

**ETHICS AND ECONOMY:  
AT THE SOURCE OF RATIONALITY**

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A LA SOURCE DE LA RATIONALITE**

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**Abstract**

« **Ethics and Economy: at the source of rationality** » is a joint of the efficiency imperative and freedom when it is a question of acting « economically ». It is about the economic rationality concept evolution through the various coordination modes (the market, the hierarchy, the agreements, the standards (including the Ethical values) and rules). The Ethical dimension the basis of motivation joins in the rationality postulate evolution process giving rise to a new definition of value and to solidarity economy appearance a first stage of a progress leading towards a sustainable development.

**Keys word:** Rationality, Ethics, Market, Standards, Ecology Value, Human value, social and Solidarity Economy, Sustainable Development

**Résumé**

« **Éthique et économie : à la source de la rationalité** » est une articulation de l'impératif d'efficacité et de la liberté lorsqu'il s'agit d'agir " économiquement ". Il s'agit de l'évolution du concept de rationalité économique à travers les différents modes de coordination (le marché, la hiérarchie, les accords, les normes (dont les valeurs éthiques) et les règles). La dimension éthique, base de la motivation, rejoint le processus d'évolution du postulat de rationalité donnant lieu à

une nouvelle définition de la valeur et à l'apparition de l'économie solidaire, première étape d'un progrès vers un développement durable.

**Mots clés :** Rationalité, Éthique, Marché, Normes, Écologie Valeur, Valeur humaine, Économie sociale et solidaire, Développement durable

## Introduction

While seeking only his personal interest, an economic agent often works in a much more efficient way for the interest of the company, than if he really intended to work there. Obviously, it is the idea of the « invisible hand » which was evoked by Adam Smith, once in the « Theory of moral sentiments » (1759), and another in the « Researches on the nature and the causes of the wealth of nations » (1776). Economists (A.Smith, K. Marx), among others, often suggest the impact of moral values on activity by questioning the modification of the balances between capital and labor or the effects on growth. On the other hand, according to A.Sen, in order for the human motivations remain healthy, primary and effective, not impacted by the feelings like goodness or the moral sense, modern economic thought has tried to develop its epistemological autonomy by itself releasing from the authority of ethics.

Since the 90<sup>s</sup>, the first beginnings of the solidarity economy have emerged, which fascinates both businessmen and bankers. Even artists, novelists and politicians flock to it. And since this period, the number of events, the number of adherents to this «movement » has been increasing continuously. This enthusiasm does not stop. For the populations, the new so-called Ethical economy is a dream. The fascination with two economic and ethical worlds, a priori totally different (according to A. Sen), prompts the question of the existence of a complementarity, substitutability relationship, or other between these two worlds!

Our paper entitled « Economic rationality and Ethics »<sup>1</sup> is an articulation of the imperative of efficiency and freedom when it comes to acting » economically « It has two essential components: the first concerns the evolution of the concept of economic rationality through the different modes of coordination (the market, hierarchy, conventions, standards (including moral values) and rules). The second concerns the Inscription of the Ethical dimension, a source of

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<sup>1</sup>In this paper we define Ethics as a discipline allowing to act-well or a discipline of good reasons to act. Ethical life is the set of laws and institutions which are in oneself and for oneself.

motivation, in the process of evolution of the postulate of rationality giving rise to the appearance of a new so-called solidarity economy, the first step in a process leading to sustainable development <sup>2</sup>.

Among the trails of research proposed by economic theory to apprehend these phenomena, the analysis of the structuring of economic systems starting from the notion of « rationality », seems to be an enlightening possibility of research especially since it concerns one of the very important assumptions for coordination models, in general, and the General Economic Equilibrium Model (G.E.E.M.)<sup>3</sup> specifically. The interest that we are going to bring to the General Economic Equilibrium Model comes from the fact that since the first works of D. Ricardo. D (1817), Cournot. A (1838), Smith. A (1759), Pareto. V, Walras. L (1874) and others, this model fascinated theoretical analysts adopting a more precise and very restrictive instrumental version of the principle of rationality.

In the presence of so-called Ethical values, how do agents coordinate their activities: how do they cooperate, exchange and compete? Ethics, a source of motivation, do they modify the basic conditions or the efficiency (economic rationality) of the various modes of coordination? In other words, are the Ethical values the « support » of more social standards, more human...? Does it make transactions less and less commercial and more socially effective (discrimination impossible)? In other words, does social (solidarity) rationality which has made its « coming out » alongside individual utilitarian, instrumental, and that of collective utility rationality, allow us to form and cultivate within us this « Ethical Desire » so necessary to move towards sustainable development?

Inspired by the Mathematical Theory of Information and Communication of Shannon and Weaver, the study of the articulation of moral values and economic rationality requires the implementation of a method that consists of three levels:

- (i) A first level, where the technical problem of identifying and analyzing the information sources to ensure economic rationality arises.
- (ii) A second level, where the problem of the meaning of the information transmitted arises. A proofreading of the informational content, of prices, of standards and of ethics, a source of

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<sup>2</sup> We define sustainable development as a process linking social, economic and environmental issues by placing people at the center of the process: governance, participatory democracy and renewal of citizenship.

<sup>3</sup> The General Economic Equilibrium Model (G.E.E.M.), founded by L. Walras is a model which describes the market of pure and perfect competition and according to which thanks to the interdependence of the markets it is enough that the N-1 markets are in equilibrium to that the N<sup>th</sup> market be automatically.

motivation will allow us to verify the complementarity or substitutability of the two information sources.

- (iii) A third level which raises the question of the conditions necessary for the effectiveness of an « Economic-Ethics » (social economy), *via* a social rationality, especially when so-called Ethics is about the information sources and thus on economic agents' behavior to bring two worlds, one theoretical (economic) and other real to generate a new world solidarity economy encouraging a trend towards sustainable development.

## **I. ECONOMIC RATIONALITY AND MODES OF COORDINATION**

Standard Economic Theory of absolute rationality and objective function maximization has a representation of the coordination problem as a scarce resource allocating problem. The extreme rationality of the somewhat unreasonable *homo œconomicus* separates itself from other conceptions of rationality - philosophical, scientific - and especially those linked to goodness. Without being antisocial, his relentless search for a maximum of satisfaction and a minimum of sacrifice, the *homo œconomicus* makes him egocentric insensitive to the well-being of others. Thus, by placing the individual, the only being of reason, at the heart of the explanation of economic life, the neoclassical economics share methodological individualism with social philosophy while giving particular attention to institutions.

### **1.1. MARKET AND PRICE: AT THE SOURCE OF *HOMO ŒCONOMICUS* RATIONALITY**

The founding father of the discipline was a moralist. He tackled the « Theory of moral sentiments » (1759), before tackling « An Inquiry into the Nature and Causes of the Wealth of Nations » (1776). According to his well-known quote, if the individual is socially useful, it is in spite of himself and this social utilitarianism is the opposite of Kant's categorical imperative, which is hardly moral. A. Smith <sup>4</sup> underlined the influence of the transaction's frequency on the merchant's incentives and that the greater the volume of business of a merchant, the greater his incentive to behave honestly will itself be great because it will be in his interest to maintain the good image he enjoys in his professional environment. Thus, the success of a trading system depends on « *Reciprocity* » <sup>5</sup>, « *mutual trust* » between the agents who undertake to respect the agreements reached. As A. Smith has pointed out, reputation has long been one of the main

<sup>4</sup> A. Smith. (1964), *Lectures on Justice, Police, Revenue, and Arms*, Edwin Cannan, ed., New York: August M. Kelly.

<sup>5</sup> Benoit Walraevens, "Reciprocity in Smith", *Œconomia*, 10-4 | 2020, 657-686.

mechanisms for ensuring compliance with commitments. For A. Smith, capitalism which implies competition also supposes reciprocal sympathy and virtue<sup>6</sup>.

The interest of the « invisible hand » idea was felt when it was used in the G.E.E.M. to argue the self-regulating nature of the pure and perfect competition market. Indeed, this « invisible hand » directs a decentralized economy, where each one acts in his own interest according to the price signals with a view to a distribution of resources which can be regarded as being preferable, in a very precise sense, to a distribution of resources extended class of alternatives. J.R. Hicks is the first to have provided a rigorous equilibrium concept moreover consistent with the methodological individualism claimed by the general equilibrium theory.

The concept is defined there as being: « A state of the system in which all individuals are able to choose the quantities, to produce and to consume, which they prefer. If this is the case for all individuals, then compatibility between their plans is achieved and all desired transactions are therefore achievable. In this situation, no agent will therefore have any incentive to modify his behavior in any way. In the absence of any external shock, the system will therefore be at rest »<sup>7</sup>. To the question of the future of an economy made up of many individuals acting selfishly, in their own interest, JK Arrow and F. Hahn put forward the following answer: « A decentralized economy, where each one acts in his own interest according to the signals of price, allows a distribution of the available resources which can be regarded as being preferable, in a very precise sense, to a rather broad class of alternatives. In addition, the price system operates in such a way as to establish this consistency. »<sup>8</sup>

This coherence is « equilibrium »: a state in which the actions of the various agents are mutually coherent with one another and are, for each agent, compatible with the behavior that this representation attributes to it. If it exists, this equilibrium is unique, stable and, Pareto-optimal. It should be noted that it is established in a context of perfect information on the prices of traded goods and services. The notion of Pareto optimum is a rather weak notion of optimality, not allowing comparing all the allocations between them. Moreover, it does not include any element of justice or equity. Indeed, the neoclassical economics ruled out the integration of moral feelings, which according to A Smith gave way to benevolence and envy in human relationships. The procedural rationality model currently keeps, in the eyes of its followers, the elegance of its

<sup>6</sup> In the sense of the need to see his actions approved by his co-citizens

<sup>7</sup> JR Hicks. (1937), *Value and capital: an inquiry into some Fundamental Principals of Economic Theory*, 2nd ed., Oxford: Clarendon Press / Oxford University Press.

<sup>8</sup> JK Arrow and F Hahn (1971) *General Competitive Analysis*, North Holland Publishing.

construction, its logical rigor and the deductions interest which result from it: individual motivations and reasons are deployed in contexts where the environment and the information available to the individual condition their choices.

The integration of the « *time factor* » has its effects on the optimality conditions. If we keep a concept of equilibrium defined as being the state of the system for which there is a logical possibility of *ex-ante* compatibility of the individual plans of the agents, it is obvious that the method is static by definition. Is all dynamic analysis irreconcilable with the equilibrium method? He Returns to JR Hicks (1946)<sup>9</sup> to have systematically approached the problem by its distinction between an equilibrium at a point in time and an equilibrium over a period of time by itself recognizing that an adequate concept of general equilibrium over a period of time requires an assumption of « rational » expectations, i.e. based on the perfect knowledge by each agent of the « true » nature of the system. The alternative in this case could be to postulate a full set of contingent markets for all future transactions. But in this case, another difficulty arises when the future states of the system depend on the actions of the agents themselves: the possibilities of chance - moral are an example. In any case, the problem of the uncertainty inevitably linked to the introduction of the time dimension is either eliminated or ignored. The extension of the concept of equilibrium to the period when the agents are able to take successive decisions within this period requires that the equilibrium is now based on individual programs of inter-temporal maximization. The time horizon of decision-making programs, the formation of expectations, speculative choices, individual motivations and the role of information become additional constraints in the search for conditions of equilibrium. In a model of strategic market games considered to be an extension of the duopoly of Cournot, Shubik and Shapley (1977)<sup>10</sup> open a new line of research by offering a simple description of an exchange economy in which all agents behave strategically. The concept of equilibrium used is the non-cooperative Nash equilibrium. The result is that agents can exercise market power and they seek to exploit it by reducing the quantities they demand or offer in the market.

The general Walrasian model is not the ideal framework since in this model the prices appear as the consequence of a simple juxtaposition of individual decisions which are formed without conscious interdependencies between two individuals. In fact, they - prices - provide information on the relative scarcity of goods and are determined by competitive markets. Did the market as a

<sup>9</sup>JR Hicks. (1937); Opt. Cit.

<sup>10</sup> M Shubik and M. Shapley (1977), *Trade using one commodity as means of payment*, Journal of Political Economy, Vol. 87, pp. 937-968



mechanism for regulating economic activity respond to the concern for optimal allocation of resources? The answer is no. The argument is that in a market, a transaction absolutely requires the incurring of « transaction costs » because of a lack of confidence and information about the future that can trigger opportunistic behavior on the part of one of the partners. Indeed, the existence of transaction costs is logically necessary as soon as there is interaction and transaction. A world without transaction costs is in reality as unthinkable as a world without friction in physics.

## 1.2. « ...AND GOD CREATED THE HIERARCHY AND THE INSTITUTIONS »

Microeconomic analyzes have seen a shift in focus from the equilibrium theory of the goods production and distribution conditions towards the study of behaviors and interrelations between consumers and producers. H. Simon draws on cognitive psychology and observations within companies. Its contribution is at the level of the very foundations of microeconomics: « the construction of a new approach to rationality ». The critique of the « classic model » of rationality (the maximization of an objective, profit for firms, under the constraints of the environment, etc.) to which H. Simon proceeds is situated at the level of the defense of a « descriptive theory » of decision-making aimed at accounting for the real behavior of agents. For H. Simon, « Behaviors are themselves an essential object of analysis » <sup>11</sup>

Hence the proposal for an alternative approach to rationality, qualified as « procedural » rationality or « limited » rationality. More than a completed theory, H. Simon proposes a set of principles from which can be built a « descriptive theory » of decision-making or specific models of behavior. These are first defined in opposition to the classical conception: to conceive of a procedural rather than a substantive rationality, to substitute a principle of satisfaction for the principle of maximization. This means that an agent seeks not the action which gives the best result, but an action which leads to a result considered satisfactory, relatively to a certain level of aspiration (obtaining a reasonable profit).

It is therefore tempting to seek other forms of regulation than coordination by prices. We will thus move from the idea of General Economic Equilibrium to the study of interactions linked to information exchanges. That said, the regulation of interactions between economic actors will not only depend on a price mechanism but also involves a varied form of the contractual relations that they establish between them. These forms of relations are proposed by the Contracts and Transaction Costs theories to solve the problem of coordination (*moral hazard, anti-selection*) in

<sup>11</sup> H. Simon (1979), *Rational decision making in Business Organizations*, American Economic Review, 69, n° 4.

an environment characterized, among other things, by asymmetry, informational incompleteness and uncertainty giving lead to opportunistic behavior. We notice the passage, in the sense of complement and not substitute, from a coordination form (through the market), to an alternative form marking the limit between what happens inside the firm and what happens outside. This idea was reinforced, first, in the work of R.H. Coase and subsequently with O. Williamson who extended the analysis to institutions.

According to R.H. Coase, the observation of economic life shows « islands of conscious power » in an « ocean of unconscious cooperation ».<sup>12</sup> While in the markets the cooperation of economic agents takes place unconsciously, through the price system (the invisible hand), inside the firm, coordination is consciously carried out by the entrepreneur authority. The firm and the market therefore constitute two alternative forms of economic coordination. Thus, the firm whose distinctive mark is the abolition of the « price system » is characterized by administrative coordination. According to R.H. Coase, the reason for the substitution of the firm for the market is in a simple observation, but which breaks with the traditional teaching of microeconomics: recourse to the market, coordination by prices entails costs. Internal administrative coordination is required of the company insofar as it allows these costs to be saved.

In the second phase of his work, O.E. Williamson moves towards a vision of the firm as a « knot of contracts »<sup>13</sup> which significantly distances it from Coase's initial conception and tends to attenuate the opposition between firm and market. OE Williamson defines economic space as a network of contracts. From this immense network of bilateral contracts emerge coalitions of individuals: the institutions. They appear to external agents as specific entities. Thus, economic institutions substitute for the price system (the market) the power mechanism (the hierarchy) as a mode of coordination H.R. Coase<sup>14</sup>(1937). To demonstrate this, he starts from the idea that individuals are less rational since they are unable to implement a contract providing for the both parties behavior, taking into account all the contingencies that the future holds. This encourages the management mechanisms establishment. O.E. Williamson, like H. Simon, considers the realism of behavioral assumptions to be essential. He places two behavioral hypotheses at the base of the transaction economy, relating to the individual's cognitive capacity for the first and to their mode of seeking personal advantage for the second. O.E. Williamson resorts to realistic

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<sup>12</sup> R.H.Coase (1937).*The Nature of the Firm*, *Economica*, Flight. 4, p. 386-405 (Translation: "La nature de la firme", Revue française d'économie, Vol. 11, no1, winter 1987,p-140).

<sup>13</sup>Or knot of "treaties" in Aoki, Gustafson and Williamson (1990) *The firm as a nexus of treaties*, London, Sage Publications.

<sup>14</sup>Coase (1937). Opt. Cit.



assumptions. In an environment where information is expensive and uncertainty is « radical », the rationality of economic agents is limited: in a relative way, because it is too expensive to obtain exhaustive information on the state of the world before making a decision; Absolutely because no decision can be taken with certainty given the impossibility of knowing all the possible states of the world in the future. At this level, Ethical standards can intervene, by injecting information on the agent's intentions and behaviors. Thereby the aforementioned ethical norms can be on the one hand a systematic detector of the deviations obtained following the pure and simple application of utilitarian or instrumental rationality. On the other hand, it can be a source of information and motivation, able to influence the so-called rational behavior of economic agents.

### 1.3. THE ARTICULATION OF TWO DIMENSIONS: ETHICAL AND ECONOMIC?

Since Aristotle and Kant, the question of separation for a distinction between morality and ethics has been the subject of fierce debates within currents of political and moral philosophy. Supported by the individuality logic reasons and the universality's one, Hegel, judged to be a pre-modern rationalist in Ethics, advances the thesis according to which to live righteously is to live freely<sup>15</sup>. And to be free is to participate in certain modern institutions and to be a social and political being of a certain kind. It is only as such a social being that a subject can be rational. He also underlined the capacity of modern ethical ideals to motivate people in a non-alienating way. The rational or any rational norms must be based on a theodicy<sup>16</sup> far-reaching history. Responsibility can only be attributed to free agents by reference to their individual intentions and goals. We all find ourselves bound by universal moral obligations to other individuals, whether or not they are members of our Ethical community. In the theory of justice, John Rawls<sup>17</sup> defines society as « an association, more or less self-sufficient, of persons who, in their reciprocal relations, recognize certain rules of conduct as obligatory, and who, for the most part, act in accordance with them » . This in a way proves an axiological dependence<sup>18</sup> between economics and ethics to give rise to an « *economic ethics* » which would play the role of a regulator.

<sup>15</sup>Pippin R. (2001), *Rationality and priority of ethical life, according to Hegel*, International Germanic Review, 15 Hegel: law, history, society. p 67-68

<sup>16</sup>Word made up of the Greek word Theos, god and "dike", justice or right. Philosophically, this is historically an attempt to explain the existence of evil despite the goodness of God, the nature of society, or of man. We can take the example of the Shoah, a great humanitarian crime against the Jews of Europe and ask the question: how to explain the existence of such an evil despite the existence of God and the goodness of men and of society ?

<sup>17</sup>John Rawls, (1997), *Theory of Justice*, op. cit., p. 30

<sup>18</sup> This observation can be explained by the fact that there is an interaction in the scientific definition of moral values for Economics and Ethics in the sense that one would influence and condition the other.

Economists have always counted among them thinkers attentive to ethical problems echoing the Kantian tradition of moral philosophy. But both the philosopher B. Williams (1973) and the economist A. Sen (1993) reject the idea that we can privilege either ethics or utilitarianism, by disconnecting those from the upheavals of daily life such as did it in their time Kant and Walras of the treatise of pure economy. A. Sen's analysis certainly distinguishes the mechanistic conception of the economy which founds the general equilibrium of the markets on the optimization of individual decisions and the ethical conception of human motivations and social fulfillment. The Ethical dimension, present in Smith's work, has partly faded since the 19<sup>th</sup> century in favor of the mechanistic model. Without denying the aptitude of this one to elucidate the complex interdependencies of which the economy is the seat that the gap has widened between two conceptions coexisting at the origin of the discipline. This distance has been believed to the detriment of the ethical conception.

The renewal of the treatment of the Ethics question in economics has generated that moral values and feelings are the key to socialization and humanization of decisions whatever the form of coordination. Ethics affects informational asymmetries, the criteria according to which decisions are made, decision-making processes, etc. However, these elements (type of information environment, nature of the rationality of agents) are quite decisive in the design of economic coordination mechanisms because they profoundly influence the behavior of agents and, consequently, the nature of the coordination problems they have to solve. We do not claim to constitute an Ethical theory but it is important for us to deal with the articulation between two spheres which had hitherto been separated: the economic sphere and the Ethic's one composed among others of social, human and environmental. Living in society requires everyone to have a reflective awareness that is structured around responsibility based on a capacity to act. The role of ethics is to provide us with information, tools allowing the strong consistency of reflective consciousness. In other words, the ethical sphere almost coincides with the economic sphere to integrate the social (human) and environmental dimensions. Indeed, any act, competence and individual capacity are inscribed in relationships (markets, hierarchy, conventions, or other hybrid forms) need, in order to materialize, a social dimension supported by ethics and leading to sustainable development.

## **II. FROM ECONOMIC ETHICS TO SUSTAINABLE DEVELOPMENT**

This work constitutes a profound modification of the rationality's principal presentation since it is linked, on the one hand as a consequence and on the other hand as a cause of an economic

ethics. Reciprocity and cooperation are at the heart of the culture of solidarity without the proscription of commercial exchange. Little by little, a new discourse called Ethics has been grafted into the commercial and economic discourse. If the Ethical dimension has always been taken into consideration by economics, what rationality approach can become a motor for Ethical achievements? Through a rereading of the agents' motivations explanation, their capacity for action and the impact that uncertainty can have on their behavior, we can explain how Ethics would make it possible to widen the gap between perceptions, and the expectations that agents have towards an optimal allocation of resources, the dimension of which extends to encompass humans and the environment.

### 2.1. ECONOMIC ETHICS AND PERSONAL MOTIVATIONS

The scarce resource allocation model - Smith with his theory of the labor division benefits - has based its foundations on generalized states of resource scarcity or even shortage and misery. The majority of the world's population today lives in this universe. The scarcity of non-renewable resources accentuates this motivation for minimizing costs and maximizing benefits: as opposed to the neoclassical economics model, the horizon of consumers must lengthen, especially for planetary collective goods which impose new constraints with a population of six times more numerous than in the time of Malthus whose essay on the principles of population dates from (1798). The development gap between the continents is widening more and more at the expense of the Third World, which has become fragmented. Economic policies - macro and micro - use statistics on the preferences of populations and their individual motivation in an incomplete and static way.

The future weighs on our present choices just like our individual pasts. We tend to prefer to enjoy the satisfactions that the present income provides rather than postpone them. First, because saving forever deprives us of immediate satisfaction. If we allocate this savings to a risk-free investment, the sacrifice made will earn us remuneration in the form of a « *pro rata temporis* » interest rate. To encourage us to lend our savings, this rate must be greater than or equal to our psychological discount rate. Second, because this rate must be increased in order to encourage the lender to overcome the risks incurred during the term of the loan: insolvency of the debtor, inflation. The consideration of future generations in the process of determining the interest rate which reflects the attitude of the community towards the future represents an exchange rate between two successive states of the same value. It determines the present value of an amount available in the future. What if this analysis is applied to collective, above all, non-renewable resources?

The range of individual motivations widens as we consider the repercussions of our actions on ourselves and on others through our interdependencies and communications. Society places people in situations of interdependence - more complex than those solved by the market, situations where ethics and the « media » interfere with utilitarianism undeniably. Indeed, the media context amplifies and distorts a reality to an extent which adds to its complexity. Hence the question of Communication Ethics raised by J. Habermas and discussed by Ph. Chanial<sup>19</sup>(1996, 148): it is thus tempting to deduce from this Communication Ethics the conditions of a democratic policy, that is to say both the modalities of a free formation of opinion and of the will democracy and the criteria for justification and criticism of norms, institutions and decisions in the democratic space «. Action refers to an unequal capacity to act between individuals who are close to each other and which can inspire compassionate behavior. She may suggest a more demanding engagement that is inconsistent with the pursuit of her personal interests. It may also recommend refraining from making decisions that are not clearly binding. Ethical standards answer the question of what the individual values beyond its immediate usefulness and even beyond the simple desire for reciprocity. This behavior nevertheless reveals that the economic calculation must deal with circles of solidarity outside the market, with a certain sense of fairness and with the temporal dimension so neglected by the mechanistic model. From this perspective, it is possible to think that large-scale decisions are taken by private agents at least in part with the desire to contribute to the general interest, even at the cost of a loss of earnings.

## **2.2. ECONOMIC ETHICS AND THE BEHAVIOR OF AGENTS AGAINST UNCERTAINTY**

Agents are not definitely rational, but are sufficiently rational to be opportunistic (procedural rationality). This notion means that an individual will respect the letter but not the spirit of these commitments if an opportunity arises to capture part of the surplus intended for his co-contracting party (s). Opportunism of course includes this tendency of agents to act in their own interests to the detriment of their partners. But this notion also includes the « honest disagreements » that arise when two partners in good faith do not have the same appreciation of a situation. Opportunism is based on an incomplete, distorted or falsified disclosure of information by an agent, in particular on his abilities, preferences or intentions, and therefore on the existence of « information asymmetries » between agents; it can go so far as to outright breach its commitments.

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<sup>19</sup> Ph. Chanial, *Communication Ethics: a policy of democratic rights?*, Quaderni N ° 28 - Winter 1996.

The risk of opportunism increases transaction costs, in this case the cost of negotiating and supervising a contract; it therefore encourages the internalization of the transaction. The rationality of a decision in an interactive context requires making assumptions about the behavior of others.

Without specific information about others or by reasoning in all generality, it would be contradictory not to grant others the same rationality as yourself, especially the possibility of adopting an Ethical standard. This is the reason why uncooperative game theory it would be contradictory not to grant to others the same rationality as to oneself, especially the possibility of adopting an Ethical standard. This is the reason why uncooperative game theory<sup>20</sup> privileged the notion of Nash equilibrium: a set of decisions forms a non-cooperative equilibrium if each one makes his best decision, taking into account the decisions taken by all the others. By evoking the notion of equilibrium, we do not stray from our subject because in reality this definition of equilibrium is equivalent to the definition of the specific element which an interactive context adds to the very notion of rationality, and which we can technically express it by saying that the rationality hypotheses are the subject of common knowledge.

Knowing that the rational decision maker in an interactive context with « more or less perfect » information must project his own rationality onto others, what are the effects of adopting a cold and anonymous rationality, characterized by the unscrupulous search for the personal interest - since there is also no qualm about physical nature? The answer could have been almost obvious: one should always suspect that the other is adopting opportunistic behavior, as one would do oneself, particularly in asymmetric information situations where there are plenty of opportunities to conceal information (so-called adverse selection risk) or an action (so-called moral hazard risk). However, through Ethical standards, economic agents can have (almost) « all the information » they need - for example e-reputation<sup>21</sup> intermediaries offer information both on suppliers (requesters) and on possibly opportunistic agents<sup>22</sup>. On the Internet, agents behave in a cooperative manner since they certainly seek their personal interest through the search for a common interest. Suffice to say that agents have never behaved in such a genuinely cooperative manner since any opportunistic behavior leaves traces which could be detrimental to the

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<sup>20</sup> That is to say games where it is not envisaged to conclude binding agreements before the unfolding of the games.

<sup>21</sup> The reputation of economics agents adopting electronic commerce is constituted by electronic intermediaries based on the history of transactions carried out.

<sup>22</sup> Through their capacity to process and store individual information on the behavior of economic agents, intermediaries provide information on potentially opportunistic behavior by referring to records of past transactions.

reputation and therefore the agent's earnings. On the web, a deterrent system is thus « self-established » and represents a form of coordination.

In an environment stained with uncertainty, we tend, according to T. Schelling (1960)<sup>23</sup>, to rely on salient features of the situation that he called « focal points ». For example, two people who have involuntarily separated, in a public place, will return to the entrance of the building or will win the central clock if it is obvious. Ethics, by providing information on good conduct or opportunistic behavior, constitute focal points for economic agents based on reputation and, perhaps, trust. For their part D. Kahneman and A. Tversky speak of the *anchor heuristic*: a formulation effect in individual psychology: the resolution of a risky decision problem depends on the precise modalities of its formulation, in particular in relation to the risk. Thus, an identical risk does not lead to the same decision, depending on whether it is expressed by a probability of death or a survival complementary probability of. This seems to go through a clear irrationality sign. However, we can argue that when someone chooses an option they do so under a certain description. The Ethical discourse perception which deals with selfishness is not the same as that which emphasizes *altruism*. Advocating for the social and solidarity economy will raise citizens' awareness of a message whose aim is to help the poor by taking the rich advantage. It is less a manipulation than of the correct conception of the discourse on ethical standards. The conjunction of the two elements (the anchor heuristic and the focal points) leads to a hypothesis: economic agents with limited rationality (and precisely because their rationality is limited), are directly interested in coordination and they have no constantly inventing and perfecting anything that could serve as a support for coordination between them. This support will take the form of contextual data, material or symbolic objects, rules and norms (Ethics or others), a thought pattern - or, better, all at the same time. This is the first component of the model of interactive rationality in an environment where information is fluid and circulates almost perfectly and symmetrically between economic agents since it is supported by an NICT<sup>24</sup>. Let us come back to the information qualitative structural aspect integration question and its impact on the agents' capacities to act well.

### 2.3. ECONOMIC ETHICS AND THE ABILITY TO ACT WELL

<sup>23</sup>TC Schelling. (1960), The strategy of Conflict, Oxford University Press (1977 edition).

<sup>24</sup> New Information and Communication Technologies



The ability of economic agents to act is not to be confused with that to decide and is not necessarily linked to the ability to choose the right choice.<sup>25</sup> This capacity can be broken down according to C. Asnsperger (2004, 7)<sup>26</sup> in cognitive, argumentative and critical capacity. The first consists of a body of knowledge and information enabling us to distinguish between what depends on us and what depends on others. The second, more elaborate, more structured makes it possible to justify and direct actions. The shift from one to the other transforms the reasons to act into good reasons to act. No type of knowledge is perfect or absolute because of the uncertainty of the environment in which one operates. From where the third component known as critical giving rise, by means of an open-mindedness, to a revision of the positions according to those of the others. The acquisition of these capacities supposes, among other things, the management of attention, learning and a high degree of adaptability based on a good interpretation of ethical messages.

According to standard economic theory, information is a commodity. By taking up the language of commodity, we argue that the considerations of quality, relating to this « commodity », posed an unusual problem for the orthodox economist, trained to fall back on semantics and syntax. However, it is quite clear that the information quality is linked to its semantic content and that this depends on highly personal characteristics of the agent concerned: in this case, the possibility of registration in the dynamic learning of this agent. As a result, we will see the effects of two important observations: the space, within which information circulates, when it circulates, is essentially heterogeneous and riddled with discontinuity. While the quality of a commodity is not a commodity, the quality of information is information. This information is not only distinct from the first but it is of a higher logical level: we will speak of « information-object » and « meta-information », borrowing from the terminology of the Palo Alto school (P. Watzlawick (1972))<sup>27</sup>.

The duplication of the notion of information should alert us to the impropriety of proceeding by extending the economic calculation such as the job search theory does for example by adding cost variables for collecting the information in an optimization calculation which remains standard. This procedure, in fact, ignores the question of the quality (in particular the relevance, weight, reliability, etc.) of the information available: no information is rationally exploitable

<sup>25</sup> The decision transforms the decision maker first because of the actions it determines and then because of the side effects it has on experience and personality.

<sup>26</sup> C. Asnsperger (2004), does economic ethics help us to act? *Revue de théologie et de philosophie* (Geneva), winter 2004. p 7

<sup>27</sup> P. Watzlawick (1972), *Une logique de la communication*, Seuil, Paris.

without this information twice which follows it like its shadow and which relates to its quality. However, this meta-information is rarely provided with the information - object, either by ignorance or by strategy (commercial relationship). More, the quality of information is so closely linked to the characteristics of its potential user that the latter will have to be deeply involved in its development. Thus, by agreeing to involve the individual in the elaboration of meta-information, we are in the process of introducing a new control variable, well known to psychologists and ignored by economists, with the exception of Simon: the attention<sup>28</sup>.

The duplication of information, accentuated by the use of a technology which makes it very fluid, is a first way of access to the notion of attention. There is a second borrowed by H.A. Simon (1971<sup>29</sup>) which is based directly on the limits of individual rationality. The capacity to receive and process information is very quickly saturated so that the most banal situation combines both uncertainty (therefore information deficit) and excess information (compared to what the mind can handle human over a fixed period). Hence Simon's formula that bounded rationality includes the rational management of cognitive resources: it turns out, in this sense, to be more general than optimizing rationality or what comes down to the level, reveals the existence of a property of rationality, hitherto annihilated by optimizing rationality, namely reflexivity. Let us add that the two paths of access to the notion of attention converge well, insofar as the need to assess the quality of information does not disappear even if there is too much of it. All in all, the theory of information in limited rationality is faced with a more complex task, no doubt but endowed with an additional variable, attention, which digs its bed between two shores that we have just identified: the dual nature of information, the referential character of rationality.

The argumentative capacities of Economic Ethics must be developed on the basis of good quality information to give meaning to existing actions and strengthen them and give every chance of success to future actions. Indeed, a well-argued economic and social ethics injects information to fill in the informational asymmetries and thereby fight against any inadequacy: the first type linked to the difficulty of anchoring the rules in the real possibilities of action. The second mismatch finds in the new Ethics rules just a way to rationalize the rules and methods of action. It should be noted in passing that building the capacity to act well would be possible through a reassessment of learning and interpretation as the main manifestations of rationality. In fact, the rational decision maker, in an interactive context, is therefore not the one whose strategy

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<sup>28</sup> Classically, attention is defined as the concentration of mental activity on a specific object.

<sup>29</sup> HA Simon (1971), *Designing Organization for Information-rich World*, The Johns Hopkins Press, Baltimore.

maximizes the expected utility; it is the one who realizes an individual learning within the collective learning process of the system of interactions in which his decision is inscribed. At this stage of the analysis, it should be noted that rationality, in addition to being now situated and shared between the supports and the man, becomes susceptible of improvement, unlike the standard conception. We have just mobilized the notion of collective learning<sup>30</sup>, as a background for interactive rationality. In this work, we speak of collective learning when the collective concerned uses the same coordination support to improve the quality of its decisions.

This point prompts us to evoke one of the most important aspects of information, namely: its dynamic aspect which must be taken into consideration in relation to the learning logic. The fundamental axiom of decision theory is the absence of unforeseen contingencies: the list of states of nature must be fixed and predetermined. From where the paradoxes of the extension of the theory to the inter-temporal choices, when there are perspectives of acquisition of information and that certain consequences of the choices are irreversible. Hence also the great negative result according to which the incompleteness of the future reduces uncertainty to subjective probabilities. The contradiction between substantial rationality and learning is therefore fundamental.

This brief return to standard theory should, in any case, encourage us never to dissociate, in our enterprise of integrating limited rationality, the exploration of the positive side (learning) from that of the negative side (the incompleteness): the *homo- $\alpha$ economicus* of bounded rationality is less rational but smarter than that of boundless rationality, if it is true that intelligence has something to do with a higher capacity for learning. But what is the dynamic of adaptation to the unexpected?

The essential idea is that the concrete economic agent is much more at ease with incompleteness than its representative in neoclassical economics theory, for the simple reason that this is a basic datum of practical existence, and that it had, by necessity, to develop effective adjustment mechanisms. This diagnosis means that the activities of comprehension, memorization and inference are already making room for the learning perspective, hence the following strange properties: on the one hand, the importance of devices intended to save cognitive resources, and in first and foremost memory. We must mention here this unique property that man has of placing his memory outside himself, in the organization or ethical standard or in a technology. This is

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<sup>30</sup> In this work, we speak of collective learning when the collective concerned uses the same coordination support to improve the quality of its decisions.

the first reference to a notion almost completely absent from orthodox economic theory, that of the object. On the other hand, the over-valuation of incidents or problems with, symmetrically, the under-valuation of cases of reproduction of the status quo: the confirmation of the model is more comfortable information and, as such, less interesting (in the sense that it attracts less attention). This property, joined to the previous one, introduces a first characterization of what is called « to interpret » (and which is opposed to « to calculate »), namely to develop models simultaneously deciding what is general (treatable by the model) and what particular (outside the model).

#### **2.4. FROM ETHICS' DESIRE / PLEASURE TO SUSTAINABLE DEVELOPMENT**

In this essay, we defend the idea according to which it is possible by resorting to an economic ethics whose bases will be universal, therefore impartial, to tend towards a sustainable development, while passing by a social and solidarity economy. This development should take place both at the constitutional and interpersonal level, *via* the institutions. The ultimate objective is a thoughtful balance in the sense that it would be based on deliberative procedures giving rise to broader rules since it is a dimension (Ethics) without territorial, religious, or social limits. It is important that these values transformed into procedures and rules are shared and defined at the supranational level while considering their possible readjustment to the national context, which will be their strength. At the interpersonal level, let us note that the absence of the Ethical desire in the majority of the world population pushes us to develop more and more our argumentative and communicative capacities to bring about the change in the sense of Bateson. This change requires first a certain intelligent rationality based on more open-mindedness, adaptability through learning, less selfishness and more acceptances of limits - without primary fatalism - which surround us and which limit the scope of our actions. Subsequently, to set an example, consistency between actions and words and between actions themselves would foster this desire for change among the majority of citizens. When the first results, « the benefits » are felt, the desire for a coordinating economic Ethics will turn into pleasure since interpersonal satisfaction is there, on the agenda.

Raising awareness of this change must be the subject of a political, educational and scientific investment based on the training and constitution of focal points dedicated to ethics in general and economic in particular. Scientists and the educational body have the task of informing thanks to quantitative and qualitative evidence of the superiority of the result achieved following social actions in group and to emphasize the importance of each individual in the group. At this level,

we can bring in « the critique of economic logic » which is, according to C. Arnsperger (2003)<sup>31</sup>, the awareness of the way in which economic logic, which is rooted in the institutional level but which is backed by certain constitutional elements, reflects on the action plans which will be judged « rational » and even « spontaneously plausible » at the levels of the organizational and interpersonal rules.

Politicians, whether on the right or on the left, whose « roles » are internal to the economy, instead of siding with pressure groups, have a role to play in the creation and ritualization of civic practices ( various event for the popularization of good behavior habits, democratization of NICT, generalization of the social and solidarity economy for the majority of deprived populations) having the substance and form of economic and social ethics policies engaging the future and the well-being of the whole population. Thus, without any instrumentation of the life, the pious wish of democracy will be granted: the protection of minorities, the support necessary for its operation, by a rational majority, this time more social and more united, combining, after a great effort, well-being and interest<sup>32</sup> requires to be global, integrated and endogenous. « *Global* »<sup>33</sup> with a view to taking into account all the phenomena in their interaction without being overwhelmed by unrealistic or even impossible hypotheses. The market must be at the service of man and not the other way around. For a more realistic analysis of economic dynamics, we should not limit ourselves to market relations alone, especially when the non-market begins to become scarce (non-renewable resources). This requires a redefinition of value according to the following formula:

$$\text{Pragmatic Value} = \text{Market Value} + (\text{Human and Biological}) \text{ Values.}$$

The adoption of a social and solidarity economy leading to sustainable development must highlight the endogenous nature of this development: a « *good pace* » proportionate to the means and indigenous stakeholders, enhanced for and by the population, for avoid interventions from other states, or their representatives, multinationals, whose strategies are often at odds with the country's requirements. The hierarchies and structures established by men should evolve according to the needs of the well-being of the latter. The « *integrated* » character of development requires consistency between ends and means as well as the treatment of phenomena and

<sup>31</sup> Christian Arnsperger, (2003), " Do economic and social ethics help us to act? ", Journal of Theology and Philosophy (Geneva), winter 2004

<sup>32</sup> Perroux F. (1981), For a philosophy of new development, Paris, Aubier-Montaigne, 279 p.

<sup>33</sup> According to F. Perroux (1981, 88), "it is not by focusing on positions of imbalance (without changing the concept of equilibrium) that one can progress: it is by accepting another concept of general independence and ordering of the parts which constitute this whole".

problems by taking into account the transversal nature of the sectors of activity. In order to find the complete and rigorous solution to the problems relating to some parts of the economic system, one cannot avoid embracing the whole system. The objective would be to provide the means for a large part of the population whose mores, traditions and habits represent a source of cultural richness. In this sense, norms, conventions, rules and institutions should benefit men and not constitute a support for men to take advantage of men.

## CONCLUSION

Until now, no one had imagined that taking into account the Ethical dimension could revolutionize the very principles of economic activity. Discourse on the solidarity economy is therefore starting to constitute a break in the usual reflections on new values (human, social and ecological). Why in these times of crisis, moral and ethical questions have returned to the center of the politico-economic discourse. We believe, maybe it would be possible to recreate a bond of trust between policies and economic systems by using the Ethics wand!

Among the many meanings of the term, we can consider as rational the behavior of one who knows how to relativize his only personal interests, to rise to a more complete view of the general interest of the group to which he belongs and who also strives to see beyond the immediate consequences of their choices. Towards a sustainable development which combines the 3Vs: the livable (environment - social), the viable (economy - environment) and vital or equitable (social and economic) with the option of an intergenerational balance. Should we challenge the simplistic and binary opposition which puts the individual face to face with the state and denies the role of moral authorities and the social powers which frame, protect and direct men? The real world is in principle neither that of Hobbes (first to obey one's appetites), nor that of Smith (the invisible hand which reconciles personal, individual and collective, general interest). Officers often act out of a sense of obligation.

In the presence of so-called Ethical values, agents cooperate, exchange and compete by making the choice between different modes of coordination, namely the market, hierarchy, institutions, conventions ...An economic ethics is born without being, in any case, separated from the social ethics both in perpetual irremovability. Hence the necessary readjustment of standards, laws and rules to changes in economic, social, human and environmental conditions. Currently, we are witnessing an increasingly growing autonomy of the economic components of social life: even when we do Ethics we always need to be valued in the light of an « economic » logic with an



ambiguous status resulting from constitutional, institutional, organizational and interpersonal choices. Is it appropriate to speak of a radical economicity of the human being? Fortunately, the answer is no. Certainly the integration of the Ethics dimension into economic analysis has often been timid, but what is currently changing is the existence of social unrest coupled with low vigilance as to the importance of the Ethics dimension.

Currently, the divorce between morality and politics is consummated. We should question the political and economic leaders' exemplary nature <sup>34</sup>. But the question of the moralization of political and economic life should be avoided given its demagogic character since we are trying to sell morality to a public (the voters) when it calls for it. Morality, as an intimate requirement and not like collective reference, can be deposited on the law, if it amuses it, to cover it with a flattering varnish, but the latter must prevail. Politics, for its part, is defined as an art of living in which we have to choose between two conjectures: a little more equality for a little less freedom or even more individual autonomy for less social cohesion. The importance of the role of politics can be summed up, among other things, in the fact that political decisions are never frozen in time or in space. All the values are not compatible with each other; a choice has to be made. Thus, the right mix is no longer a matter of morality, but reflects Ethics, a system of standards adopted by each city by each nation.

Ethics as a « support » for more social, more human standards and a source of motivation modifies the basic conditions or the efficiency (economic rationality) of the various modes of coordination. It makes transactions less and less commercial and more socially efficient (impossible discrimination). Social (solidarity) rationality which has made its « coming-out » alongside individual utilitarian, instrumental rationality and that of collective utility, allows us to form and cultivate within us this « ethical desire » which is subsequently transformed to « Ethical pleasure » if necessary to move towards sustainable development. The latter « must be » controlled (economy-competitiveness-quality) reasoned (well-being-security-environment) and involving solidarity (societal).

One question remains unanswered: what rationality for institutions such as public law and morality? Can we be satisfied with what is simply given as public right and public morality or the task is rather to grasp what is « rational » in such institutions so that it can also acquire the

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<sup>34</sup> We can cite the example of Stéphane Richard, the boss of Orange, and the question that this affair has raised as to whether he should resign from his duties as CEO.

rational form so that it appears justified for the « free thinker » since a modern social norm requires knowing oneself united in the most intimate way to « truth »?

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