice under the law or the ban of theft – all these principles are also good instances for moral rules of unrestricted validity. And, of course, the Golden Rule (“Treat others as you want to be treated”) as well as Kant’s Categorical Imperative (first formulation: "Act only according to that maxim whereby you can at the same time will that it should become a universal law." 1785/1993, 30) has to be mentioned in this list of prototypes of universal moral rules.

Though everybody spontaneously seems to agree that these rules are particularly suitable candidates for principles to be observed in any situation (including economic contexts), we also know that in our real world this demand is not at all respected consequently. For all of them we experience, and even many of us agree with, exceptions: Killing human beings is “allowed” in times of war as is “allowed” in some countries as death penalty, in some as infanticide. To lie is worldwide accepted in cases of emergency, particularly in cases of personal endangering and also, not rarely, in cases of economic negotiations. Respect for the dignity of human beings often goes lost in political election campaigns when rivalling opponents vilify each other or in the diverse forms of modern slavery (e.g. temps in building industry, forced prostitution) or, sad to say, also if a person suffers from serious mental disability.

To go further with our examples “we” feel free to brake a promise if our counterpart on her or his part doesn’t obey this rule or if otherwise a good stroke of business is missed or if certain “higher reasons” might force us to abstain from fulfilling it as is dramatically discussed in the famous poem of Friedrich Schiller, “The Hostage” (“Die Buergschaft”). As to the equality under the law we all could tell examples in which we had the strong feeling that e.g. prominent film stars or top managers have not been prosecuted as consequently as the so-called normal taxpayer. Furthermore, many people seem to accept that at least for some top terrorists the presumption of innocence is not valid, i.e. that they have lost the right to be treated as someone who is not guilty as long as he or she is not sentenced by a judge (catchword “Guantanamo”).
As opposed to moral rules of this type all of which are cases of “material ethics” (Scheler 1913/2000) in that they command to put a “concrete” value into practice it is not as easy to show that the Categorical Imperative which commands to follow a formal procedure when deciding on a moral issue is also not taken as strictly as its author had intended it to be. The reason is that the Categorical Imperative in each of its three versions does not offer a clear and distinct criterion for moral decision. As Christian Schnoor (1989) in an extensive and careful analysis shows even none of Kant’s own seven instances of the application of his Categorical Imperative is free of mistakes and in none of these cases a solution can be derived by application of the Categorical Imperative (see also Petrovich 1986).

The same problem of under-determination applies to all procedural imperatives (e.g. Rawls’ “veil of ignorance” (1972) or Habermas’ ethics of discourse (1981)) because their prescription of an ultimately open ended process of decision making on principle fails to come to a definite conclusion. Even more, procedural imperatives – besides Kant’s Categorical Imperative which is an example for ethics of conviction – usually are generated in the context of consequentialistic ethics (“ethics of responsibility”) which, in turn, presuppose comprehensive knowledge of consequences and conditions of our actions we – in principle – never can arrive at: As to the consequences of our actions we often do not even have sufficient knowledge of the immediate social effects including side-effects of our verbal and non-verbal behavior (think, e.g., of teachers and their effects on students), let alone medium and long-term consequences. And as to conditions universal ethics postulate that reasons for or consequences of our actions be acceptable for everybody concerned whether empirically or as a virtual human being (Rawls’ version) or by consensus of an ideal communication community (Habermas’ version).

Looking at all variants of universal moral principles we have to state that they cannot help to decide whether an individual act at a unique space-time-locus is morally allowed or forbidden because, by definition, they do not take into account the special situational context. Think, e.g., of Kohlberg’s Heinz-Dilemma where the question is asked whether Heinz should steel a drug for his seriously ill wife. For most people it depends on very many side conditions what a morally acceptable solution looks like. Not only the fact whether Heinz either loves his wife or thinks of divorce is morally relevant for many people when deciding this conflict. Also the question whether he is going to be a successful theft (may be he is a disabled person or he lacks of a good idea how to get into the pharmacy and, important enough, how to get out again with the drug or he is afraid not to find the drug between all the other drugs), furthermore the question whether Heinz and his wife have young children for whom the wife can’t care nor Heinz can if he were captured and set into prison and so on.

To put it short: The social world is not only a rich multifaceted arrangement which is difficult to understand in terms of causality and which is complicated in terms of acting successfully because of the unlimited number of factors working; it is to the same extent difficult to be judged in terms of morality and complicated in terms of doing the right. From this point of view it seems futile and vain from the very first to hope that some few general moral rules or principles were sufficient to regulate
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(in the strict sense of the word) social interaction in an ethical sufficient manor. This raises the questions whether there are “moral domains” subject to different principles and – the topic of this paper – whether economy might be reconstructed as such a domain.  

DESIGN OF THE STUDY AND A BASIC HYPOTHESIS

In a six years longitudinal study we collected moral judgment data from insurance apprentices and clerks by administering four different domain related stories. Two of them deal with business problems, one focusing on a market situation, i.e. a bargaining process between an insurance male clerk and a female client, the other focusing on an in-company team situation where an employee has to decide upon forging or not an account to help his superior escaping from a temporary shortage of money he needs to pay for his new house. Analogously to Kohlberg’s method (cf. Colby/Kohlberg 1987) we varied the situational context step by step changing the social relation between the protagonists from neutral to warm and accepting, turning it to hostile, then changing the consequences of possible decisions from harmless to extremely serious and modifying the perspectives from the point of view of an involved actor to a neutral third person, e.g. a judge. In doing so, administering partly Kohlberg’s Moral Judgment Interview (Colby/Kohlberg 1987), partly a questionnaire (sensu Gibbs/Widaman 1982), we diversified more or less slightly the moral content of the situation bringing changing value conflicts into the play as shown in Fig. 1.  

Fig. 1: Value conflicts constituting different situations
From the point of view of moral universalism these variations of situation should not make any difference. The universal principle commands how to judge the core conflict out of respect for the individual circumstances. One and the same moral principle has to be applied no matter whether people involved love or hate each other, whether the consequences of their actions are serious or small and, of course, whether one is personally involved or not.

In Kohlberg’s psychological turn of this ethical view (cf. Beck 1990) a person assessing the different variations of the conflict story will normally judge on the basis of her or his stage of moral development which is nothing else than an individual universal principle. Only during transition phases when a person moves up to a higher stage of moral reasoning it might occur that two different principles come into the play. From this follows that – as a central hypothesis – it is expected that every person in our study by and large should make use of the same principle across the variations of our conflict stories, i.e. the distribution of principles used should not vary subject to the changes of value conflicts as shown in Fig. 1.

In our cohort design (cf. Fig. 2) we included every year a new group keeping track of it until the end of the study after six years. All in all, 174 persons were included. The members of the first group have been interviewed or questioned respectively six times, those of the second group five times and so forth. Thus, we got from the first group 6 times 17, that is 102, data sets, from the second (5 x 41 = ) 205 and so on. Every year we administered the same dilemma stories including all variations of contexts as shown in Fig. 1. So, all in all we should have collected 673 data sets. Of course, there was a certain amount of drop outs, some of them only partially if they attended only one of the two yearly sessions. This is the reason that on the following charts the numbers of cases are varying within limited boundaries. Only cases with full data on the respective questions are reported.

Fig. 2: Design of the longitudinal study
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Our interviewees as well as the persons, who produced written comments (i.e. decisions and reasons) in the questionnaire, had no pressure in deliberating the circumstances relevant for them and they have been stimulated by follow-up questions to work out their best solutions.

MORAL JUDGMENTS IN CONTEXT

To get a first insight into the processes of moral reasoning look at Fig. 3.1. The horizontal line is divided up along Kohlberg’s stages 1 to 5. The vertical line represents the percentage of judgments based on the different principles.

![Figure 3.1. Distribution of moral principles used in judging conflicts in economy: market situation (N = 431)](image)

In the first variant of the market situation, M1, dealing with the male insurance clerk and the female client the two conflicting values “affiliation” and “law in connection with property” had to be deliberated. As can be seen, about 20 % of the decisions have been based on Kohlberg’s stage 1, 42 % on stage 2 and so on. Now, the situation has been changed: The female client was depicted as a very attractive and charming young woman (M2). The distribution of principles used as grounds for the new decision shift, at least a bit, down to stage 1 (see Fig. 3.2).
In the next situation (see Fig. 3.3) the client was characterized as unfriendly and cold (M3). Again, the reasons for judgment shift down. In the next step we opposed “affiliation” to “property”, the latter in the sense of benefit vs. loss (M4). Here occurs a dramatic change in the distribution of reasons towards stage 2 judgments. The same is true with “life” vs. “law and property” (M5) and again with “law” vs. “justice” (M6) as well as with “contract” vs. “interest” (M7).

In the next situation (see Fig. 3.3) the client was characterized as unfriendly and cold (M3). Again, the reasons for judgment shift down. In the next step we opposed “affiliation” to “property”, the latter in the sense of benefit vs. loss (M4). Here occurs a dramatic change in the distribution of reasons towards stage 2 judgments. The same is true with “life” vs. “law and property” (M5) and again with “law” vs. “justice” (M6) as well as with “contract” vs. “interest” (M7).
Now, Fig. 3.4 shows a comparison between judgment reasons used in the market and in the team situation, again both embedded in the context of an insurance company.

Looking at the starting constellations, neutral or unbiased “affiliation” vs. “law and property”, there is obviously a big difference in the two distributions (M1 vs. T1). In the team situation (T1) more than twice as much persons as in the market situation (M1) choose a stage 1-principle to solve this team conflict. Nearly the same constellations occur with the next pairs of value conflicts in the two different situational settings (M2 vs. T2 and M3 vs. T3). It is not only that the type of affiliation (neutral, positive, negative) alters the moral interpretation of given situations. Additionally, affiliation plays obviously a different role in moral judgment procedures due to the varying situational context, in our example the market and the team context.

To extend these findings to the other distributions of judgments across the four conflict constellations within the market situation (M4 to M7) as opposed to the team situation (T4 to T7) Fig. 3.5 shows the respective frequencies. Looking at the neighboring pairs of columns (M4/T4, M5/T5 etc.) it can easily been detected that there are considerable discrepancies in the use of moral principles between (M vs. T) as well as within situational contexts (M1 vs. M2 vs. M3 etc.).
As the varying distributions suggest individuals draw on different moral rules or principles when facing different constellations of circumstances. Doubtlessly the range of principles they have at their disposal (cf. Rest 1979) depends on the state of their individual moral development. The more sophisticated it is the more possibilities to adapt to varying circumstances are given. We analyzed the individual range of principles used by one and the same person at a particular time. Fig. 4 shows the numbers. Only 1.5% are judging upon only one principle be it of stage 1, 2, 3, 4, or 5. But nearly 64% make use of three different principles. This is not at all in line with Kohlberg’s hypothesis. And from the point of view of ethical universalism this state of moral practice must look like degeneration into the moral slum of Sodom and Gomorrah.
To give a least quantitative evidence for the practice of moral differentiation along changing situations we computed an individual average per person across all judgments he or she produced for the market story and for the team story (see Fig. 5.1 and 5.2). Of course, the numbers of Kohlberg’s stages are of ordinal scale quality which does not allow for the computation of arithmetic means. Nevertheless, the means offer virtual tentative indicators for the extent of variation of judgment behavior in different contexts.

Figure 4. Number of different principles (Kohlberg’s stages) used in judging different issue conflicts in two situations (N = 502 data sets)

Figure 5.1. Distributions of judgments across all variants of the market situation (virtual average stages; N = 166 persons)
Across all versions of the market story M1 to M7 about 21% of our insurance people get an average stage score between 1.5 and 1.9. But across all versions of the team situation T1 to T7 41% get an average stage score in the same interval (1.5 to 1.9). Again, the “average stage score” is a pure virtual number without empirical correspondence. But nevertheless it can be used as indicator for the inter-individual as well as the intraindividual tendency to draw on different moral ideas along with the change of circumstances.

To sum up, it can be said that presumably most people differentiate between types of situations (or problems or conflicts) when they – under standard conditions: spontaneously and unconsciously – choose a moral principle to produce a moral decision or valuation. We suppose that people interpret and reconstruct situations along a hierarchy of fundamental social functions and that they tend to choose a respective moral principle which in turn can approximately be described in terms of Kohlberg’s theory. The basic types are shown in Fig. 6.

### Figure 6. Basic types of situations with respective moral principles

<table>
<thead>
<tr>
<th>Social function</th>
<th>Prototypical types of social roles</th>
<th>Moral orientation approx. to Kohlberg’s…</th>
</tr>
</thead>
<tbody>
<tr>
<td>controversy</td>
<td>victor, victim</td>
<td>Stage 1</td>
</tr>
<tr>
<td>competition</td>
<td>winner, loser</td>
<td>Stage 2</td>
</tr>
<tr>
<td>cooperation</td>
<td>colleague, partner</td>
<td>Stage 3</td>
</tr>
<tr>
<td>coordination</td>
<td>professional, manager</td>
<td>Stage 4</td>
</tr>
<tr>
<td>constitution</td>
<td>legislator, top manager</td>
<td>Stage 5</td>
</tr>
</tbody>
</table>

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### Figure 5.2. Distributions of judgments across all variants of the team situation
(virtual average stages; N = 166 persons)
According to this typology the standard economic situation seems to be of the competition type. In a sense this is an appropriate sight, especially when one is about to characterize the overarching ample social subsystems. But as we have seen “economy” – in the common sense of this term – is not at all homogeneous in terms of moral regulation. Everyday life in companies is socially multi-faceted including different basic types of social functions. Hence, for “economy” in a colloquial sense there is of course no universal moral rule for the regulation of all types of social conflicts. And, as a matter of fact, people in “economy” do not obey one and only one general moral rule but – in adaptation to changing circumstances – they refer to adequate moral principles which ensure systemic functionality and at the same time dependability and – ultimately – social peace.

INDIVIDUAL MORALITY AND ETHICS OF ECONOMY

Contrary to ethical universalism we can look at our western mass societies as systems which are subdivided into subsystems like legislation, jurisdiction, politics, welfare, traffic, culture, education, religion, economy etc. Each subsystem contributes to the overarching suprasystem by producing its special output: laws and rulings by legislation, law-based sentences by jurisdiction, goods and services by economy and so on. In this sense subsystems have emerged during centuries and have developed their own “logics” and, at the same time, their own morals. So, e.g., the prevalent moral principle within the subsystem welfare might be something like Kohlberg’s stage 3-principle whereas in the subsystem economy, as mentioned above, the leading moral idea should be to seeking for one’s own benefit (a principle similar to Kohlberg’s stage 2).

Of course, in accordance with social systems theory (cf. Parsons 1951), subsystems are not separated in locally or temporally disjunctive areas of life. Rather, the notion stands for the pure regulative idea (Kant) of functional coherence of social aggregates. In the empirical world they are multilaterally interwoven (like in that what is meant by the colloquial “economy”). To human beings they occur in the shape of situations, i.e. by “gestalt” of appearances of temporarily stable constellations of persons and matters. Under a socio-moral aspect and from the point of view of human beings, situations are constituted by constellations of postulations and expectations in connection with sanctions. Individuals can be seen as role occupants who fulfil (or not fulfil) expectations which in turn are nothing else than the quintessence of subsystemic logics and morals – the other side of the same medal.

To put it in terms of sociology (see Fig. 7): Individuals are integrated in our modern societies by roles which they overtake and which they play in the different subsystemic settings. They enter different subsystems where they act as role players and where they meet other role players, different from subsystem to subsystem. This is fundamentally distinct from the early times of mankind when people lived in small communities, hordes and tribes, into which they were integrated as whole persons and where their moral behavior was watched by everybody and where they were sanctioned by the whole group.
As the examples of conflict stories mentioned above have shown the “economy” provides not only one type of situations. Besides competition (“market”) and cooperation situations (“team”) especially managers will have to process coordination and constitution situations when organizing production processes or implementing corporate cultures. However, the fundamental and prototype situation of economy in the sense of systems theory is still competition. From a moral point of view in competition situations it is commanded to act as a role player who is seeking for his or her own benefit. Economy is based on the idea of supplying the demand of people to satisfy their needs. As already Adam Smith, the famous Scottish economist and moralist, in the 18th century stated it is not the good motive (“benevolence”) which forces the butcher, baker or brewer to offer his goods and services but his interest in his own benefit. In striving for profit he simultaneously fulfils the task of supplying people though this is not the standard motive of his acting (1776/1904). At the same time he is saving resources because competition forces him to produce at lowest cost, i.e. by using the least amount of input of material, energy and work.

Ethically speaking it is of course completely unacceptable to sign the principle of seeking for benefit into a universal law. On the other hand it would be completely unacceptable as well to stigmatize this principle as morally deficient by nature. On the contrary, in certain situations it is morally commanded to ground actions on it. When and where this is the case depends on the subsystemic context and the role an individual has to play in it. Thus, instead of universalism we are in need of elaboration of a subsystemic relativism.
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1 Second formulation (Kant 1785/1993, 36): "Act in such a way that you treat humanity, whether in your own person or in the person of any other, always at the same time as an end and never simply as a means”. – Third formulation (ibid. 43): “Every rational being must so act as if he were through his maxim always a legislating member in the universal kingdom of ends.”

2 As a prominent example think of friar Bertold Schwarz who is said to be the inventor of gunpowder. Is he responsible for the consequences followed by the use of his invention?

3 For further discussion see Evans (1985).

4 From another perspective Carol Gilligan has put this question, too (1982).

5 For details see Beck et al. (1999).

6 Interestingly enough and unexpectedly, it is the team situation in which our young clerks and apprentices tend to make use of lower stage principles than in the market situation. The reasons for this finding are not investigated here because the focus of our considerations is on the problem of ethical diversity. For an interpretation see Beck 1996.

7 Statistically spoken there is an interaction “context x affiliation”.
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