

AN ANALYSIS OF THE ETHICAL SUBSTRATE'S INFLUENCES ON THE DECISION-MAKING PROCESS IN THE AREA OF ECONOMIC ACTIVITIES

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Rezumat. *Privind economia din perspectiva influențelor exercitate asupra standardelor de viață generale, aprofundând modul de fundamentare al deciziilor în sfera economică, privind elementele ce influențează rezultatele financiare, este esențială analizarea implicațiilor comportamentului etic privind consecințele alegerilor indivizilor și al întreprinderilor. Studiarea evoluției și fundamentelor eticii, ca ramură a filosofiei cu aplicabilitate în aria economică, are ca menire identificarea consecințelor abordării unei conduite etice, în vederea promovării unui mediu de afaceri dominat de certitudine, încredere și stabilitate.*

Abstract. *Approaching economics from the standpoint of the influence that is propagated throughout the domains that determine the standard of life, studying the process of decision-making in the business area, looking at the elements that might change the financial result, it is essential to analyze the implication of ethical behavior regarding the consequences of individual and corporative decisions. Researching the evolution and the basis of ethics, as a philosophical branch with applicability in the economic sphere, has the scope of identifying the outcome regarding having an ethical conduct, in order to promote a business atmosphere characterized by certitude, trust and stability.*

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1. Introduction

Looking at the notion of economics through the lenses of its double meaning, on the one hand, containing the economic activities: the profound implications of them in the global mechanism interconnected through the sectors and fields of work that make human existence and development possible, and on the other hand, the discipline or the branch of knowledge, seen as „the study of the use of scarce resources which have alternative uses”[1], it is undoubtedly that the importance of the economic field is crucial for human cohabitation. After a deep acknowledgment of Thomas Sowell’s definition of economics, an essential concept can be distinguished concerning the manner in which rational human beings are able to live: the capacity and necessity to choose, as an action that is at the base of our dynamic character. Thereby, economics’ capacity to influence human life can be reduced to the totality of choices made by individuals, economic entities and

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sovereign states, through the allocation, for utilization, of the limited resources for the growth of the human standards of living.

Analyzing the link between the importance of economics and human existence, it is essential to exhaustively study the multiple decision-making processes that propagate a strong influence on every dimension of human life, examining in an absolutist perspective, the importance of the ethical substrate with respect to the way in which individuals make decisions: affirming that the economic field exercises a strong influence on the global standards of living and that at the base of economics lies the choices made from the individual level to the governmental one, this paper has the sole purpose of revealing, through the aspect of moral universalism, which claims the exclusive existence of one moral system with universal applicability, the relationship between ethics and economic choices, the way in which the ethical elements behind a choice influences the result of it.

2. Introductory notions about ethics

Ethics represents a branch of philosophy that “involves systematizing, defending, and recommending concepts of right and wrong behavior”[2]. As defined by Professor of Philosophy, Vasile Morar, ethics is “the theoretic discipline which studies predominantly the ideas of Good, Evil, Debt, Justice, or the attitudes, characters, customs, that is the human morality.”[3]. In essence, ethics respond to the questions around human morality by defining the concepts of good and evil, being composed, according to theorists, of three distinct domains[4]: Meta ethics – the study of nature, purpose and meaning of moral judgments; Normative ethics – the study of ethical behavior, namely, the way in which is constituted the ethical conduct, ” concerned with standards for right conduct and moral evaluation”[5]; Applied ethics – “the analysis of phenomena or particular cases”[6], studied through both former domains of ethics.

In Vasile Morar's perspective, it is necessary to establish the distinction between the ethics and morality, in spite of their common etymology: ethics (gr. ethos = character, habit, customs) represents the study of everything that enters the area of values and moral norms, and morality (lat. mores = manners, ways, customs) refers to the human behavior seen through the lens of values, being emphasized the relationship theory (ethics) – the object of theory (morality)[7]. If the main purpose of ethics is defining the notions of good and evil, a second particularity of moral philosophy comprises the fundamentation of value theory. According to ethics, the value indicates an action's degree of importance aiming to determine the most appropriate conduct, as well, it can be defined as the totality of preferences with respect to the most adequate course of action or outcome, reflecting the individual's perception of the notions of good and evil, right and wrong[8]. In the formulation of value theory, there are three distinct types of value[9]: intrinsic value – when the

object has value in itself; extrinsic value – when the object’s value depends upon external factors; instrumental value – when the object gains its value through the consequences that are produced by it.

Other distinctions[10] asociated mostly with the domain of Applied ethics, sugested by Professor Vasile Morar, in order to compose a complete image on ethics, are as it follows: the ethics – feeling distinction, an ethical behaviour implies to apply impersonal standards for actions that have particular consequences, regardless of feelings; the ethics – religion distinction, the repercussions of infringing moral norms is transcending the existance or lack of religios beliefs, noting that at the Meta-ethical degree the religious perspective represents an answer to the ontological question, and the complete separation of religion and ethics enters the realm of moral subjectivism; and the ethics – judicial system distinction, the morality is not limiting itself to legislative norms which express the legislator’s conception that is influenced by the social context, the general level of morality and other external factors which have a large contribution to the formation of the conventional outlook on matters of ethical nature.

3. **Origin and historical evolution**

For a better understanding of the way in which ethics influences the course of human life, both at an individual and global level, it is essential to understand the theories related to the Meta-ethical field, through the examination of moral semantics – representing the signification of moral terms, moral ontology – representing the nature of moral judgments, and moral epistemology – the ways in which moral judgments can be supported and defended.[11] One particularity with profound importance in understanding the historical evolution of ethical thought, and also the implications of the ethical substrate in the decision-making process, is represented by the ontological dimension, in essence, the analysis of the possible sources of normativity through which is outlined the reasoning behind the process of categorizing the human actions in classes of morality and immorality. In the thinking of the theorists, there are emphasized two major possible sources of normativity[12]: morality is either of transcendental nature, independent of human nature, or is a result of human nature, a social construct looked at from the perspective of individual standards. The contrast between the acknowledged sources of normativity is reflected in two antithetical classical theories: ”Divine command theory”, including the voluntarist interpretation – morality is dependent on God’s will, and the doxastic interpretation – morality is dependent on the definition given by God regarding the concepts of good and evil, through His position of ideal moral judge and the characteristics of impartiality, rationality and supreme knowledge; and the “Ethical egoism” which stands up for the promotion of self-interest as a function of moral norms, such that the human actions must be

motivated by the individual's own interest. Through the analysis of the conceptions with respect to the sources of normativity it can be distinguished the universalist and relativist ontological perspectives through which morality could represent either a system of moral principals with universal application, or a multitude of systems of moral principles which apply differently to every person or society.

From a historical standpoint, the incipient phase in the development of ethics could not have happened before the historical period in which appeared the first reflections on the ideal form of living[13], a period in which, the notion acquainted in the contemporary era as ethical principles were transmitted from generation to generation in the form of rules of social conduct, through traditions and customs. Thus, the first stage in the evolution of the concept of ethics can be identified as the birth of moral philosophy together with the introduction and development of the early moral codes: Laws of the Old Testament – The Ten Commandments, Code of Hammurabi, Code of Ur-Nammu. The historical evolution of ethics is marked by a multitude of principles, concepts and distinct theories through which is attempted to define the ideal conduct, an evolution which, according to Professor Alasdair MacIntyre, can be analyzed only by considering the complexity of history, social life, as well as the continuities and discontinuities existent in the history of moral concepts.[14]

4. Theories of normative ethics

Normative ethics[15] represents the study of ethical behavior through the investigation of moral actions, in essence, it deals with the idea of what makes an action correct from a moral standpoint. The theories of normative ethics have the main objective to direct and evaluate human behavior[16], offering a prescriptive, and also, descriptive perspective on human conduct. The formulation of the normative theories is a result of disagreement regarding the modality in which an action or a rule holds a degree of moral power, the answer to this question determines three principle theories: Virtue ethics, Consequentialism and Dentology.

Virtue ethics addresses the subject of morality by positioning virtue, or excellence, in the center of the theory, considering that the decision concerning the right conduct must first take into account the human character: the emphasis falls on the individual's evaluation instead of his actions, so that the moral action is defined in terms of virtue rather than the virtue to be defined by the moral action. Virtue ethics, in its present form, is inspired by the philosophy of Aristotle, which in his work, "Nicomachean Ethics", tries to give his son a series of pieces of advice for a better life, formulating an ethics theory in which the accent of the moral evaluation centers on the human character, virtue and excellence. According to Aristotle, virtue represents the standard that leads the individual to eudaimonia,

meaning human welfare, classifying virtue into: intellectual virtue and moral virtue. Intellectual virtue has the particularity of being able to determine different ways of gaining knowledge, containing: theoretical wisdom and practical wisdom. In the philosopher's view, moral virtue involves activities that lead the individual to wellness, determining him, through practical wisdom, to develop a good judgment in choosing moral actions. Thus, the virtuous man chooses and lives according to virtue, using his practical wisdom in selecting what actions he ought to proceed to do. Aristotle considers that the image that portrays in the most authentic way the ethical man is the image of a harmoniously functioning man, whose aspirations and feelings are not in conflict with the things he knows to be moral.

Consequentialism represents a class of normative theories that affirms that the morality of an action is dependent on the consequences which are produced by the individual's actions, thus, for an action to be considered moral, it must produce a positive outcome. The theory evaluates the ethical character of an action through its capacity, probability or intention to tilt the balance in the favor of the general good more than any other alternative.[17] Utilitarianism, considered a version of Consequentialism, is a theory that has its roots in the ancient philosophy, developed by Jeremy Bentham and improved by John Stuart Mill, having at its base the concept of utility, considering that the main result of ethical behavior must be observed in terms of increasing the existing general good, of all individuals. The notion of utility is composed of two parts: the approach regarding the concept of value – in utilitarian's view, value must be maximized; and the value theory – an accurate definition of what must be maximized and promoted. Bentham, advocate of the hedonist conception of value, considers that an action is right from a moral standpoint when it produces the largest amount of pleasure to a global degree. In formulating the classical utilitarian theory, Bentham defines pleasure as the basic good, with intrinsic value, in opposition to pain, which is the basic bad, affirming that pleasure is a sensation that can be measured through different parameters, therewith, human pleasure can't be differentiated, emphasizing the egalitarian view through which is stated that the pleasure is measured in the same way in every case. As a response to the critics of utilitarian theory, John Stuart Mill articulates the most influential version of the theory, in his work "Utilitarianism", developing meritoriously the aspect of differentiation between the levels of pleasure: "It is better to be a human being dissatisfied than a pig satisfied, better to be Socrates dissatisfied than a fool satisfied", and also the demonstration brought to the principle of utility.[18]

In contrast to the former theories of normativity, Deontology analyses the ethical character of an action through the moral nature of the action itself, by ways of sets of rules and principles, formulating the conception that the action is more important than its consequences.[19] The most known theory belonging to the Deontologic category is represented by the view of Immanuel Kant, which in his

work "Groundwork of the Metaphysics of Morals", in an attempt to demonstrate the implication of pure reason in the sphere of morality[20], develops the ethical conception based on the moral obligation and categorical imperative. Kant rejects any consequentialist implication in his approach to ethics, advocating for the interdependence between the moral permissiveness of the actions and their conformity with the moral law, the categorical imperative, regardless of the positive or negative consequences determined by the actions. As a critic[21] of David Hume's naturalism, Kant meets with resistance the idea that morality is based on feelings instead of reason, as an advocate for the a priori view on morality, prescribing in the investigation of ethical matters the judgment through the lenses of pure ratiom. In defining his theory, Kant makes the differentiation between the categorical and hypothetical imperatives, pointing up the compulsory nature of the categorical imperative which is at the basis of the motivation regarding moral actions. The categorical imperative represents any affirmation that declares an action as being necessary, while the hypothetical imperative is applied when the individual aspires to a certain outcome. Human desires are too unstable and changeable to be able to offer a moral basis, so, man must act in conformity with that principle which can be seen as a universal law, universally applicable for everyone. "Rationality", states Kant, "requires that we act under the idea of freedom, and freedom is government by the moral law, so rationality requires that we regard ourselves as governed by the moral law".[22] Therefore, Kantianism can be described as a theory of normative ethics that advocates that for an action to be considered ethical, the individual must act out of obligation, and what makes the action moral has nothing to do with the consequences of it, but rather with the motivations behind it, with the obedience to the formulated principle by the subject of the action.

After a thorough look at the particularities of the theories of normative ethics, we can take notice of the different approaches on the modalities through which are created various systems of fundamentation and analysis of the ethical character of human actions.

The morality of decisions can result from human virtuosity, from the character of the subject in the position to act, from the consequences and effects on the general good or from the motivation behind the action, by way of respecting or neglecting the moral obligations of the subject.

5. The influences of ethics at the level of economic ideologies

For a better understanding of the hypothesis concerning the influence of the ethics substrate on the results of economic choices, it is necessary to analyze the functioning of the economic mechanisms, the context in which the actions that are

of an economic nature take place, and of the perspective on which are formed the financial relations at the global scale.

Ever since the historical beginning of ethics, economic activities were evaluated in negative terms "both in the Jewish collective mind, and then the Christian, and also in Greek theorizations"[23]. The repellent conception towards trade and usury, as incipient forms of economic activities, was maintained in the course of philosophical and religious thought evolution until the 17th century. According to Professor Vasile Morar, the turning towards economic affairs had taken place in the early modern period, through a dramatic plead to "prosperity virtues" and "entrepreneurial spirit" immediately after the religious reformations that marked the European continent, completed by the "canonization of the new belief" in the year 1776 through the work of Adam Smith. The modification of the conception on economic activities was produced by a series of factors, among which: urbanization, the development and centralization of societies, the growth of the industrial sector, technological advancement, and the development of social structures. Simultaneous with the change of perception, takes place the transition[24] from the European feudal system, characterized by agricultural production of subsistence, to the early forms of capitalism in which are slowly appearing the first groups of capitalists that were activating in the agricultural, commercial and financial fields, and then to the industrialized form of capitalism in which appeared the production of goods and services intended for trade. The ascent of capitalism must be understood from a global perspective, through the main waves of development from the beginning and middle of the 19th century: the first wave takes place under internal pressures, once with the evolution of industrialization in states such as the United Kingdom, Low Countries, United States, France, characterized by a slow pace, under the autonomous control of the middle class; the second wave spread under the external pressures in states as Germany, Japan, Russia, with a rapid pace and the promotion of the governmental implication in the evolution of capitalism. In its developed form, capitalism presents a number of particularities through which is outlined the overview image of its economic organization: the focus of capitalist economies centers on the production of goods and services intended for commercial activities with the purpose of obtaining profit for the companies that own the resources necessary for the whole process; also, the labor which is essential in the process of production is sold by the workers towards the companies that own the factors of production, resulting an employee – employer relationship. The analysis of capitalism determined the emergence of critics towards the new system of economic organization, which prompted the development of Scientific socialism through the contribution of Karl Marx and Friedrich Engels, to which adds up the impactful historical events of the 20th century, altogether influencing the outline of different variants of capitalism: in the perspective of political-economist David Coates[25], the scene of capitalism is illuminated by

three strong spotlights, representing the major intellectual traditions; the first spotlight is representative of the works of Adam Smith and the philosophical thought of John Locke – classical liberalism; the second one makes reference to the works of Karl Marx and Friedrich Engels – Marxism; the third one with its founding fathers – Max Weber, stretching back to Immanuel Kant and John Maynard Keynes, and through him John Stuard Mill – social reformism. Capitalism, marked by the influence of political ideologies, the debates regarding the nature of the economic system and the criticism brought in the course of history, remains the dominant form of economic organization, representing the functioning framework of most economic relations. Accordingly, the whole conception of the ethical standardization of economic activities is linked to the forms of manifestation, the practices and the character of capitalism, in Vasile Morar's vision "business ethics developed a theory, initially starting, from a total critical attack on capitalism and from the motivation of profit"

6. Business ethics

Representing a compounding part of the Applied ethics, Business ethics is defined by different theorists as: "the ethical perspective on the way in which a company or individual understands to do business" – R.T. De George, or as "the study of the modality in which personal moral norms apply in the activities and purposes of the commercial enterprise; not as an isolated moral standard, but as a study of the way in which the business context brings to the moral person, which acts as an agent of this system, his own specific problems" – Laura Nash[26]. Synthesized by Vasile Morar, business ethics is „the study of the situations, and of decisions that take place in the business sphere, in terms of what is morally good or bad". It is evident that at the basis of business ethics, as a fundament of decisions in the context of economic activities, lies the conception of business, solidified by the framework in which the economic interactions take place, through the principles and characteristics of the way of economic organization – capitalism. The particularities of capitalism can be found at every level of business ethics[27], differentiated by Robert Solomon as: micro-ethical level – rules of fair trade between individuals, including the area of rights and obligations, intentions, consequences and individual actions, analyzing the capitalist particularity of selling and purchasing labor force and solving the dilemma of the equitable income. The ethical perspective about wages approaches the problem of fair distribution of resources in the light of common interest, ensuring an income proportional to the employee's contribution to the company's profit, as well as an equivalence between the worker's responsibilities and the proper functioning of the enterprise; macro-ethical level – a study of the nature of the world of business and its functions, addressing questions about the justice, legitimacy and nature of society,

materializing in political and social philosophy. The different variants of capitalism are a result of the various perspectives with respect to the legitimacy of state intervention in market regulations, exercising an influential role in stimulating the behavior of economic agents through the modification of financial policies that can produce the distortion of ethical standards. As can be observed from the analysis of the 2008 Financial Crisis[28], financial policies stimulated imprudent behavior, propagating an inadequate attitude toward risk and probable loss. Among the regulations that influenced the 2008 Crisis are: loose monetary policy – since 2001, the Federal Reserve seemed to send a message that in case of a market crash, the economic agents would be supported; low-interest rates – stimulated the access to unsustainable borrowing; the moral hazard – deposit insurance schemes, the compensation by others for bad decision-making, protecting the individuals from the consequences of uncalculated risk; and the tax policy, including regulations for long-term investments. Through the excessive state intervention which determines incentives for imprudent decisions, achieving the stability of general interests through the individual interests of economic agents is difficult to realize, considering that it takes place a confrontation between the economic stimulus generated by governmental regulations and the ethical dilemmas, it results in a situation in which individuals act against their instincts attracted by the perceived incentives. The difficulty in ethical decision-making is also determined by the distortion of the price mechanism as a result of state intervention, through which the market signals become difficult to perceive, and discerning the ethical aspect of a decision becomes a tough task for the economic agents; molar level of business ethics – the study of the basic unit of trade and exchange, more exactly, of the corporation, analyzing its role in society and the elements that make possible the functioning of the enterprise. The essential particularity of capitalist corporations is represented by the obtaining of profit through the production and selling of goods and services, raising a strongly debated ethical problem. In Robert Solomon's view[29], the purpose of a business is to obtain profit, but this takes place simultaneously with the supply of goods and services of high quality, providing income for locals and adapting to the community's needs. The profit is neither the end nor the sole purpose of businesses, being seen as a means of growth, reinvestment and compensation for the assumed risk. The study of ethical behavior in the area of profit must be realized through the recognition of the internal and external influences and pressures: according to Vasile Morar[30], the idea of optimum profit involves considering all factors – economic and non-economic, perceiving the individual not only from the standpoint of homo oeconomicus, but also as zoom politikon, homo sapiens and homo moralis. It is undeniable that profit represents an essential element to the functioning and development of any corporation, generating incentives to both the moral and immoral sphere, having the capacity to increase the wellness of a community when it is managed through

ethical behavior, or to intensify the destructive features of human nature. According to specialists in the corporate field, the collapse, bankruptcy and moral failure[31] of Enron Corporation was mostly due to the unethical practices at the executive level. The conduct was marked by a lack of morality, with emphasis on the greed for obtaining profits manifested through the fraudulent practice of hiding the company's debt in order to influence the price of stocks, avoiding federal taxes, contributing to the energy crisis through the manipulation of prices, bribing, influencing federal policies on energy and portraying a deceptive financial situation. The case study on the financial and moral bankruptcy of Enron contributes to a better understanding of the subject of ethics, its importance in decision-making processes, and of the relationship between ethical behavior and financial results at the individual and corporate level.

Conclusions

The economic field is dominated by many principles meant to produce a complete understanding of the phenomena that influence the lives of individuals, with respect to the progress through which the general standard of living is meant to increase. However, pure economic solutions regarding decisions that are necessary for the functioning of economic activities tend to advantage some human categories, determining a call for ethical theories in managing situations that influence the general well-being of society. Also, the link between ethical behavior, decision-making processes and economic results, offers a distinct way of managing enterprises, through ethical solutions for problems that on the surface point to economic matters. Assuming ethical behavior in economic interactions represents an individual responsibility of all economic actors, bearing in mind that promoting the principles of morality in the sphere of business could have major consequences on the market's stability, contributing to the formation of an ethical economic environment.

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