
A NEW PARADIGM OF ECONOMICS THAT TAKES WEALTH CREATION AND HUMAN RIGHTS SERIOUSLY

以财富创造与人权为重心的 经济学新范式

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In search of a new paradigm of economics I submit three heuristic proposals which can bring some clarity and guidance to this difficult undertaking. First, we may focus on the fundamental question of the purpose of business and the economy. Second, we place this question into the global and pluralistic context. And third, we clarify the components of which any economic system consists.

The Purpose of Business and the Economy

The question of the purpose of business and the economy is an old question in the history of economics and has gained new urgency with the problem of climate change and the Covid-19 crisis. What actually is their purpose? And what should their purpose be? Is it just about making money? Or about providing goods and services? Maximizing profit or shareholder value? Adding value (meaning monetary or material values)? Should their purpose be to serve multiple stakeholders? To build communities? To gain political influence? To preserve the environment? To advance the common good?

Given the fact that economics in the national and international context is becoming ever more powerful (manifested in the “economization” of society and expanding to “geo-economics”), the question of the purpose of business and the economy can hardly be ignored or repressed. Indeed, the discussion of this question is urgently needed. I suggest defining their purpose as creating wealth in a comprehensive sense, which I will briefly explain later on.

The Global and Pluralistic Context

After the Second World War economic activities have become increasingly interconnected across national borders. The end of the Cold War has accelerated this process and the Covid-19 crisis has revealed dramatically how interdependent national economies actually are. The question then arises what ethical values and norms are necessary to prevent global chaos and regulate economic activities towards a sustainable future. However, there exists an enormous plurality of ethical values and norms, which often conflict and exclude each other. Is there a common ethical ground that can provide this needed guidance?

Value-free economics abstains from answering this question. It only deals with questions how given ends can best be achieved by choosing appropriate means, that is, the “engineering” approach to economics according to Amartya Sen (1987). In contrast, the “ethics-related” approach includes human motivation and the judgment of social achievements, which are based on ethical values and norms. So various initiatives have undertaken to determine a common ethical ground for economic activities worldwide, for example, the *United Nations Global Compact* (2000), the *Manifesto for a Global Economic Ethic* (see Enderle 2018c) and the *Interfaith Declaration of International Business Ethics* (see Enderle 2018b). I suggest

defining the common ethical ground as the 30 internationally recognized human rights in line with the *United Nations Guiding Principles on Business and Human Rights* (UN 2011) – to be briefly explained later on.

Three Components of Any Economic System

When searching for a new paradigm of economics, it is important to clarify the components of which any economic system consists. Does it suffice to define the system with only one criterion, for example, “capital” for capitalism or “market” for market economy? According to Jürgen Kromphardt (1991), three components are essential, defined with the following criteria: (1) Criteria of ownership and rights of disposal (for example, capital): Who participates in the economic processes of planning, decision-making and controlling with regard to production, distribution and consumption? (2) Criteria of information and coordination (for example, market): With the help of what information systems are individual decisions coordinated? And (3) criteria of motivation (for example, self-interest): What objectives do various decision-makers pursue and how do they behave in carrying out their decisions? (See Enderle 2018a)

These three components are relevant at all levels of action: the micro- or individual level, the meso- or organizational and the macro- or systemic level. This widely accepted distinction in business ethics circles helps to identify conflictual and harmonious relations between different actors. Therefore, I suggest structuring the realm of economics in this way.

In my book *Corporate Responsibility for Wealth Creation and Human Rights* (2020) I attempt to explain, in great detail, the comprehensive conception of wealth creation and the guiding principles on business and human rights and apply them to “corporate responsibility,” that is the ethics of business

enterprises. However, given the limited scope of this paper, I can here outline only a few important points.

Wealth Creation – the Purpose of Business and the Economy

The comprehensive conception of wealth creation includes seven features. The first feature defines the substantive contents of wealth with *four types of capital*:

- (1) Natural capital: non-renewable natural assets: oil, gas, copper and all the other minerals; conditionally-renewable natural assets: fish and trees reproducing themselves; natural liabilities: carbon dioxide (CO₂) and other chemicals.
- (2) Economic capital: physical capital: machinery, equipment and structures as well as urban land; and financial capital: any asset for which a counterpart liability exists somewhere on the part of another institutional unit ... [as well as] gold reserves ... though they have no corresponding liability.
- (3) Human capital: the knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being (“educated people”); a state of complete physical, social and mental well-being, and not merely the absence of disease or infirmity (“healthy people”).
- (4) Social capital: connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them.

The second feature consists of *two forms* of capital, meaning *formal* as distinct from substantive aspects of capital: private and public wealth. So, for example, the wealth of a nation is a combination of private and public wealth. Examples of public wealth are a fair and effective rule of law, a relatively corruption-free

business environment and the stability of the financial system. Examples of negative public wealth are climate change (global warming), air and water pollution, discrimination by gender, race and ethnicity, conflict-stricken areas. The combination of private and public wealth has far-reaching implications. Markets are powerful for producing wealth, but they fail to generate public wealth. Moreover, motivations for public wealth need to be other-regarding, and not only self-regarding.

The remaining features conceive of wealth creation are, third, it is a process with both a productive and a distributive dimension; fourth, involving material and spiritual aspects; fifth, being sustainable in terms of human capabilities; sixth, making something new and better; and, seventh, needing self-regarding and other-regarding motivations.

Human Rights as Public Goods in Wealth Creation

At stake are the 30 internationally recognized human rights, which form the basis of the *United Nations Guiding Principles on Business and Human Rights* (UN 2011) and are incorporated in the Universal Declaration of Human Rights (1948), the International Covenant on Economic, Social and Cultural Rights (1976), the International Covenant on Civil and Political Rights (1976) and the International Labour Organization’s core conventions (1948, 1949, 1957, 1958, 1999).

This set of human rights has found an unparalleled and relatively strong worldwide consensus, although it is not undisputed and falls far behind full implementation. It constitutes minimal ethical requirements that stand the test of ethical reasoning and leave room for a wide diversity of ethical values and norms. It has been adopted by numerous national legislatures and implemented by many business enterprises. Human rights are understood as public goods,

which need collective actors and other-regarding motivations in order to be established and secured. While cost-benefit analysis in the sense of rational choice theory does not apply to human rights, cost-benefit considerations about human rights as goals, means and constraints can be meaningful.

These are a few important points, which offer an answer to the question of the purpose of business and the economy in the global and pluralistic context. How this answer applies to corporate responsibility is explained in my book (Enderle 2020).



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