

## The Role of Ethical Principles in the Economy\*

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Katalin Botos:

*Világvallások és a gazdaság*

*(World Religions and the Economy)*

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Professor Katalin Botos has an extremely rich body of work. She is the author of nearly twenty books and more than 380 scientific publications. Besides her work in science management and as the founder and head of doctoral schools, she was actively engaged in the field of economic and financial policy as minister without portfolio and as chair of the Banking Supervisory Authority. Her academic contribution is also extensive on an international scale. Her research and teaching activities have enriched university education at Corvinus University and its predecessors, as well as at the University of Szeged and the Pázmány Péter Catholic University. Her educational pursuits are wide-ranging and diverse. She also hosts an economic analysis show on the radio.

Her interesting new book published this year explores the economic teachings of world religions and their role in the functioning of the economy. In this review, I present her book, focusing on the role of moral principles and values in the functioning of the economy.

Botos' volume of studies consists of five parts. In her introduction, she points out that the economic teachings of world religions have one thing in common: they all reject purely profit-oriented economic behaviour. The first part is entitled "*The economic teachings of world religions and the global market economy*". An important claim here is that today "*the high costs of redistribution put entrepreneurs in Western capitalist societies at a competitive disadvantage relative to markets where community values and the solidarity based on them are more esteemed*" (p. 11). One intriguing question is whether and how the socio-economic teachings of

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world religions play a role in the economic success of certain groups of countries, and whether they contribute to economic development.

Long-term historical development has many lessons to teach us. Angus Maddison analysed in detail the population and growth trends in the world economy and the evolution of welfare in each group of countries. Maddison divided the world into Western (A) and Eastern (B) groups of countries. The West included Western Europe, North America, Australia and Japan. Group B comprised Asia (excluding Japan), the Asian successor states of the former Soviet Union, Eastern and Central Europe, Africa and Latin America. Botos points out – correctly, in my opinion – that such a division of West and East is a simplification. Given their potentials, China and India have been, and still are, the historically dominant countries in shaping the position and average development level of the East. Furthermore, for centuries, the nomadic Tatar and Mongol Empire in Central Asia had the greatest economic and commercial influence due to its territorial expanse, but it was precisely because of its nomadic nature that it was unstable and changed rapidly. In his analysis, Maddison shows that 2000 years ago, average per capita income was similar in the two groups of countries; in 1000, it was lower in the Western group than in the Asian group; and then in the second millennium, the Western countries developed at a faster pace. There are two main phases in the second millennium. In 1820, the Western group of countries had twice the income per capita of the Eastern group. After 1820, with the spread of capitalism, the development of the West accelerated, and by 1998 the income gap had grown sevenfold in favour of the West.

Botos provides a convincing analysis of the qualities and factors that determined the development of European and Asian civilisations. The emergence of Europe's technical and technological dominance cannot be explained by geography, as these conditions existed previously (although it is true that the climate changed significantly from time to time). One should consider the economic and social organisation, the role of rationality and the rational structure of economic models to identify the foundation of and key to the rise of civilisations. The driving forces in the modern world are the rapid and efficient introduction of technical innovations, the regular reinvestment of surplus income and the motivation of management and employees. The author correctly highlights that Christianity "*makes reason and logic the basis of faith*" (p. 17). She cites Samuel Gregg's statement in saying that "*If we accept that logic and reason contribute to the development of science, we can say that Christian religion has contributed much to the accumulation of knowledge, which is the most important factor in economic growth*" (p. 18). As early as in the Roman Empire, patient and elderly care was already in the focus of Christians. In addition to its moral and social significance, this furthered the growth of the Christian population. Appreciation and respect of intellect became the basis of culture and the accumulation of knowledge. The scientific achievements of antiquity were preserved, transmitted and advanced by Christianity.

According to American professor Deepak Lal, a distinction must be made between people's material and cosmological beliefs. The first relates to the ways of making a living, while the second shows how we should live. Christianity responds to both, proclaiming the fundamental value of the person and creating a new institutional framework for socio-economic activities. The institutional and legal environment is very important for the accumulation of material and intellectual capital. Botos is right in pointing out that *"the decisive factor is the human knowledge factor; therefore, I believe it is appropriate to look for the driving force of development in an ideology that rests on intellect. Without human capital, without the accumulation of knowledge, there can be no technological revolution, as the concentration of material wealth in itself will not engender a capitalist mode of production..."* (p. 23). Some of the world religions are closer to a communitarian ideology, others to an individualist ideology. Chinese, Japanese and Korean values and the Hindu religion are also fundamentally communal in nature, but at the same time, they build on individual responsibility. Civilisations built on monotheism are essentially individualistic in nature, as they emphasise the role, the responsibility of the individual, individuality, and the importance of the actions of the individual.

The section *"The impact of religions on the economy"* looks into the role that qualities, responses to challenges, and the erudition and attitudes of the population play in underpinning economic performance. Favourable natural conditions not only do not guarantee success, they often make societies feel too comfortable and lead to inefficient performance and lagging behind. Changing seasons and the challenges posed by harsher natural and climatic conditions demand better performance and may require greater efforts, greater achievements and progress, but only if society can respond to these challenges by mobilising its labour, intellectual and material endeavours to a greater extent (cf. the rise of Scandinavia and Switzerland). And this depends on the culture. That is why these countries are more developed than those around the Equator. Good values and their pursuit, conscientious value-creating work, an attitude to social coexistence and adherence to the rules are the key to a well-functioning society. Botos presents a comprehensive study of the World Value System, which covers 66 countries focusing on six areas. It examines the impact of religion on the following areas: cooperation between people; the attitude of members of society towards women, the state and the government; legislation; the fair functioning of the market economy; and frugality. Trust and tolerance were highlighted in the analysis of cooperation between people. In the case of legislation, the extent to which citizens abide by the rules and comply with the law was surveyed. For the market, the acceptance of income differences is justified by the incentive to do better. The study found that religious people tend to have traits that favour the market economy and its institutions, have more trust in each other and the government, and are more law-abiding.

The third part of the book compares Christian social teaching with economic reality. The starting point for evaluating economics is that economics is not a natural science. *“There are mathematisable facts, but decisions are made by people and do not only have economic but also social consequences. Moreover, a large part of economic decisions are not made by market entrepreneurs, but by political bodies which take into account a number of individual aspects in addition to economic benefit”* (p. 53). From the second half of the 19th century onwards, the Catholic Church has been seeking a comprehensive response to the fundamental problems of the functioning of capitalism. In 1891, Pope Leo XIII published his encyclical on the economy, *Rerum Novarum* (*“Of New Things”*), which has since been followed by a series of encyclicals on the same subject. Their guiding principle is that the economy is to serve the people, and not the other way round. In its social teaching, the Church combines the requirement of economic efficiency and justice.

Botos quotes and analyses the writings of Pope John Paul II, who criticised multinational and transnational corporations as exploiters in host countries, and also noted that capital only considers the economic function of labour, often ignoring social aspects and the development of the individual. The primacy of labour over capital is indisputable. In job creation, the state has an important duty in encouraging employment growth, ensuring adequate conditions for education and training, and promoting the public training of a quality workforce. International capital flows have further strengthened the differentiating forces that have widened international economic disparities. There are structural problems in the world that can only be solved by human behaviour that is based on solidarity and cooperation on a global scale. In his encyclical *Centesimus Annus* (CA) published in 1991, Pope John Paul II explained in detail the problems of the regime change that took place in Central and Eastern Europe, pointing out that *“the costs of transformation were as great as the damage caused by the World War or the burden of reconstruction”* (CA, 28, cited in Botos, p. 65). Also fundamental is the idea that *“A person who is concerned solely or primarily with possessing and enjoying [...] cannot be free”* (CA, 41, quoted in Botos, p. 67).

Botos also provides a comprehensive overview of human ecology. The first and fundamental structure of human ecology is the family because it is the scene of the qualitative reproduction of life. Education must go hand in hand with raising children to make them develop into mature, responsible, cooperative and creative individuals. This requires healthy families, and that these families be protected and supported. Ensuring fair wages and decent working conditions, and reconciling the interests of employers and workers are extremely important aspects. Inspired by Naughton, Botos presents the importance of love graphically. The nurse who cares for the patient with love and humanity is not paid for love but for the administration of medicines and the nursing activity. Money can't buy love. At the same time, the desire to love and be loved is present in people.

Christian ethics of economy provide an important guidance of values for sustainable development. In societies of plenty, values have become distorted, as we spend far less than necessary on basic health care, education and clean drinking water. Ecological pressures are increasing, marked by the ever-faster depletion of natural resources and the enormous pollution of the environment. This puts sustainable development at risk. The only solution is an eco-social market economy that meets the needs of the present generation in a way that satisfies the needs of the future generation. The future depends not only on science, but also on moral conduct. Botos makes it clear that the achievements of modern technology and the information society must be coupled with a morality that treats our planet with the care of a good steward. It also highlights the important role of the local division of labour. That *“local division of labour can bring about a much more favourable situation of competitiveness. If family services are more valued and appreciated as they should be, we can solve many problems without money. This means lower costs, but not necessarily a worse quality of life”* (p. 77). As a child, a sick person, a person in need of care, an elderly person, you are part of relationships in which assistance and morality play a fundamental role. This train of thought in the book concludes with the idea that *“Without more cooperation, without greater solidarity, we will be losing out in the global race”* (p. 77).

The fourth part is a joint study by Katalin Botos and József Botos: *“Relationships between the economic teachings of the world religions, the global market economy and charity”*. I find this part particularly interesting in this outstanding work. It focuses on three main aspects: how the values of different religions relate to profit orientation, knowledge economy and charity. Thinking through the values reflected in the economic teachings of the different world religions is an interesting exercise. The book summarises these very well. I will briefly summarise a few important and interesting points here.

Buddhism is about not letting our desires control our lives. One should not get rich through immoral means. Hinduism is not opposed to economic empowerment and prosperity. However, the rigid caste system limits mobility and thus the freedom of economy. Confucianism is the dominant religion in China, but it is also prominent in Korea, Japan and Southeast Asia. It sets high moral standards for the individual (discipline, loyalty, trustworthiness, reciprocity). It stresses the importance of self-control over human passions. It also emphasises the individual’s social obligations and respect for tradition. Confucianism is economically progressive, because it promotes self-reliance and entrepreneurship. Mencius, the famous teacher, condemned profit seeking as a threat to the harmony of the state, which is the highest ideal of Confucianism. *“One’s act should neither be motivated by what profits him or her nor be motivated by what profits one’s family or even one’s state”* (quoted in Botos, p. 86). In modern Confucian thinking, the purpose of business

is to improve people's living conditions, but this activity also generates profit as a by-product. Profit is therefore a result, but not a fundamental motivating factor. They seek to bring capitalism into line with Confucianism and develop a new motivational force on this basis.

Monotheistic religions have their roots in the Old Testament, the Bible. According to Jonathan Sachs, the biggest change in the history of human development is the realisation that you can do something to shape your own destiny. The core of Jewish socio-economic teaching is that people are responsible for their actions. Our task is to do our utmost to preserve human dignity and to pass on a better world to future generations. Jewish teaching places great emphasis on cooperation and the family, the synagogue and schools are its most important institutions. The economy is largely dependent on the accumulated intellectual capital. This enables creativity which is the basis of business success. However, an important part of Jewish social teaching is distributive justice. Jewish teaching makes charity mandatory. Under Mosaic Law, a person enslaved because of indebtedness had to be freed in the seventh year. If someone was forced to sell their ancestors' land or to give it to a creditor in exchange for debt, it had to be returned to the original owner in the year of Jubilee, when the "trumpet is blown", i.e. after 50 years. This regulation had the aim to protect the ownership of agricultural land. Urban properties could be permanently alienated. The humane treatment of widows and orphans was also regulated by law.

Christianity is based on the fundamental commandment of love. Christianity emphasises human equality, human dignity, and links faith and reason, which clearly had and still has a role to play in the foundation and acceleration of economic development. The economy rests on the core pillars of the dignity of individual and private property. Without these, we could not be good enough stewards of the world entrusted to us. However, there is also a place and role for the appropriate forms of community ownership (public, church, municipal, foundation, non-profit, etc.). We must manage the Earth's natural resources responsibly, and the best way forward in economics is to apply the principle of maximum cooperativity. A spontaneous economic system does not create social justice; this is the task and the requirement of the rule of law. In today's world, the power of the state is often smaller than that of a single multinational corporation, so we need global cooperation, international agreements and well-functioning organisations.

Islam also sees the individual as the cornerstone of society and underlines that people are personally responsible for their actions. Islam sees the world as a network of connections. Islam accepts the existence of individual interests and market mechanisms, but it does not advocate the exclusivity of the market. It emphasises the role of justice in development. It considers interest to be usury and rejects it, as it is against fixed and guaranteed capital income. However, it is still

possible to acquire interest income by means of a sale and purchase transaction where the lender joins in the real economic investment and the benefits are shared.

Successful economies in Asia rely heavily on the solidarity of small communities and the family, and solve many social problems within this framework. The overly individualistic Western world, on the other hand, buys for money, and either makes the state pay for it or pays out of pocket, but in both cases, the increase in taxes and spending damages its international competitiveness. Therefore, by strengthening morality and solidarity, competitiveness also increases. Without relieving the state of the responsibility for the rational operation of large distribution systems, the circles of human solidarity and the networks of human relations must be rebuilt and strengthened. I think it is an astute approach and a clear conclusion that *“Modern charity means that not all services are measured in money. Interestingly, however, it will have benefits for society, even monetary ones, as the economy becomes more competitive, by harnessing the so-called social capital”* (p. 100)

The final, fifth part is entitled *“Cooperation and competitiveness”*. The relationship between competition and cooperation is always important in the functioning of the economy. Competition has been present in the economy all along. At best, sellers compete for buyers in the market. Competition is inherent to capitalism. Today, there is increasingly fierce competition not only for markets but also for the resources needed for production. In modern production, the division of labour plays an ever greater role, so collaboration is another key process. Botos makes the important point that *“Economic cooperation (however) requires a solid moral basis, since the transaction costs of business would greatly increase if all contracts could only be enforced through legal means”* (p. 107).

Networking is becoming more and more important in the global economy. This generates social capital, which is one of the foundations of the current success of the Asians. The author illustrates how Japan combines intragroup cooperation in school and sport with an intergroup competitive spirit. Subsidiarity must be the basis for the economy and the organisation of society, but at the same time, greater solidarity is needed by linking the individual and the common good. Botos has also clearly stated that *“competition should not be achieved at the expense of nature”*. *We cannot neglect the interests of future generations, meaning that intergenerational solidarity is required. This has ecological, legal, economic, political and cultural aspects”* (p. 132).

Professor Botos’ book is a deep and thought-provoking work of great value. It offers a fundamentally new approach in that it interconnects the merits and the usefulness of the ethical principles, moral values and the corresponding behaviour and actions that originate in the teachings of world religions for the economy and society. It proves that value-based, ethical behaviour is also a key to success in the race between the countries. Her book enriches every reader.