

# Ethics and Economics: an Internal Relation

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## **Section 1: Paper 1**

### **Ethics and Economics: an Internal Relation**

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**Abstract:** The relationship between ethics and economics in the modern age is typically viewed as external. This view is usually articulated in the notion that for economic relations to be ethical, an ethic must be imposed. Otherwise, economic relations are amoral. I try to show how the relationship is actually best explained by adopting an explanatory framework of inter-dependent arising, according to which the emergence and development of both ethical and economic relations is a matter of mutual determination. Ethical values emerge in the course of developing economic relations and, in turn, direct or at least implicate economic relations. The consequences of such a view, however, are that exchange values inform moral concepts (e.g., of what is morally owed to members of a community) and moral concepts help frame economic ones. I offer an argument that starts with a description of an historical relationship between two disparate cultures (English and Iroquoian). The interactions between these cultures were determined initially by trade and then military interests. These interests eventually underwent pressure to evolve into legal and even religiously informed arrangements that necessarily involved certain moral values. Using a presupposition analysis, I show how this evolution was no accident and did not depend on some agent(s) imposing the moral values onto the relationship. Rather, those values arose as a matter of course. In conclusion, the paper advances the idea that, since the relationship between ethics and economics is internal, the ethics of economic relations needs to be formulated more in terms of understanding what economic relations are fundamentally designed to achieve.

Does an attempt to re-embed ethics and economics make sense? If so, what approach makes most sense? In an age that is attempting and seemingly failing to re-attach disciplines, practices, modes of understanding, sectors, all of which have been rendered apart by powerful force--including those that demand a separation between church and state, fact and value--the task may seem futile. Detachment, insularity, isolation, separation and specialized study are today's norm, despite the many calls to develop holistic views of life and integrated approaches to knowledge acquisition or managing human affairs. The reason for this is that the forces and related values which render apart remain deeply entrenched in our modern ways of thinking; the attraction of

modern values—clarity, precision, efficiency individuality, privacy, independence, and autonomy—support and contribute to the reasons for demanding a disembedding (detaching) of economics and ethics. Further, it is not difficult to generate mistrust of holistic and integrated approaches (e.g., via accusations of fuzziness and fascistic intent [see Marietta]). Any attempt at re-embedding ethics and economics, then, needs to take these values into consideration if it is to enjoy any purchase on the contemporary moral and economic imagination.

This essay, in the first instance, is an attempt to show how ethics and economics are in fact mutually embedded, despite all our reasons for thinking they are not and ought not be. The primary aim is to challenge certain core beliefs about the nature of both economics and ethics. A second aim is to show how the notion of inter-dependent arising best describes the emerging of the relationship. If successful, it will tell us that the first task of economists and ethicists is to re-conceive their relationship, with the aim of correcting distorted conceptions of the fundamental relationship, without ignoring the forces that militate against this corrective.

What I am not doing is showing how economics actually needs ethics or how economists ought to pay attention to ethics. I am also not saying that giving economic advice presupposes some ethical belief about what is right or proper or that economists unwittingly assume some ethical values when conducting their economic analyses. Several authors (see, for example, Daniel Hausman and Michael McPherson, “Taking ethics Seriously: Economics and Contemporary Moral Philosophy,” *Journal of Economic Literature*, 31 (June 1993), 671-731) examine the relationship in this way. Such works approach the issue in an attempt to show how these two seemingly disparate topics of

study or distinct social arenas must, for practical reasons, be thought together. The strategy is to show how certain moral values and principles are actually presupposed by economists who decry the importance of ethics in economic analysis. When done to certain ends, such as advancing policy recommendations or advancing Pareto optimality as an economic principle (or any economic principle), certain moral values are presupposed. At one point, Hausman and McPherson, after surveying a variety of moral theories, describe how moral theory can advance economic analysis, by showing where possible conflicts lie between assumptions and principles and how hidden implications can be drawn out (713). This type of analysis, as valuable and suggestive as it is, however, retains the assumption that economics and ethics are externally related, such that, if not for practical reasons, there would be no grounds for relating them. My concern is to show how economics and ethics are, in fact, internally related, such that each of these spheres of social life could not be what it is without the other.

It is an ontological argument of sorts. Most philosophical arguments that attempt to bring disparate elements into a unity by using Hausman/McPherson presupposition arguments, focus on how one form of analysis (especially economics) requires the other in order to get off the ground, so to speak. That is, in order for an economic principle or theory technically construed to have any purchase, say on policy makers, or even themselves, economic theorists must appeal to some set of moral values (such as “the best way to way to satisfy individual preferences”) to give weight to their economic analyses or prescriptions. It remains arguable that this view retains the assumption that economics and ethics are externally related, and that bringing them together is mediated by some third concern, such as policy making. My argument, like that of Hausman and

McPherson, also utilizes a sort of presupposition analysis, in an attempt to show that even without practical pressures to think them together, the two arenas of analysis are intimately connected.

The separation of ethics and economics might be said to have had its greatest impetus during the modern era. David Hume's disclosure of the fact/value distinction (resulting in the view that economics deals with facts, while ethics deals with values) and related separations (church/state/, reason/faith, description/prescription) have influenced the detaching of ethics conceived as a normative discipline and economics conceived as a descriptive, scientific discipline. This, in turn, has defined the relationship of ethics and economics as an external one. The great achievements of Modernity--the protection of the individual from arbitrary state and church rule, the protection of the private sphere, the wealth generated by free enterprise and freeing of governance structures, etc.--became powerful reasons to accept this radical separation. The separation has helped diminish oppressiveness, given more people more freedom to acquire, enabled greater social mobility and power to choose destinies. Fundamental to this kind of freedom is the ability to assign or confer value on anything in any way one chooses, since one's values are matters of the private sphere. The connection between this kind of freedom and the free-enterprise market economy is close. Allowing the market to regulate itself without impositional moralistic interference connects powerfully to the human desire for autonomy and privacy. Since it is difficult to imagine people wanting to abandon these freedoms and values, proposing a re-embedding of economics and ethics can seem a major step backwards into more oppressive times. For this reason, it would appear, proponents of re-uniting economics and ethics tread a careful path not to argue for a

particular set of moral values to be adopted by economists. Their focus, rather, is on exposing the extent to which ethical presuppositions are involved in economic analysis. The practical import of recognizing these values would be to argue that, once disclosed, the array of presupposed and perhaps new values would then be explicitly raised in decision-making and negotiation processes. By way of contrast, I focus on the conceptual reasons for separating the two spheres (the Humean challenge) and the normative reasons (the liberal challenge) in an attempt to show how the separation, however powerful the reasons for it, rests on a fundamental error.

I will mostly focus on a particular mistake: the ignoring of evolutionary and developmental factors in the economics/ethics relationship. The question, “Was the emergence of ethical factors external to the economic development, or was it internal?”, focuses attention on the process whereby proto-economic relations came to be shaped and even governed by moral concepts and principles. By examining how these concepts and principles came to be relevant, it is possible to determine whether they were imposed, or emerged as a matter of course.

I begin with an examination of an economic relationship, which is readily assumed to have been based purely on utility, both by historians and the parties originally involved. The starting point for the analysis, then, is clear and non-question-begging, because it begins with a description of a proto-economic relationship that is purely calculative. Indeed, the moral factors that seem to have arisen in this relationship have been viewed by scholars, either as trivial (Washburn/Trigger), or, at best, something forcefully imposed on economic relations by people who had the power to do so. That relationship is described in the early North American colonial records which describe

Aboriginal/British Crown treaty interactions and agreements. During a meeting between the Five Nations (also known as the Iroquois) and the British Colonel Schuyler (Albany, 19 July, 1712), for example, the Aboriginal partners said, “Thus (say they) our first entering into a Coven’t with you was Chiefly grounded upon Trade.” Time after time, the records indicate how various *sachems* (today called “chiefs”) and intelligence agents for the British Crown announced the need for cheap goods and stable trade relations. There is no doubt, then, that trade interests, governed by calculations of utility, initiated and initially defined the relationship.

When direct evidence of the influence of moral directives can be found, it appears in relation to certain figures who were viewed as particularly fair and honest or when certain people forced trade relations to comply with moral norms (e.g. clergy or more devout religious men insisting that alcohol not to be used to undermine Indians’ negotiating capacity). Indeed, most direct evidence of the influence of ethics on the relationship can be analyzed as an external influence, as an attempt to force unscrupulous traders from dealing in immoral ways with Aboriginal people. The mistake in the separation thesis, consequently, is not to be found by mounting direct evidence of a concern for moral uprightness. This strategy would, moreover, presuppose the separation between the two arenas.

Returning to a description of the relationship as it developed, the trading partners became military allies in an effort to combat the alliance between the French and mostly Algonquian-speaking peoples to the north of the Iroquois. As these trade and military alliances developed into treaty relations, the relationship became a negotiation forum, a forum for establishing formal agreements, airing and resolving complaints, and

establishing military alliances. So, by all explicit counts, it was a relationship in which both sides got what they could from it. Over time, however, owing to the need to resolve disputes regarding suspect trading practices (e.g. over-priced goods, using alcohol to make trading partners manipulable), the relationship began to assume characteristics of a legal arrangement (airing and dealing with complaints regarding fairness in trade transactions, conflict resolution regarding land ownership, punishments for murder, etc.). With this development--even some of the earlier records (around 1700) begin to show how these trading partners and allies began accusing one another of untrustworthiness, cowardice and infidelity, lack of dependability, injustice, among other deplorable traits--trustworthiness, honesty, even courage and fidelity somehow became part of a set of expectations these partners had of each other.

Given the negotiation context and the military nature of the alliance, these normative values and related principles were not of a sort that could have been imposed by some third party, such as the priesthood or higher-order government authorities (not that the latter would have, at any rate). Neither could either side have imposed these principles unilaterally, since the alliance was based on mutual economic advantage and cooperation against a common enemy. By all accounts, it was a negotiated relationship, which either side could have abandoned if their interests and demands were not met. Indeed, the French constantly attempted to draw the Iroquois into an alliance against the British, always trying to convince the Iroquois of British duplicity and lack of honour (a strategy that sometimes worked). Likewise, the British constantly attempted to draw the Aboriginal allies of the French into alliance, but had to counter French accusations in the process. Although the First Nations were not as concerned to draw the French and British



into alliance, they were concerned to make clear how they maintained fidelity with the alliance, by providing evidence of how they came to the aid of their allies in times of need. In other words, each side not only conceived of its partner in terms of utility calculations, they also saw themselves as being so conceived.

Furthermore, the records provide no evidence of both sides coming to a mutual agreement to impose such moral expectations on the relationship. That is, none of the records describe the fact that negotiations were over what moral principles should be accepted, whereas they do describe how the economic and military relationship was to be shaped and governed. Rather, the records indicate that, as each side invested more time, energy, and resources into the relationship (e.g. military resources, legal resources), more became at stake. When mistrust grew, because one or both sides failed to live up to its/their agreement, one or both partners would threaten to leave the relationship, which amounted to a none-too-veiled threat to ally with enemy nations. Establishing robust, stable, and orderly relations, then, became a priority, however much it was based on a *quid pro quo* arrangement. What was generated over time was a further interest in demonstrating how their participation in the arrangement satisfied their partner.

Examining the threat of abandonment more closely exposes the emergence of certain normative expectations that began to determine how the calculative process was to proceed. In any but the crudest, one-time trade interactions, trading partners, precisely because they focus on maintaining advantages gained from the relationship, become interested in the future, orienting themselves toward the possible turns the relationship could take. Both sides in the Covenant Chain relationship wanted to maintain the benefits of trade and to eliminate reasons their partners might have for trading or allying with

enemy nations. Both European and Aboriginal partners began, as a consequence, to judge one another with respect to their dispositional orientations--whether their partners were dependable, prone to fickleness, cowardly, honest, trustworthy and the like. It is not difficult to see why trade-based relations that move beyond the crudest one-time interactions must transform into those that incorporate new interests and involve different kinds of judgments. These new interests can be articulated in terms of values.

As trading partners begin observing and judging their partners in terms of dispositional orientations, they begin paying attention to their partner's (or future partners') reputations and histories (as reliable, etc.), through, for instance, listening to stories others tell. The dynamics of the relationship change, as a result, because new values and responsibilities for which members are accountable begin to matter. Praise and blame, accusation and defence become part of the dynamics of the relationship. These new interests and dynamics become quite evident in the records, especially in document where threats of withdrawal from the alliance are prominent. Such threats were used to gain compliance of the partners to the legitimated expectations of the alliance (the treaty arrangement). Threats resulted from failures of the other side to satisfy these expectations, especially when economic relations were judged to be unfair and/or illegal. They were also precipitated by failures of military expectations (coming to the aid of a brother who was being attacked by a common enemy). In its defence, the accused would defend its reputation and often reciprocate with counter accusations to balance the force of the initial accusation, as we would expect of any such relationship.

This kind of reciprocation, in turn, evokes acts of reflection that make accused parties recognize that they must be able to defend their reputation as reliable, etc., if they

are to maintain the relationship. An orientation and logic of reciprocity emerges to shape the ways in which each party is obliged to reflect on its own actions and to communicate its interests in ways that are consistent with the expectations generated in the history of the relationship and those that are anticipated for the future of the relationship. Each party begins to understand that, while it expects trustworthiness, courage and the like from partners, they too are expected to be trustworthy and the like. An exchange of recognition and of normatively right actions becomes part of a more comprehensive exchange economy. This development produces an object (a system of exchange, in which moral values are the “currency” of exchange) to be protected over and above the protection of self-interest and the commodities gained through individual transactions. In other words, it produces a type of relationship not implied by the initial and one-off exchanges, a relationship which becomes identified as something to protect.

Where such normative values come to be reciprocated and the resulting more complex system of exchange is deemed worthy of protection, the relationship can be called a “moral economy.” This economy involves exchanges, often implicit and hidden (because taken for granted), whose currencies are trust, dependability, fairness, and even-mindedness, among others. In this way, an economy of norm-oriented values emerges as a consequence of trading partners taking a past and future (an historical) orientation toward the relationship and of having to think reflectively and reciprocally about their partners’ and their own dispositions, as they have affected the past and will affect the future.

What results from the development of the moral economy is a community of interlocutors who can recognize one another as having abilities to calculate, form

intentions, choose, accuse, make judgments, and form expectations which are or can be directed at their interlocutors. That is, each member of this economy can utilize the terms of the moral economy to make other members accountable in such a way as to require an understanding of their agreements and corresponding responsibilities. Moreover, each can be required both to defend the relationship (by not succumbing to the seductions of enemy suitors) and to value the defence of the relationship. These factors, among others, constitute a framework or economic culture that affects the ordering of the relationship, in accordance with distinctions between suitable/unsuitable and acceptable/unacceptable. These distinctions are indicative of prescriptive and proscriptive directives (indicating how interlocutors should and must not act), which, in turn, transforms the relationship into a more complex system of exchange than it initially was. It transforms the relationship into a community, where “community” stands for a relationship between members who view themselves as members who share common values, adhere to commonly accepted norms and modes of accountability. In this way, normative values emerge from holding economic values and they emerge as a matter of developmental or evolutionary course. I prefer to use the term “evolution” because it implies a process of adaptation to conditions and forces which results in the establishing of new forces and conditions that were not anticipated at the beginning of a relationship. Each side adapted to the expectations of futurity in the relationship by conceiving the relevance of the moral economy and finding ways to incorporate their understanding of moral values into the relationship, even as it had to adapt to threats and new trade conditions (e.g. having trade routes cut off by the enemy). If these normative values are not moral values straightway, because they are not articulated as principles, they are at least proto-moral values, in the

sense that they create an implicit frame of reference that includes judgments about how the relationship ought to be governed and how interlocutors ought to behave. The idea of violation, associated with desert, punishment, and retaliation, gives these new values the character of a moral imperative. If this analysis thusfar has not been able to show that the identified norms are full-blown moral norms, the only thing remaining to make them such is an explicit formulation, as moral virtues (e.g. honesty) and principles (e.g. justice). This making explicit, in fact, occurred quite rapidly in the course of the Covenant Chain's evolution.

When conceived as an evolution, the development of the moral economy occurred as a matter of course; it was internal to the development of the more comprehensive economy. Moral values and norms evolved in response to adaptive needs that arose as a result of the relationship becoming self-consciously historical and more complex. To advance this initial analysis, we can examine how the relationship between interlocutors itself became a matter of concern.

The relationship did not and could not have remained simply a vehicle for the interlocutors to get what they wanted, given its historical orientation. Where a relationship, not just its individual members, is conceived as having a history, it is also conceived as having an identity over time, where demands for reciprocity engender demands to identify as insiders and to distinguish insiders from outsiders. Insiders satisfy certain criteria (e.g. they have engaged in reciprocal relations through exchanging commodities, trust, etc.). Those who have not so reciprocated remain outside the relationship and are potential enemies. In this way, the relationship is an intentional grouping, in the sense that it is formed of interlocutors who recognize each other's acts of

reciprocation, or commitment to reciprocation. It can also be intentionally dissolved (e.g. if person A feels betrayed by person B, or reciprocity ends). Where such intentional communities survive, the interlocutors gain a sense of belonging to a single entity, the economic community. As an intentional grouping of initially self-interested individuals (if the idea makes any sense at all), the emerging sense of belonging transforms the initial reasons and conceptions of the relationship to reasons and conceptions informed by an overarching sense of community.

This sense of belonging is perhaps best illustrated in cases where a partner begins to feel threatened by a third party who either attempts to begin trade relations with person A or who threatens to abandon the relationship altogether. This threat makes explicit to one or both partners the fact that the relationship (not just the particular interests) is something that involves commitment, not just to trade, but to the values that make an ongoing community possible. For instance, once trust is exercised and demonstrated (exchanged), even if one partner loses her source of trade goods, her partner can still be expected to commit to re-establishing her trading ability, rather than simply abandoning her to her own devices. In part, this is a consequence of the nature of trust; it is something that informs and transforms a relationship into one that carries new expectations of loyalty, a feature of the moral economy that demands protection of the community as a whole. Trust, in this way, is future oriented, such that trusted members of a community are expected to protect the relationship into the future, even when conditions might change in the future. This implies that simple utility calculation is no longer acceptable as the individual member's mode of determining action. All such calculations are now expected to be considered within a more comprehensive set of values.

A crucial factor in maintaining a protective community is the development of an orderly system of acquiring and maintaining goods, which is provided by the collective (e.g. judiciaries and policing agencies established to protect orderly trade relations). At some point, their ability to exploit depends crucially on being able to trust those who maintain and protect the system as a whole and who prevent it from collapsing from internal conflict. Hence, both reliability and stability become crucial factors in the maintenance of the community's economy, which implies that the values and principles directing the relationship not shift willy-nilly, but become concerns which each member can be trusted to protect. Hence, people who lose their capacity to trade or protect are not automatically abandoned, since doing so would undermine the confidence each member can have in the system. Accordingly, even those who maintain a purely utilitarian orientation in the community depend (are parasitic) on those who protect the moral economy of the relationship as a whole. In other words, those members who retain a purely calculative approach implicitly value the fact that some members of the relationship commit to the shared moral values. They are parasitic on those who protect the more comprehensive set of values.

As Hobbes recognized, where people begin to establish relationships, even when established on base motives, such as fear and greed, their relationship begins to take on an identity of its own, which compels partners to give over their identity and autonomy as individuals to the whole, thereby allowing their identity as individuals to be shaped and defined, at least in part, by the relationship. We need not go the distance with Hobbes; we need only say that some of the identity of people who form collectives must be taken from the whole, insofar as they claim to belong and enjoy the benefits of belonging to a

family, clan, nation, or even just to a compact. In whatever way we come to understand the forming of collectives, the notion of belonging becomes a force in itself that transforms the identity of the individual, however independent and isolated she might initially have conceived herself to be, to a member of a social order based on reciprocity.

As relations of reciprocity develop, partners expect one another to understand what they desire and what the more comprehensive set of values is. As the stability and reliability of the future of the relationship becomes more a matter of concern, a demand to increase the robustness of the arrangement arises which, in turn, demands greater mutual understanding and recognition of common values, beliefs, and practices. Mutual understanding involves a development of modes of communication that are adequate to avoid misunderstanding. Once this happens, A and B recognize that they belong to a communicative community. Forming such a community establishes a sense of mutual identity. As members of a single community, A and B are obliged to recognize and protect each other. In this way, future-oriented trade relationships involve an obligation to be aware of potential collective harms. As a consequence, the original motivation of acting on pure self-interest eventually becomes a threat to both the group and to individual members. The concern over collective harm becomes important to the governance of the trade/exchange relationship in a way that matches or sometimes supercedes (as in times of war) the importance of individual harm, once people recognize that their individual satisfaction depends on protecting the whole.

Community, consequently, becomes a focus for economic development, not merely as a means, but as integral (usually hidden) to the process, which, in turn, engenders obligations and responsibilities to protect the whole from harm (the harm



principle). Individuals begin to act on new kinds of value (moral), as their actions come to serve the protection of the community and are shaped by communicative responsibilities to reach mutual understanding and maintain stable community relations. Trade and exchange relationships then become more than just devices to enable individuals to prosper, but become devices that enable a moral economy to operate, which in turn, enables a continuing exchange relationship to develop and flourish.

My point is not to advance a collectivist socio-political model over an individualist one, but to reveal the extent to which moral values and principles evolve as entrenched elements in economic relations to the point where each serves the development of the other. This entrenchment occurs because economic and ethical relations and their grounding values co-evolve as aspects of an historically identified community; they arise inter-dependently such that the economic relationship provides impetus for the moral relationship and the moral relationship enables the economic relationship to develop into a communal relationship of mutual provision/protection.

If this analysis is correct, inter-dependent arising implies that all future-oriented economic relations involve deep-seated normative forces that maintain the viability of future economic relations. Indeed, the two are different faces of the same head. On the one hand, then, it seems doubtful that moral values and principles would have ever come to be, if not for economic relations, given the limited purview of this discussion. On the other hand, economic relations would not have evolved into much more than immediate, one-time interactions (which can hardly count as economies or systems of exchange), apart from the potential for human beings to be directed by normative forces.

Treating ethics and economics as if externally related, then, is to commit a

conceptual error, but does this error amount to anything practical? My first response is similar to that of Hausman and McPherson, insofar as the presupposition analysis shows how certain moral and other values are embedded in economic forms of analysis (not just in the recommendations made on their basis). From my analysis, however, it is not only that all economists import some moral value or other into their analyses; it is that they must assume that certain values are operative in economic relations in order for their analyses to go through or get off the ground. All economic systems, according to my analysis, require an element of trust somewhere in the dynamics of economic relations. Today, if it is not to be found in the individuals participating in trade relations, it is in the regulatory scheme. If it is not in that scheme --as the near total global economic collapse of 2008 indicates--it must be in the political masters of those schemes. If not there, it will have to be placed somewhere, perhaps in the general fear that not trusting the system will result in utter chaos. However distorted and irrational placing trust in a subject or system may be, trust is crucial to economic systems, as indicated by the fact that government leaders worldwide encouraged their citizens to continue spending and borrowing in order to maintain the credit system. If people stopped doing so, or worse, withdrew their investments and savings from financial institutions because of a lack of trust, the economic system would have collapsed.

A more fundamental mistake can be found in the conception of economics purely as a science, as opposed to a normative discipline. This conception is an attempt to strip economics of any normatively defining characteristics, a forced redefinition of economics as a quantitative descriptive science (if this phrase is not redundant), similar to the attempt at re-defining philosophy by the logical positivists as a follower of science,

according to which metaphysics and ethics would be recognized as mere philosophically historical curiosities. What acceptance of this conception does is empower those most influential in directing the economic systems to advance, not just their own values, but a *de facto* (but not *de jure*) and general trust in their ability to lead the economies of the world. Where economies direct political decisions (where do they not?), this acceptance supports a *de facto* political hegemony by these influential agents.

Obviously, I can only briefly sketch what some of the operations of re-embedding would be, and then only at a fundamental level. Owing to the complex array of values that ground both what we call ethics and economics, a complete re-embedding would involve developing a more comprehensive understanding of values and value theory, in order properly to re-conceptualize the economics/ethics relationship. We need better to understand how the various modes of exchange work together to form communities and then what measures need to be taken to protect that community, ensuring that emphasis on one mode of exchange does not undermine the other.

Yet, given the above suggestion that the economically influential powers are enabled, at least in part, to advance their values over others by virtue of our failing to recognize how the so-called separation thesis actually hides what is in fact the case, one obvious implication of re-embedding arises. When preceded by a critique of the separation thesis, efforts at re-embedding will expose hidden values at work in economic systems. The relation between these values, as Hausman and McPherson argue, can then at least become explicitly an issue. More fundamentally, it will expose just how critical the moral economy, especially trust and recognition as one who belongs, is as a foundation of economic relations, such that good economic relations depend

fundamentally on appropriate and sound trust relations. This implies that poor or inappropriate economic relations could also be identified and analyzed according to how well or badly they uphold the fundamental values of the moral economy; how they protect the community as an historical entity.

At the core, the idea of re-embedding is to engage economic life as an expression of moral life and moral life as an expression of economic life. The key term here is *exchange*, and when such exchange relations are further developed, the key term would be *reciprocity*. The idea of an inter-dependent arising of the trade and moral economies is engendered by a sense of the need and obligation to protect. Trade economies are at their root systems intended to protect interests in possessing and utilizing various resources. When we determine fair exchange standards, we do so ultimately to ensure that members are enabled to participate in a mutually protective community through assuming responsibility to protect the community as a whole. Those who do not protect that economy can be said to cheat on the system, by appropriating many of the advantages of belonging to the system without reciprocating responsibilities.

Failing to protect the moral economy--failing to be trustworthy, even-minded, etc.--undermines the exchange community by allowing certain individuals and sectors (those who get away with cheating) to engender the suffering of other members. So, for instance, where decision-makers base their decisions purely on a quantified cost-benefit analysis, they advance their and their sub-community's interests, while systematically ignoring how the moral economy is affected. When the centrality of trust is ignored, the conditions that support the more comprehensive economy are threatened. Sectors outside the sub-community begin to suffer because they do not belong to the sub-culture of

dominant decision-makers. The violation of the moral economy, the violating of trust relations, can create anger, resentment, mistrust, and desire for revenge, resulting in a dysfunctional trade community, as indicated by the near total collapse of the world economy.

It is fitting that Alan Greenspan (Chairman of the Federal Reserve, 1987-2006) at a 2008 Congressional hearing admitted that he did not understand how the world worked, because of the particular ideology he held (i.e. the belief in a self-regulating market economy). His mistake is of the sort I am describing here. It is a failure to understand how things in the world work by committing to a particular theoretical or ideological set of beliefs about how the world works. It is a point about how we can fail enormously by failing to understand how the moral economy works.

Perhaps, a fully satisfactory answer to the re-integration question is not possible, given the complexity of the world. But perhaps like Socrates, once we establish that a particular path is not going to work, a new attempt must be made. If we understand that the problem has much to do with simplification and reduction to quantifiable variables, the appropriate turn would be towards an approach that would enable a more complex understanding to be developed. If my analysis of the ethics/economics relationship is correct, then a more adequate approach would first be to re-frame economics and ethics as an inter-dependent arising. Our principal task would be to attune ourselves, as much as possible, to the full array of values and resist resorting to short-cut measures (e.g. the invisible hand) as a way to deal with them. In particular, we can begin to refocus on developing a sense of community, where the fostering of trust remains central.