The Applied-Ethical Structural Synthesis of International Development [a]

Nikos Astroulakis[b]

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Abstract. The paper challenges the mainstream stance in the study of applied ethics in international development. Applied ethics is positioned at the macro-social level of global ethics while a specific codification is attempted by formulating international development based on its structural synthesis, in a threefold level: First, the structural synthesis –associated with the framework of existing international development policy– can be found in the 'market relations'. Second, the analysis specifies the policies applied at the national level and the role of nation-state policy. Third, the paper criticizes the international development institutions' policies. In each of the levels mentioned above, the analysis reveals the fundamental policy theory issues of neoclassical economics, as the intellectual defender of free market economics.

Key Words: applied ethics; international development; neo-classical economics; free-market economy; Nation-State policy; neo-liberal institutionalism.

La síntesis estructural ética-aplicada del desarrollo internacional

Resumen. Este artículo desafía la postura convencional del estudio de la ética aplicada del desarrollo internacional. Mientras la ética aplicada está posicionada a nivel macro-social de la ética global, una clasificación específica en tres niveles es sugerida analizando al desarrollo internacional basado en su síntesis estructural: primero, la síntesis estructural –asociada con el marco actual de la política de desarrollo internacional– puede ser hallada en las "relaciones de mercado". Segundo, el análisis especifica las políticas implementadas a nivel nacional y el papel de la política nación-Estado. Tercero, el artículo critica las políticas de las instituciones del desarrollo internacional. En cada uno de los niveles mencionados, el análisis revela aspectos fundamentales de la teoría política de la economía neoclásica como la defensora intelectual de la economía de libre mercado.

Palabras clave: ética aplicada; desarrollo internacional; economía neoclásica; economía de libre mercado; política nación-Estado; institucionalidad neoliberal.

Clasificación JEL: E13; F02; F11; O12; O19.

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[b] Independent Authority for Public Revenue and Hellenic Open University, Greece. Email: n.astroulakis@gmail.com

1. INTRODUCTION

The following analysis delivers a novel explanatory framework for investigating the applied-ethical structural synthesis of contemporary international development. In the present study, the ethical argument is associated with the applied sides of the conditionality of "a good life" and "a good society" in international development. The paper approaches the theme in terms of its applied-ethical aspects within the contexts of political economy and moral philosophy by providing policy perspectives from the field of neoclassical economics.

Let me begin with some definitional comments for better reading. First, neoclassical economics is accepted as the intellectual defender of the principles of free market economics established policy in international development. The mainstream approach on the applied ethics mainly reflects the dominant approaches in the literature of business ethics. These approaches are largely but not only affected by neoclassical economics and the utilitarian ethics tradition. Second, in the analysis, the terms "mainstream" and "neoliberalism" are also used. The use of the term neoliberalism can be characterized, to some extent, controversial in the academic writings. In this study, the usage of the term imitates the referred literature as well as reflects the extreme free market economics applied policy. However, in most instances, the terms neoliberalism and free market economics are entwined without noteworthy difference. Lastly, the author of the study comes from a political economy background. As usual, the viewpoint and intellectual background of the scholar play a substantial role in the manner of analysis. For this reason, the incorporation of ethics and the terminology used have been mostly viewed from a political economy perspective, rather than from a moral philosophical perspective; in other words, the viewpoint is from economics to ethics, instead of from ethics to economics.

As mentioned, the subsequent analysis determines the applied-ethical structural synthesis of international development. To be more specific, beyond the meta-ethical concern of "what a good society is" and the normative-ethical evaluation of "how this good society should be achieved", there is an ethical manner by which the ethical judgement of a good life and a good society is formulated in real-world situations. In this paper, I argue that applied ethics in international development is interwoven with global ethics, affecting actual policy issues. The applied-ethical analysis is innately related to applied development policy, wherein applied development policy is interlaced with economic, political, institutional, and moral factors. Taken as a whole,

applied ethics and applied-ethical analysis interprets the ethical argument of "a good life" and "a good society" at the level of the examination of applied development policy reasoning in the real-world situations of international development.

In the mainstream literature, applied ethics is usually accepted as business ethics. In turn, business ethics typically incorporates applied ethics by investigating deontological and professional issues. This is a microeconomic formation of applied ethics, which is based on individual ethics and the self-interest perspective of seeing the world reality. The present paper follows a rather different manner of analysis. Applied ethics as a form of global ethics is positioned in a political economy context. In this context, applied-ethical policy issues in international development have been investigated in three aspects: *a)* The framework of market relations; *b)* The role of nation-state policy; *c)* The role of international development institutions' policies. To my knowledge, no such exploration has been attempted before. The paper contributes to a holistic applied-ethical interpretation of international development without neglecting crucial issues such economic and political aspects as the main factors of development policy in international development. Unavoidably, this original approach confronts limitations and methodological concerns which weigh the author exclusively. It is an effort towards a novel explanatory framework to the investigation of the applied-ethical aspects of international development. Scholars and students of economics and development in any tradition –heterodox or orthodox– could be benefited from this novel exploration for further research.

In terms of structure, section 2 unfolds the explanatory framework of the applied-ethical structural synthesis of international development. Sections 3, 4, and 5, penetrate analytically to each of the dimensions of the framework. Section 6 concludes with brief remarks on the analysis.

2. THE EXPLANATORY FRAMEWORK-ECONOMICS AND APPLIED ETHICS IN DEVELOPMENT POLICY

Neoclassical economics frequently confronts ethical issues in the discussion of development, either at the level of the ends or at the level of the means, in a straightforward, "engineering" manner. Amartya Sen (1987, p. 50) argues that the "'engineering' aspect of economics has tended to go hand in hand with sticking to a very narrow view of ethics". This narrow view of ethics can arguably be interpreted as the value-neutral and ethically neutral stance

adopted by neoclassical economics in the field of international development policy. In addition, neoclassical economics has emerged as a universal science. Particularly in development policy, neoclassical economists consider that the development models based on the principles of economics as a positive science are applicable to all times and places (Davidson and Davidson, 1988, p. 55; Gilpin, 2001, p. 64; Milonakis and Fine, 2009, p. 46). Even further, regarding the relationship between politics and economics, Bowles *et al.* (1999, p. 2) argue that, in the political sciences, there is little understanding of the applied functioning of the economy; simultaneously, neoclassical economics is rarely deployed to understand politics and state policy. Economics, as both an analytical and policy-oriented discipline, cannot be value neutral as its neoclassical proponents claim (Vickers, 1997, p. 72; van Staveren, 2001, p. 202; van Stavaren, 2009; Graafland, 2007). From the side of moral philosophy, a critique of the philosophical discussion of the ethical reflection on development can be found through the intellectual manner in which philosophers approach the theme, scrutinising the meaning of ethical arguments while neglect policy implications (Clark, 2002, p. 830; Sen, 1999).

All the instances mentioned above result in analytic distortions and faulty policy prescriptions in the discussion of development. The problem of the ethical exploration of international development in the fields of philosophy and economics remains to some extent unresolved, particularly in accordance with development policy and moral issues. The question that is primarily posed is what applied ethics is or, rather, how applied-ethical analysis, in the contexts of political economy and moral philosophy, approaches international development policy.

Responding to this, three initial but fundamental definitional issues should be noted. First, the present analysis accepts the position that ethics has empirical, practical, and applied aspects. Endorsing this view, Moore (1960 [1903], Sec. 25), in *Principia Ethica*, states that "ethics is an empirical or positive science: its conclusions could all be established by means of empirical observation and induction". Singer (2011, p. vii) argues that the most relevant applied-ethical issues are those that confront us in daily life. Foucault (1984, p. 377) points out that "ethics is a practice; ethos is a manner of being". Second, applied ethics is acknowledged in its broader cognisance as one of the three branches of knowledge in moral philosophy.[1] In moral philosophy categorisation, applied ethics can be considered as the branch of ethical know-

[1] The other two are meta-ethics and normative ethics (Kagan, 1998; Williams, 2006).

ledge that examines contentious moral, social, legal, and political issues on the grounds of ethical debates and popular attributes (Häyry, 1994, p. 46). Third, applied ethics in international development and political economy is interwoven with global ethics. In turn, global ethics involves four interrelated levels of ethical analysis: the individual level, the corporate or organisational level, the national or societal level, and the global level (Buller *et al.*, 1991, p. 768; Owens, 1983). However, the societal and organisational levels mainly influence global ethics. "Global ethics emerge from the degree of agreement among societies, corporations and other organizations regarding the appropriate ethical frameworks and behaviors in a given situation" (Buller *et al.*, 1991, p. 768).

The vast majority of neoclassical economists accept applied ethics at the level of business ethics and as a deontological matter. A brief critical review of the mainstream approach follows: in the literature on business ethics, applied ethics mainly describes the relations between firms/organisations and the internal or external economic environment. Such relations largely involve human resource management, the decision-making process, corporate responsibility, producers' and consumers' ethics, and similar deontological concepts and policy issues. At the core of business ethics are the individual preferences, decisions, and actions and the entrepreneurial economic and social activity in the predetermined economic environment of free-market economics. In almost all of the prescriptions of neoclassical economics, the sum of individuals equals the society, and the sum of private businesses makes the economy. In business ethics, the society and the economy mainly consist of producers (business corporations) and consumers (individuals or households); the society and the economy are usually analysed with the tools of microeconomic analysis. A common prescription in business ethics in the realm of neoclassical economics is the will of consumers to maximise their utility[2] and the will of producers to maximise their profits. Ethical issues are involved in these fundamental, narrow perceptions. Within this framework, applied ethics (*i.e.* business ethics) focuses on individual ethics based on self-interest and microeconomic foundations. Also, the mainstream literature usually approaches applied ethics as a kind of deontological ethics interwoven with the rules, duties, and obligations of moral agents in an individualistic manner. In this regard, applied ethics is specified in several sub-fields, such as environmental ethics, medical ethics, bioethics, and business ethics (Cohen

[2] Consumers' utility is explained as satisfaction and/or leisure time.

and Wellman, 2005; Chadwick, 2012; LaFollette, 2002). In accordance with this, applied ethics is commonly perceived as professional ethics in any specific field of individual or corporate life (Abbott, 1983, p. 880). Nevertheless, in both cases, Hausman and McPherson (2006, p. 3) point out "[m]oral theories are not cookbooks for good behavior".

The presented approach of applied ethics and applied-ethical analysis contributes to the holistic exploration of development policy in international development. It investigates the ethical aspects of development policy without neglecting economic and political aspects as the main factors of development policy in international development, as moral philosophers frequently do. Moreover, the suggested analysis views applied ethics and economic policy in their broader senses. Applied ethics is not limited to the narrow aspects of the microeconomic foundations of business ethics and individual ethical behaviour under the belief of self-interest, as mainstream economists usually consider. Therefore, the present study proposes a rather different manner of analysis. It moves from the microeconomic level of business ethics to the macroeconomic level of global ethics.

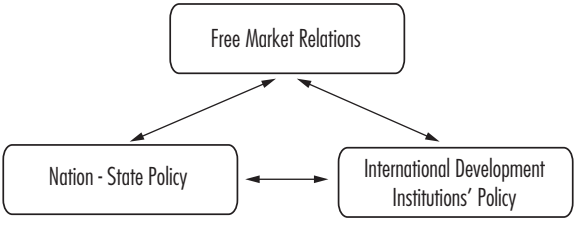
As mentioned, in the holistic-ethical examination of international development, applied ethics better corresponds to global ethics. In order to support this correspondence, I borrow a metaphor from Davidson and Davidson (1988, p. 61): "[a]lthough there is an obvious relationship between a tree and a forest, nevertheless the microbiology of a tree is different from the macrobiology of forests". In a similar manner, business ethics is related to but different from global ethics when we examine applied-ethical issues at the national or international levels. Therefore, with consideration of the aforementioned deontological nature of applied ethics, given that global ethics involves business ethics, in the present analysis, applied ethics is considered holistically as the brand of moral philosophy that responds to the ethical guidelines regarding the ethical argument of a good life and a good society in international development.

The applied-ethical structural synthesis of international development might touch upon the key ethical issue of what form of applied ethics is the most appropriate to policy in international development. For the investigation of this issue, the analysis of the applied-ethical structural synthesis of international development manifestly focuses on global ethics and the existing economic, political, and institutional structure of international development in the era of economic globalisation and the dominance of free market economics. More precisely, in the framework described, global ethics consists of the applied-ethical policies of national and multinational businesses, na-

tion states, and international development institutions (*e.g.* the World Bank, the International Monetary Fund (IMF), and the World Trade Organization (WTO)). Almost all types of economic analysis of applied policy are associated with the relations among individuals, firms, and the state. In addition, a common characteristic of almost all interpretations is the element of policy assimilation in the framework of free-market relations, as "markets have become nationwide and worldwide" (North, 1991, p. 101).

In this light, it is assumed that free-market relations overlap with applied-ethical policy in contemporary international development. Ultimately, in a globalised market economy, to what extent individuals, firms, and state authorities are associated with one another is subject to elements such as market relations, public or state policy, and the orders of the international development institutions. Consequently, in the present analysis viewpoint, the leading applied-ethical structural factors in international development can be seen in the examination of free-market relations, nation-state policy, and the rules, canons, and policies established by international development institutions. In figure 1, the framework of examining the applied-ethical structural synthesis of international development is presented.

Figure 1. The explanatory framework of the applied-ethical structural synthesis of international development



Source: own elaboration.

3. Applied Ethics and Free Markets in International Development

Market relations are associated with the framework of applying economic policy in the real world. For instance, the productive relationships (the way of production, the manner to distribute products, and the use of resources) and, more broadly, the established economic, political, and institutional rules can

be seen as the subject matters of applied-ethical analysis of existing market relations.

To approach the theme in line with its historical roots, twentieth-century perspectives of the study of international economics have established the general division between a free-market economy and a centralised planning economy (Cohen, 2009; Gilpin, 2001; Waltz, 1979). The traditional framework developed for the structural analysis of international development in the twentieth century reflected the Cold War and the ideological division between the two opposing economic systems. The initial commitment to this approach was the product of conflicting economic, political, and social policies: a conflict that dates as far back as the late nineteenth century, when the systems of a free-market economy and a centralised planning economy were debated and contrasted, primarily on the relative merits of their social, economic, and political foundations.

In the years after, philosophers and economists were called to serve "as rearguard defences of one intellectual status quo or the other" (Bowles and Gintis, 1986, p. 18). Since the collapse of the Soviet Union and the end of the Cold War era, there has been the spread of the supposition of the convergence of the entire world on the Western free-market model and the end of any significant competition between alternative forms of economic policy. Many contemporary neoclassical economists would agree with Fukuyama's (1992, p. xiii) view that "liberal principles in economics –the "free market"– have spread, and have succeeded in producing unprecedented levels of material prosperity". Fukuyama (1992) also expresses the view that the free market is the only adequate economic and institutional framework in international development in which the ethical argument of a good life and a good society can be appraised. In the modern capitalist world, "[t]he celebrated ability of markets to reconcile individual interests and collective rationality –or at least to substantially attenuate the contradiction between the two– was always viewed as conditional on a kind of morality and moral action" (Bowles and Gintis, 1986, p. 149). In this respect, free-market relations could be conceived as an applied-ethical framework for investigating development policy in contemporary international development.

Analysis of the applied ethics model of the free-market relations in real-world conditions and development policies may be useful in specifying the role of free-market relations in the existing form of productive relationships, namely the capitalist relations of production. It is important to mention that the analysis of the applied-ethical aspects of the free-market relations in the existing economic reality embodies the dominant ideological and theoretical

prescriptions of neoclassical economics. Mainly based on Fine's (1980) radical scrutiny of economic theory and the ideology of capitalist relations and the free-market mechanism, a couple of explicit implications for the applied-ethical analysis of free-market relations are explored, with the belief that ideology and theory are interwoven with real policy implementations in international development.

In the neoclassical model, the applied-ethical character of free-market relations results in the policies applied for production and distribution. At the level of production, free-market relations as reflected in the capitalist relations of production determine the applicable control of the production. For instance, employees and workers are unable to control production because of the assumption of their lack of managerial skills. In line with this, neoclassical economics usually argues that "those with managerial skills or potential will be assigned through the market to their appropriate place and rewarded for their scarce abilities accordingly" (Fine, 1980, p. 5). This assumption functions as an ethical argument to the applied-ethical issue of why the control of production is under a specific class in the consolidated production relations. Furthermore, exchange relations as they are principally applied in the free-market mechanism determined by supply and demand curves are examined in terms of the relationship between the prices of inputs and the prices of outputs. In this respect, it is argued that the neoclassical applied-ethical analysis of the free market becomes preoccupied with the analysis of market exchange relations and the formation of prices by solely using supply and demand curves. In addition, free-market relations encompass an individualistic manner of approaching decision-making in the economy, as "each individual is integrated into the economy by exchanges through the market, so the economy is conceived of as the aggregation of the atomized behaviour of individuals combined and coordinated through the market" (Fine, 1980, p. 26). However, the applied-ethical individualism of neoclassical economics leaves unexplained the social relations between capital and labour. It seems that the free market as the imperative mechanism regulates the use of the resources (capital and labour) in the economy in an ethically neutral manner. Of equivalent importance is the assumption of the maximisation of consumption via free-market equilibrium conditions in the long run. In addition, Say's law states that supply creates its own demand. At the applied level of analysis, this implies that excess supply will foster demand. Nevertheless, even if we accept that supply creates its own demand, there is no evidence that this happens in the market at the national level. On the contrary, disequilibrium conditions in national economies offer space for the argument that "the equality of

aggregate national supply and demand becomes transformed into the equality of aggregate effective supply and effective demand" (Fine, 1980, pp. 33-34) at the abstract level of the worldwide economy. Otherwise, excess supply in some markets could hypothetically create excess demand in others, without specifying when, where, and for whom. Based on this, the applied policy decisions (based on neoclassical economics) formulated in free-market relations seem to be ethically "right", as they improve the efficiency of economic outcomes and, as a consequence, individual and societal prosperity. The imperative applied-ethical posture of neoclassical economics can be seen in the equilibrium condition in the ethically neutral space of free-market relations, either nationally or internationally. Regarding the applied-ethical nature of free-market relations, "if a supply meets a demand and vice-versa, all is well and good" (Fine, 1980, p. 33).

Beyond the applied-ethical issues of equilibrium economics, free-market relations guarantee economic freedom and promote political freedom. Political freedom is perceived as a mirror image of the economic freedom derived from the established free-market relations. Friedman (2002, p. 8), in *Capitalism and Freedom*, first published in 1962, argues:

> On the one hand, freedom in economic arrangements is itself a component of freedom broadly understood, so economic freedom is an end in itself. In the second place, economic freedom is also an indispensable means toward the achievement of political freedom.

In this view, the established free-market relations in competitive capitalism separate economic power from political power.[3] Free-market relations provide economic freedom; in turn, economic freedom advances and protects political freedom. Capitalism in general and the established free-market relations in particular are accepted as prerequisites for political freedom (Friedman, 2002, p. 10).

The discussion of freedom, either political or economic, is mainly based on the grounds of individual choices and actions. A free-market system can be described as a system under which individuals make their own choices and bear the consequences of their choices based on the general individualistic-ethical premise that a society is solely comprised by the sum of its individuals

[3] The ideas on political power and market power, and the applied-ethical relationship between them, are also discussed in the following section.

acting under free-market relations and satisfying their own preferences. In addition, free-market relations and co-operation in the market are voluntarily exchanged by individuals. Based on these fundamental principles, "[i]ndividuals co-operate with others because they can in this way satisfy their own wants more effectively" (Friedman, 2002, p. 166). Finally, the evidence of the acceptance of free-market relations, as neoclassical economists argue, is that this system has prevailed for most of human history (Friedman and Friedman, 1980, p. 138). It has prevailed due to its superiority, even with market failures, to another economic system: the centralised planning economy (Roemer, 1994, p. 20; Friedman and Friedman, 1980, p. 138; Hayek, 1948, pp. 107-108).

These postures are predominantly associated not only with liberalism but also with neoliberalism. "The assumption that individual freedoms are guaranteed by freedom of the market… is a cardinal feature of neoliberal thinking" (Harvey, 2005, p. 7). As far as this happens, free-market relations are based on private property rights and protected private contracts. Private property rights are the cornerstone of the applied economic system of competitive capitalism. "In its economic manifestation, liberalism is the recognition of the right of free economic activity and economic exchange based on private property and markets" (Fukuyama, 1992, p. 44). In addition to this, individuals are the ultimate owners of property in society (Friedman, 2002, p. 135). Nevertheless, because of the legal and social matters of property rights, state policy guarantees private property rights, as their definition and enforcement are one of the primary functions of the applied policy. Even the distribution of income and wealth is a matter of property rights relations:

> The ethical principle that would directly justify the distribution of income in a free market society is, "To each according to what he and the instruments he owns produces"; thus, "[t]he final distribution of income and wealth under the full operation of this principle may well depend markedly on the rules of property adopted (Friedman, 2002, pp. 161-162)".

In a capitalist economy, free-market relations are enforced by strong private property rights as the imperative that guarantees the efficient use of resources and the efficient operation of the market. Most neoclassical economists associate the end state of development (a good society) with the establishment of free market-relations, in which the majority of property is private. Private poverty is founded on free-market relations, and *vice versa*. In this premise, effective property rights are respected and enforced by free-market

relations (Marangos, 2004, p. 105). Private property rights and free-market relations are strongly protected by the law. In addition, in answer to the ethical question of what constitutes a good life, neoclassical economists reply that individuals derive satisfaction from owning private property not only for the needs that such property satisfies but because other individuals recognise this. Fukuyama (1992, p. 195) acknowledges property rights as a stage or aspect of the historical struggle for recognition, as something that satisfies not only needs but also desires. In this way, private property rights, and the strong protection of them, are a legitimate end for a civil society. Consequently, free-market relations are capable of acting as a guide for all human action, substituting all previously held ethical beliefs. As far as market relations are valued as "an ethic in itself" in this way, the significance of contractual relations in the marketplace is emphasised (Harvey, 2005, p. 3), both at the national and international levels.

In accordance with some empirical studies in neoclassical economics, free-market relations (assisted by private property rights and political freedom) result in more efficient outcomes in terms of economic prosperity and growth in emerging, transitional, and developing economies. For instance, Goldsmith (1995) unswervingly associates the elements of political freedom and property rights with economic growth in international development. By testing a wide range of emerging, transitional, and developing economies, using data from the 1980s and the early 1990s, Goldsmith's empirical study shows that institutional forced political freedom along with established property rights as dependent variable, "suggesting that national income in poor countries stands to gain from recent efforts to implant these institutions" (Goldsmith, 1995, p. 157). Similar empirical results in support of the positive association of free-market relations, political freedom, and property rights with economic growth and prosperity in international development have been mentioned in the studies of Bilson (1982), Vorhies and Glahe (1988), and Pourgerami and Assane (1992), among others.

Therefore, it seems that, for mainstream thinkers, whether with democracy and political freedom or with a non-democratic government, the fundamental applied-ethical policy is the establishment of free-market relations and private property rights. Hence, the road to a good society is through economic growth and prosperity. In the economic history of international development, the role of governmental and nation-state policy has been valued in this manner in a variety of national trajectories. The next section analyses this role in its applied-ethical policy dimensions.

4. Applied Ethics and Nation-State Policy in International Development

The role of nation-state policy remains significant in the globalised market framework of international development. Nation-state policy refers to public or state policies, taking under consideration the whole spectrum of these policies at the national level. Even though economic globalisation shifts policy-making to the worldwide level of the global market and international institutions, nation states continue to be the key applied policy players in international development. "This is still a world where national policies and domestic economies are the principal determinants of economic affairs" (Giplin, 2001, p. 3). Nation states determine to a smaller or larger extent their policies regarding economic, political, and social actions and choices. In spite of the scale of nation-state policy-making in the globalised market framework, policies are typically imposed on the grounds of national confines by state authorities. In light of this, the applied-ethical context of the good lives of people and the good society in the sense of a common good for a nation, country, or society rests upon nation-state policy. Nation-state policy guarantees the individual or business contracts necessary for a civil society. Thus, nation-state policy is explored as one of the applied-ethical mainstays of international development.

How is a nation state concerned with the applied-ethical neoclassical posture regarding applied policy? The reply to this question necessitates the discussion of the applied economic and political matters, as well as the relationship between methodological individualism and political individualism. The ethical notion of the free individual is central to both concepts. More accurately, political individualism, the idea of a political structure in which the preservation of individual liberty is made the touchstone of nation-state policy, is a mirror image or the expression of the methodological individualism applied in the political structure (Blaug, 1992 [1980], p. 45; Machlup, 1978, p. 472). In this regard, nation-state policy is approached from the individualistic-ethical idea of the free individual, in which individual preferences are at the core of the nation-state policy discussion. "[T]he country is the collection of individuals who compose it, not something over and above them" (Friedman, 2002, pp. 1-2). The scope of nation-state policy must be limited due to the ethical belief that individual freedom is always geared towards the diminishment of government or state power. Nation-state policy intervention is critically viewed, even in the spheres of social activities (such as education and health) and the failures of market institutions. Consequently, "[t]he

preservation of freedom is the protective reason for limiting and decentralizing governmental power" (Friedman, 2002, p. 3). Voluntary individual co-operation and private enterprise, in both economic and political activities, ensure that "the private sector is a check on the powers of the governmental sector and an effective protection of freedom of speech, of religion, and of thought" (Friedman, 2002, p. 3).

Nation-state policy rests on the political regime and the prevailing ideology. Regarding the applied political regime of a nation state, neoclassical theory formally suggests that the ideal type of liberal democracy leads to better societal and political outcomes:

> As mankind approaches the end of the millennium, the twin crises of authoritarianism and socialist central planning have left only one competitor standing in the ring as an ideology of potentially universal validity: liberal democracy, the doctrine of individual freedom and popular sovereignty (Fukuyama, 1992, p. 42).

With respect to ideology, neoclassical economists support a liberal ideology that emphasises and encourages self-interest based on Adam Smith's perspective. In accordance with the self-interest ideological perspective, individuals are allowed (within defined limits, including rights and obligations) to follow their own values and convictions (Smith, 1986 [1776], p. 119). Hence, individuals are not subjected to coercion. Coordination among individuals is spontaneous. Individuals participate in the market as it is guided by the "invisible hand" and self-interest.

At the applied-ethical level of policy-making, individuals as electoral voters join the decision-making process in a liberal democratic political structure. The reflections of the individuals' political views on the distinct political parties compose the political and liberal ideological structure of the society and affect the nation state's policy decisions and actions. In turn, the element of power, particular market power over the political authority and individuals, is limited, under the assumptions of the public choice theory. In this respect, neoclassical economists assume that individuals' equal rights to vote ensure equal participation in decision-making. Furthermore, there is the assumption that the individual rationality that always or almost always leads to better economic choices also leads to better political choices. In spite of this, the law system as a pillar of liberal democracy maintains the performance of equal rights of individuals in the spheres of political, social, and economic life. Consequently, altogether, the neoclassical applied-ethical premises lead to the liberalisation of political structure and nation-state policy, as "the liberaliza-

tion of political 'markets' is often as important as the liberalization of economic markets" (Parish and Michelson, 1996, p. 1043).

In addition, the debate on nation-state policy mainly involves the public *versus* private questions in the applied policy dialogue. The private question is seen in relation to free-market results, while the public question relates to state or government intervention. Regarding the discussion of private and public applied policies, decisions, and actions, neoclassical economists argue that, even in the case of market-based policy failures,[4] "private solutions should be sought first" (Marangos, 2004, p. 35). Realising the enormity of neoclassical economics in favour of the private sector of the economy, more than thirty years after the economic crisis of 1929, Friedman (2002 [1962], p. 38) continued to argue that "[t]he fact is that the Great Depression, like most other periods of severe unemployment, was produced by government mismanagement rather than by inherent instability of the private economy". This is because, by definition or applied-ethical posture,[5] as argued in this study, government failure results in worse outcomes than market failure. In such a way, private hands are always preferable. Even on the grounds of the redistribution of economic outcome, income, and wealth, nation-state policy is better not being involved due to the applied-ethical argument that the market outcome is the just outcome. Therefore, there is no need for discretionary income and wealth redistribution policies derived from nation-state policy intervention in the free-market functions. According to the neoclassical economic premises, nation-state policy intervention is limited to the applied economic decisions and actions. Free-market relations and the market mechanism lead to the efficient production and allocation of products. If this is true, however, what is the necessity of nation-state policy?

In order to appraise the above inquiry, it is necessary to review the current ideological and applied-ethical economic doctrine of neoliberalism.[6] "The doctrine is that all, or virtually all, economic and social problems have a market solution, with the corollary that state failure is typically worse than

[4] According to the neoclassical theory of economics, market failures occur when the market mechanism fails to produce or allocate products efficiently. The reasons for such failures can be seen in externalities, public goods, and the "free rider" problem.

[5] In neoclassical economics, the private market efficiency argument is viewed as an applied-ethical posture, as neoclassical economics has specific assumptions and empirical results that support this argument.

[6] Neoliberalism, as an ideology and applied-ethical doctrine in international development, is scientifically sustained by neoclassical economic theory.

market failure" (Howard and King, 2004, p. 40; see also Harvey, 2005, p. 2; DeMartino, 2000, p. 4; and Chang, 2002, among others, for similar definitions). The main idea of the supporters of free market economics is that every policy, decision, and action, whether at the societal or individual level, should advance the economic outcome through private market relations. Nation-state policy is imposed in this view. Specifically, the role of nation-state policy is to generate and protect the institutional framework in which free-market relations run. For instance, in a globalised market environment, one of the main purposes of nation-state policy is not to restrict or tax trade but to use all the nation state's authority to extend the freedom of trade within and beyond its national boundaries. Therefore, "[i]n the neo-liberal framework, the ideal market is equated with the 'perfectly competitive market' of neoclassical economics" (Chang, 2002, p. 544). To this end, nation-state policy develops and controls the monitoring and suppression mechanisms and institutions, such as military defence, police, and other legal functions and structures formed as state institutions. By controlling monitoring and suppression mechanisms and institutions, nation-state policy forces the "right" functioning of the economy and politics in the direction of free-market relations and capitalist democracy functions. In this regard, liberal thinkers such as Nozick (1974) and Buchanan (1986) have argued that "the state has emerged as a 'contractual' solution to the collective action problem of providing the public good of law and order, especially the security of private property, which is seen as necessary (and often sufficient) for markets to function" (Chang, 2002, p. 547, brackets in the original). In this framework, nation-state policy secures the established private property rights and capitalist productive relationships. In addition, nation-state policy sets up (mainly through privatising public ownership) free-market relations in fields where free-market conditions have not traditionally been employed, such as education, health, social provision, and water supply. Thus, for Howard and King (2004, p. 40):

> The practice is the continuing and increasingly intensive application of this doctrine [free market economics] to an ever-expanding area of life in the real world, via the privatization of state industries and public services, the elimination of "dependency cultures" and the introduction of market-mimicking arrangements to those areas of government activity that remain unprivatized.

Furthermore, nation-state policy diminishes the role of labour unions and social movements by trying to eliminate any form of class struggle. Such practices were activated by Thatcher in the United Kingdom and by Reagan in

the United States in the 1980s and have generally been applied in almost all development programmes in the developing world. However, nation-state policy against collective institutions such as labour unions and other forms of social coordination on the ground level of the society raises a contradiction "between a seductive but alienating possessive individualism on the one hand and the desire for a meaningful collective life on the other" (Harvey, 2005, p. 69). This, also, fashions a paradox of the nation-state policy intervention regarding individuals' choices between collective action and political freedom. The intention of nation-state policy interventionism in the direction that has been discussed is derived from elites and political authorities in a world in which it is supposed that the state should not be interventionist. Nation-state policy considers the solvency of market institutions, the integrity of the financial system, and the domestic economy's results or outcomes as the reduction of public deficit, for example. In this regard, the nation state applies its policy, financial, monetary, and public economic orders by following the perspectives dominant among international development institutions, intergovernmental organisations, and inter-regional political structures. The role of the international development institutions' policies in the applied-ethical structural synthesis of international development is specified in the following section.

5. Applied Ethics and Institutional Policy in International Development

Globalisation and the role of international parameters are not new phenomena in worldwide economic history, international relations, and international development. Nevertheless, the role of international development institutions' policies as it is discussed here is relatively new in global affairs.

More analytically, prior to the Great Depression of 1929, US President Roosevelt's New Deal in 1933, and World War II [1939-1945], international political and economic orders were based exclusively on the relations structured as the clear political and military power of the nations in the conception of Hans Morgenthau's *Politics among Nations* (Morgenthau, 1948), following traditional political realism in international politics. Accordingly, political power refers mainly to the international political and military power of each nation and the interplay between nations at the international level. In recent times, explanations of political realism have remained powerful in international relations theory and international political economy studies (Waltz, 1979; Gilpin, 2001; Cohen, 2008).

However, since the end of the Cold War until now (1990 and beyond), we can evidently argue for a different face of political realism, moving power from the politics of nations to international development institutions' policies, usually referred to as neoliberal institutionalism. According to Gilpin (2001, p. 379), neoliberal institutionalism advocates that formal international regimes such as international development institutions are necessary and have become sufficiently strong to meet the challenges of a globalised market economy for developing economies. As political economists and international relations theorists point out, nation states continue to be at the centre of analysis; nevertheless, they are not by any means the sole actors in international development. Nation states and their interplay are perhaps the foremost ideas in international relations; however, this does not mean that traditional political realism is "the billiard ball model of rational, unitary states, conceived as closed 'black boxes' driven solely by calculations of national interest and power" (Cohen, 2008, p. 14). After the end of World War II, from the side of free-market economies, international development institutions (*e.g.* the World Bank, IMF, and WTO), were established to expand and protect the global free-market relations system and to promote prosperity (economic growth) to the developing world. As Gilpin (2001, p. 42) mentions, "during the Cold War, the Western international economic system, under American leadership, was intended to strengthen security ties against the Soviet Union". After the economic depression of the 1970s, the intense influence of free market economics in the 1980s, and the closing moments of the Cold War at the end of the 1980s, international development institutions have shifted their policies in the direction of the applied neoliberal policies in international development.

This also describes the passage from classical liberalism to neoliberal institutionalism. While classical liberalism shifts the emphasis of policy action to accelerate and secure the progress of liberalisation at the national level, "[n]eoliberal institutionalism places heavy emphasis on mechanisms of intergovernmental policy cooperation to achieve liberal outcomes consonant with the maintenance of order in the international system" (Sally, 1998, p. 177). In the case of classical liberalism, we can briefly express it as "liberalism from below", where "below" is the decision-making and the applied policy at the level of the nation state. Neoliberal institutionalism can be shortly described as "liberalism from above", in which "above" means the imposed international development institutions' policies for nations and internationally.

Nevertheless, at either of the two levels, in contemporary international development, the main applied-ethical idea of the dominant development

policy remains faithful to the core principles and liberal background of neoclassical economics. What has changed is the historical moment. The term "neoliberal institutionalism" better describes the intention and magnitude of the liberalisation of the international development institutions' policies around the globe in the absence of alternative forms of applied policy in international development. In a similar way, Craig and Porter (2006, p. 13, capitalisation as per original) depict neoliberal institutionalism as a "historical high point of Liberal hegemony in Development". What is worth mentioning is that the liberalisation of the applied policies of international development institutions is a matter of power (political and economic) and an issue of dominant economics and international politics. The international development institutions' policies reflect such economic and political issues.

Now let us illustrate some points regarding the applied-ethical scope of the international development institutions' policies in recent times. According to their official declarations, the applied-ethical role of the international institutions' policies is to bring about and secure prosperity for international development. The IMF's monetary and financial policies, as well as the structural reforms assistance it provides to developing countries, have had a leading position among the international development institutions' policies. So, taking as a suitable example the IMF's official "about us"[7] demonstration, the IMF, at the level of scope, is "working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world." Similar announcements can be found in the aims and scopes of other international institutions (*e.g.* the World Bank and the WTO). Their official declarations ideally define the ethical means and ends of development and the framework for achieving a good society. In practice, however, the dominant international development institutions' policies have been challenged. The results of the applied policies on economics, societal aspects, and (in some cases) political structures are not consistent with the demonstrated ethical image of a good society.

7 <http://www.imf.org/external/about.htm>

6. Instead of a conclusion

As has been already claimed, the applied-ethical structural synthesis of international development in the era of globalisation and neoliberalism is composed of a framework of free-market relations, nation-state policy, and international development institutions' orders. Within this framework, neoclassical economics tends to believe that the principles that govern development policy are universal in character; thus, the policies applied to international development are essentially similar everywhere. In fact, the posture that free-market policies can promote worldwide prosperity, good lives for individuals, and a good global society is an applied-ethical premise of neoclassical economics. Taken as a whole, the applied international development policy can be explained as an ethics in itself: as a global ethics derived from the meta-ethical orientation and normative-ethical evaluation of the present form of international development as a globalised market economy. The results of the analysis reveal that the existing reality in international development policy is dominated by the development policy of free-market economics under the policy perspectives of neoclassical economics. In this paper and elsewhere (Astroulakis, 2013), I have argued that the applied policy cannot be detached from its meta-ethical orientation –the ends– and its normative-ethical evaluation –the relationship between the ends and the means. Consequently, the development policy in international development is applied in the framework of free-market relations. Briefly, free-market relations can be interpreted as the liberalisation of the economic and political environment in almost all its functions. As per Harvey (2005), DeMartino (2000), and others, the paper maintains that neoliberalism is a policy doctrine that is assisted by many neoclassical economists and the scientific or analytical tools of neoclassical economic positivism. Even if there are contradictions in theory and practice, the theoretical objectives of neoclassical economics and the applied neoliberal policy, as in the case of government intervention in economic matters within and beyond the market, the present analysis is very close to Albo *et al*. (2010, p. 28) position that neoliberalism is not about the extent of deregulation as opposed to regulation. Neoliberals use nation-state power for their own purposes. What is noteworthy is that nation-state domestic policy and international development institutions' policy orders follow a similar applied-ethical policy that is compatible with free-market economics and the image of international development as a globalised market economy.

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