

## The Institutional Foundation of Development Ethics

*John Marangos and Nikos Astroulakis*

**Abstract:** The aim of the paper is to investigate the relationship between institutions and development ethics. In a value context, the center of the discussion between institutions and development ethics is based on confronting ethics as “means of the means,” which implies that ethics is not only concerned with the ends of human action but also enters into the value dynamisms of the instruments utilized by development agents in achieving these ends: the means. A common acceptable definition of development ethics is the ethical reflection of the ends and means for any purposeful social-economic activity toward development. Institutions are the social cement that condition and enhance the roles agents play in economic life. We argue that development ethics and institutions are entwined: development ethics influence institutions and institutions influence development ethics.

**Keywords:** development, ethics, institutions, normative economics, technology

**JEL Classification Codes:** B00, B52, O30

Ethics have always been a controversial issue for economics, even more so for development. Ethics is related with both ends and means of human action. Ethics is not only concerned with the ends of human activity but also enters into the value dynamisms of the instruments utilized by development agents in achieving these ends: the means (Goulet, 1995, 24-27). In particular, development ethics is the ethical reflection of the ends and means for any purposeful social-economic activity toward development. Meanwhile, institutions are the social cement that condition and enhance the roles agents play in economic life. We should recall that “not all powerful rules or institutions are decreed in law” (Hodgson 2006, 12). We argue that there is a mutual association between ethical development and institutions; if ignored, as history demonstrates, as in cases of colonization for example, the consequences are catastrophic for the welfare of the people. Nevertheless, there is an apparent vacuum

---

*John Marangos is an Associate Professor in the Department of Economics at the University of Crete and Nikos Astroulakis is a doctoral candidate in the Department of Economics at the University of Crete. The authors want to express their gratitude to Asimina Christoforou for her valuable comments and suggestions that significantly improved the quality of the paper. This paper was presented at the Annual Meeting of the Association for Evolutionary Economics in San Francisco, CA, January 3-5, 2009.*

in the literature regarding the institutional foundation of development ethics. Hence, the purpose of the paper is to discover the association between institutions and development ethics. To our knowledge, no such exploration has been attempted before. Students of international development and institutional economics would benefit from this novel approach to development by revealing not just the institutional foundation of development but rather the institutional foundation of *ethical* development. Instead of Street's (1987, 1862) statement that only "good theory makes for better solutions," we propose that ethical theory makes for even better solutions. The paper is structured as follows: section two outlines the goals and strategic principles of development ethics; section three presents the link between ethical development, institutions and technology; and section four is the conclusion.

### ***Development Ethics***

Development ethics attempts to fill the gap in the ethical study of development in a macro, holistic, normative and practical manner. According to Nigel Dower, former president of the International Development Ethics Association (IDEA),<sup>1</sup> "[i]nternational development ethics is the ethical reflection on the ends and means of local, national and global development" (Dower n.d.). From the same perspective, Crocker (1991; 1998) defines development ethics as an ethical deliberation on the ends and means of socioeconomic change in poor countries and regions and focuses mainly on the element of poverty and the division between rich and poor countries – North and South – on the basis of moral issues. Development ethics combine tasks and methodological instruments from a variety of scientific fields such as economics, political science, religious studies, anthropology, environmental studies, ecology and others. Thereby it can be labeled as a multidisciplinary area of study, or as Gasper (2006, 18) prefers, as an "interdisciplinary meeting place." Goulet (1997, 1168) describes development ethics as a kind of "disciplined eclecticism," as he argues "eclectic in its choice of subject matter but disciplined in its study of it."

For development ethicists, development is perceived as a good that should subordinate to the meaning of the "good life," which is fundamentally determined by a set of universally accepted ethical values. Accordingly, there are three common acceptable universal values, namely, 1) *life-sustenance*, 2) *esteem*, and 3) *freedom* that all societies ought to incorporate within a value based frame of the "good life" (Goulet 1975; 1995):

1) *Life-sustenance* refers to the nurture of life. Goulet (1975, 88) points out that "one of development's most important goals is to prolong men's [sic] lives and render those men [sic] less 'stunted' by disease, extreme exposure to nature's elements, and defenselessness against enemies." The importance of life sustaining goods (e.g., food, shelter, healing or medicine) is generally acknowledged by all societies (Goulet, 1975, 87-88; 1995, 41-43). Because of life-sustenance as a value of universal significance, life-sustaining indices are also used as a measurement of development.

2) *Esteem* is a universally accepted value due to the fact that all human beings in all societies feel the necessity for respect, dignity, honor and recognition. According to

Goulet (1975, 89-90) the issue is that the more the material prosperity becomes the center task of the development, the greater the subordination of esteem is to material affluence. The reaction of a society to the aforementioned material approach to development and its need for esteem can guide a society to opposite directions, either toward or a resistance to a westernized type of development. In the first case, society attempts to receive esteem via a materially designated development, while in the latter, society endeavors to protect its profound esteem from inward development. For Goulet (1975, 89-90), both acts seek to gain esteem, therefore, esteem is a universal goal whether westernized type of development is accepted or not.

3) *Freedom* is valued as a component of the “good life” (Goulet, 1975, 90-95). For development ethicists, development ought to free humans from all servitudes (to others, to nature, to ignorance, to institutions, to beliefs) in order to govern themselves and determine their destiny. The debate lies again between freedom and material well-being. In a consumerist society it can be accepted that the degree of freedom rises by material expansion, and thus constitutes an increase of well-being. On the other hand, in traditional societies, their ethical values may encourage people to adopt a completely different position over needs and wants. In some traditions, freedom is derived from the minimization of people’s desires. Usually, these societies avoid development in terms of material expansion. In any case, “the point is that freedom is valued both by those who pursue development and by those who reject it” (Goulet 1995, 47).

To achieve the aforementioned goals of development, three strategic principles must be fulfilled. For development ethics, these principles are inferred as normative judgments that provide both the notional and practical framework under which development goals should be determined and policy recommendations formulated (Goulet 1975; 1995):

1) The *abundance of goods* in a sense that people need to have “enough” goods so as to have a “good life.” The hyper-consumption manner of life in “developed” nations has distorted the way that the “good life” is perceived: “having more” (material goods, wealth) leads to the notion of “being more” (successful, attractive, valuable) (Fromm 1999; 2005). Development ethicists stand against this perception. However, it is argued that people need to have “enough” goods in order to be human. The *abundance of goods* must be investigated under the notion of a humanistic approach on how much is “enough” in order for people to have a “good life.” There is no absolute answer to the previous question. Nevertheless, it is widely accepted that underdevelopment (poverty, misery, diseases, mass famine etc.) diminishes humanity. Thereby, “enough” should be, at the minimum, all goods that lead to the satisfaction of biological needs, in addition to freeing part of human energy toward a wider range of life aspects beyond satisfying first order needs.

2) *Universal solidarity*. It concerns an ontological and philosophical issue. It can be distinguished in three points. First, for all people, beyond differences in nationality, race, culture, status, etc., a common “human-ness” is present. Second, the earth as a cosmic body is governed by identical physical laws and all people occupy and reside on this planet. In spite of differences in geography or climate, all humans

are linked directly or indirectly with other people due to the fact of cohabitation in this cosmic world. The third component of universal solidarity is derived by the unity to destiny in a sense that “[a]ll philosophies and systems of thought postulate, at least implicitly, a common destiny for humans: the fate of one is the fate of all” (Goulet 1995, 64). Development ethicists draw significant attention to the need for realization of universal solidarity from societies and individuals.

3) *Participation*. Theories of participation possess an important aspect in development. In general, the elite theory (Burnham 1960; Putnam 1977; Bottomore 1993) claims that decision making in a society is a “job” for specialists in each particular field of life. Decision making by the elite stratum, in a certain extent, is based on the argument of “competence” of experts that leads to an alleged efficiency within a society. For development ethics “[p]articipation is best conceptualized as a kind of moral incentive enabling hitherto excluded non-elites to negotiate new packages of material incentives benefiting them” (Goulet 1995, 97). Development ethicists insist that non-elite participation in decision-making enables people to be mobilized and gives them control over their social destiny.

### ***Development Ethics and Institutions***

The established institutions – both formal and informal, developed as a result of a time-consuming process – incorporate what is perceived as ethical behavior. As institutions are “systems of established and prevalent social rules that structure social interactions,” they create stable expectations of the behavior of others by both constraining and enabling behavior (Hodgson 2006, 2), in an ethical way. Human action is guided by habits of thought rather than material interests (Milonakis and Fine 2009, 164). Repeated, conditional, rule-like behavior acquires normative weight as people accept the customary as morally ethical. Once we see the effects of institutions on individuals, as well as the effects on individuals upon institutions, institutions become entwined (Hodgson 2006, 21). For Thorstein Veblen and John R. Commons, institutions are perceived as a special structure with the potential to change purposes and preferences of agents, not only to restrict agents (Hodgson 2006, 2).

Ethics rope into institutions by taking the form of a rule: a socially transmitted and customary normative injunction or immanently normative ethical disposition (Hodgson 2006, 3). Institutional economists argue that institutions work only because the rules involved are embedded in shared habits of thought and behavior (Hodgson 2006, 6). Habits are constitutive material of institutions, providing them with enhanced durability, power, and normative and ethical authority. In turn, by reproducing shared habits of thought, institutions create strong mechanisms of conformism, normative and ethical agreement (Hodgson 2006, 7). Thus, ethics penetrate the institutional structure but also are manipulated through the interplay of behavior, habit, emotion, and rationalization which explicates the normative and ethical power of custom in society (Hodgson 2006, 7). By structuring, constraining, and enabling individual behaviors, institutions have the power to alter capacities and

behavior of agents (Hodgson 2006, 7) in a fundamental “ethical” way. Commons and Veblen argued behavioral habit and institutional structure are mutually entwined and mutually reinforcing (Hodgson 2006, 8). In sum, seeing the effects of ethics on and by institutions upon individuals and vice-versa, ethics, institutions and individual behavior become entwined.

Investigating the relationship between development ethics and institutions, ethics appears to be strongly associated with societal conditions in conjunction with institutions. According to the ancient Greek philosopher Aristotle (384-322 B.C) in *Nicomachean Ethics* and in *Politics*, ethics are closely related to the political and social life of a state. For Aristotle “eudaimonia,” synonymous of happiness, is the requisite for both ethics and politics. The term politics is associated with not only the “political” but also to “social” affairs of a state. Ethics determine the meaning of a “good life” investigating what is good and acceptable in human actions, and politics deals with institutions within society that lead people to a virtuous life. The question over the connection between ethics and social rules is discussed in moral philosophy, and most moral theorists argue that ethics is concerned with the customs, norms, rules and institutions within society (Brennan 1973).

On the other hand, in the field of economics, development under a mainstream neoclassical standpoint was viewed as a straightforward economic issue, that of economic growth. Ethical inquiries on the concept of development were received more as an affair for philosophers and humanists rather than economists. Regarding the debate within ethics and economics, Robbins ([1932] 1945, 148), expressing the neoclassical vein that perceives economics as a science that takes place after the elucidation of moral and ethical propositions, asserts that “[u]nfortunately it does not seem logically possible to associate the two studies in any form but mere juxtaposition. Economics deal with ascertainable facts; ethics with valuations and obligations. The two fields of enquiry are not on the same plane of discourse.”

The insight that ethics inherently enters into social affairs, economic matters and institutions, and the perception that there is an obligation for an ethical justification of economic issues, such as development, begins with the rise of a humanistic approach in economics during the late 1950s. Development ethicists such as French economist Louis Joseph Lebrét and his student American Denis Goulet argued that development should be perceived “as the basic question of values and the creation of a new civilization” (Lebrét cited in Goulet 1995, 6). To this vein, development ethicists, as well as institutionalists, do not hesitate to make explicit normative-ethical judgments, in contrast to the dominant neoclassical economic doctrine, which explicitly uses positivism to avoid value judgments. Institutionalists and development ethicists commonly adopt a critical stand over consolidated values, norms and institutions that exist in the society.

In contrast to the narrow neoclassical conception of development as economic growth in terms of material expansion, development is a process of social change not merely the mechanical addition of a stock of physical capital. For development ethics, development consists conjointly of many different aspects, as development is “simultaneously and inextricably an economic and political matter, a social and

cultural one, an issue of resource and environmental management, a question of civilization” (Goulet 1995, 2). Correspondingly, institutionalists oppose the dominant neoclassical economic doctrine that substitutes evolutionary conception of economic processes for the mechanistic equilibrium system ruled by market forces (Street 1987, 1874). The economic system, for the institutionalists, is conceived as “a cultural process or going concern, rather than a mechanism or equilibrium of stable economic relations” (Gruchy 1947, 557-58). Similarly, development is conceived as a complex cultural process rather than a stable system of counterbalancing forces regulated by a self-adjusting market mechanism (Street 1987, 1861). Also, development ethicists alongside institutionalists ascertain that the study of development requires an interdisciplinary approach. “Development theory has consequently acquired the task of taking into account these new and more complex forms of independence, interpreting their causes, and suggesting remedies” (Street 1987, 1862). Hence, the approach to development can only be interdisciplinary, incorporating anthropology, history, politics, and sociology, as well as economics, for the understanding of the complex cultural process of development (Street 1987, 1880).

Ethics incorporates “the value dynamisms of the instruments utilized by development agents” and thus should be perceived as “means of the means” (Goulet 1988, 157). Interfering within political and economic matters, namely economic development and social change, ethical justifications should not only evaluate the ends of any particular course of social actions but also the means, economic choices and technical methods for instance, which have been used in order to attain those ends. In this way, ethics and institutions penetrate into the value context and meaning of any social action. At the end of the day, the whole development enterprise has to be critically subjected to ethical considerations. It is clear that forms of social planning that institutionalists have long advocated are consistent with the goals (life sustenance, esteem, and freedom) and the strategic principles (abundance of goods, universal solidarity, and participation) stipulated by development ethicists.

The role of technology as a necessary ingredient-stimulus of development has long been accepted as an ultimate truth, even by some institutionalists. Street (1987, 1861) argued that “while technology has universal adaptability, institutions are culture specific.” Based on this perspective, there is a conflict between the emerging technology and the social institutions and ethical perspectives that have a propensity to preserve existing power relationships that restrain further technical progress and development. The forces inhibiting social progress and development are rooted in institutional-ceremonial cultures and patterns of behavior that can actually be obstructive in achieving development. According to Street (1987, 1862), the goal is to eliminate bottlenecks to development by reconstructing social institutions to facilitate technological improvements. Innovative behavior contests customary and habitual behavior, which is bound to the past (Street 1987, 1866). This line of thought reflects Ayres ([1944] 1962) interpretation of Veblen’s writings as technologically-deterministic, where technological improvements are the sole agent and foremost dynamic factor of social change and development, while the existing institutional pattern resists change. In other words, the institutions reflecting normative-ethical

behavior in society are anachronistic defying progress. Even so, if development by the adoption of new technology requires the destruction of “anachronistic” institutions, will the outcome be ethical? This approach ignores the social and institutional basis of technological development, the “human factor” (Milonakis and Fine 2009, 165) and the normative-ethical basis of institutions. While there would always be some degree of institutional inertia, technology being humanly produced is both institution-bound and itself an institution and as a result the set of possible rules can be enlarged by technological developments (Hodgson 2006, 3; Inkster 1988, 1243-5). Both the economic and the non-economic impacts of large-scale institutional change destroy the normative-ethical basis of society, resulting in “maximal dislocation” of the institutional fabric of society (Bush 2001, 523). The experience of transition economies demonstrate that large-scale institutional change produced a substantial reduction in living standards for the majority of the people together with the erosion of the normative-ethical institutionally produced behavior generating speculation, crime and corruption.

### **Conclusion**

According to development ethics, development is not received uncritically. Development is accepted only if it can supply meaning to people’s lives, tested under the philosophical questions of “what is good life,” “what are the foundations of justice in society,” and “what stance should human groups adopt towards nature.” Under the aforementioned clear association between development ethics and institutions, on the one hand, institutions should work for the achievement of the universal goals of ethical development for life-sustenance, esteem and freedom through the strategies of abundance of goods, universal solidarity, and participation. On the other hand, ethical development should not involve large-scale institutional change. Ethical development should adhere and respect the established institutional structure with the goal of initiating a “minimal dislocation” of the institutional fabric of the society. Whilst this would involve costs and benefits, the impact would be quite diverse by ignoring-destroying rules or by “. . . following a rule simply because it is convenient to do so” instead of “following a rule because of a normative belief” (Hodgson 2006, 14). Development ethics and institutions are thus entwined: development ethics influence institutions and institutions influence development ethics.

### **Note**

1. The International Development Ethics Association (IDEA) is a unique international, cross-cultural, and interdisciplinary group of philosophers, development and environmental theorists, and practitioners. It was initiated in Costa Rica in 1984 (IDEA Website).

### References

- Aristotle. *Nicomachean Ethics*. Mineola, NY: Dover Publications.
- . *Politics* 1, 2, 3. Athens, Greece: Kaktos Publications (in Greek).
- Ayres, C.L. *The Theory of Economic Progress*. New York: Schocken Books Inc., [1944] 1962.
- Bottomore, Thomas. *Elites and Society*, 2nd Edition. London: Routledge, 1993.
- Brennan G. J. *Ethics and Morals*. New York: Harper and Row, 1973.
- Burnham, James. *The Managerial Revolution*. Bloomington: Indiana University Press, 1960.
- Bush, Paul. "Minimal Dislocation." In the *Encyclopedia of Political Economy*, edited by Philip A. O'Hara, pp. 736-37. London and New York: Routledge, 2001.
- Clark, A. D. "Development Ethics: A Research Agenda." *International Journal of Social Economics* 29, 11 (2002): 830-848.
- Crocker, A. D. "Toward Development Ethics." *World Development* 19, 5 (1991): 457-483.
- . "Development Ethics." In the *Routledge Encyclopedia of Philosophy*, edited by Edward Craig, pp. 39-44. London: Routledge, 1998.
- Dower, Nigel. "What is Development Ethics." [http://development-ethics.org/what\\_is](http://development-ethics.org/what_is) Accessed 1/27/09.
- Fromm, Erich. *Man for Himself*. London and New York: Routledge, 1999.
- . *To Have or to Be*. London: Continuum International Publishing Group, 2005.
- Gasper, Des. "Introduction: Working in Development Ethics - a tribute to Denis Goulet." *Éthique et économique/Ethics and Economics* 4, 2 (2006): 1-24.
- Goulet, Denis. *The Cruel Choice: A New Concept in the Theory of Development*. New York: Atheneum, [1971] 1975.
- . "Tasks and Methods in Development Ethics." *Cross Currents* 38, 2 (1988): 146-163.
- . *Development Ethics: A Guide to Theory and Practice*. New York: The Apex Press; and London: Zed, 1995.
- . "Development Ethics: A New Discipline." *International Journal of Social Economics* 24, 11 (1997): 1160-1171.
- Gruchy, A.G. *Modern Economic Thought: The American Contribution*. New York: Prentice-Hall, 1947.
- Hodgson, G.M. "What are Institutions?" *Journal of Economic Issues* 40, 1 (2006): 1-25.
- IDEA Website, "History of IDEA." Retrieved (2008), from <http://www.development-ethics.org/history>.
- Inkster, Ian. "The Institutionalist Theory of Economic Development, Technological Progress and Social Change: A Comment on James H. Street." *Journal of Economic Issues* 22, 4 (1988): 1243-47.
- Milonakis Dimitris and Ben Fine. *From Political Economy to Economics. Method, the Social and the Historical in the Evolution of Economic Theory*. Abingdon: Routledge, 2009.
- Putnam, R. D. "Elite Transformation in Advance Industrial Societies: An Empirical Assessment of the Theory of Technocracy." *Comparative Political Studies* 10, 3 (1977): 383-411.
- Robbins, Lionel. *An Essay on the Nature and Significance of Economic Science*. London: Macmillan and Co., Limited, [1932] 1945.
- Street, James H. "The Institutionalist Theory of Economic Development." *Journal of Economic Issues* 21, 4 (1987): 1861-87.