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Decency and the market: the ILO's Decent Work Agenda as a moral market boundary

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Introduction

Economics and ethics are often assumed to be fundamentally opposed. This view is not only found in the public domain but also in parts of the academic community. The general public, more often than not, views markets as being completely devoid of even the most basic morality. Morality—the argument goes—can't be part of the search for profits.

Whoever looks at economics for an alternative account of this relationship is most likely to be disappointed. Neoclassical economics, still the dominant approach in economics, assumes a strong distinction can be made between facts and values. It asserts that when it comes to the selection of ends, economics is entirely neutral. (Graafland, 2006, p. 8) Economics is presented as a positive value free science. Economic agents may have their own moral convictions and values but these have no relevance beyond the personal sphere. For most neoclassical economists, moreover, there are no absolute moral values, only preferences.

The view that ethics has no place in economics is deeply rooted. This has led the discipline to exhibit a basic lack of interest in ethical traditions. (Sen, 1987, p. 48/50) This detachment of ethics from economics is questionable for various reasons. First, since economic agents are often guided by moral convictions, if economics wants to correctly describe economic activity it has to include some account of moral reasoning. Secondly, there are strong links between the moral commitments that underpin public policy and the conclusions of economic research. Thirdly, economists themselves have ethical values, and these may play a role in the issues they investigate, the methods they employ, and the criteria by which they assess economic research. (Hausman and McPherson, 1993)

Recognizing the difference between positive and normative economics is also especially important as neoclassical economics does in fact deploy its own set of moral values but fails to recognize this. It works—as Davis (2006, p. 69) notes—under a “false cover of value-neutrality” with efficiency, or maximizing individuals' private preferences, as its sole normative criterion. With its policy recommendations this unacknowledged set of values actively shapes the world. With the emergence of what has become known as neoliberalism it has framed this commitment in terms of the idea of individual freedom.

At the core of neoliberalism—a conjunction of certain aspects of the political liberalism of the nineteenth century and neoclassical economics—is the idea that human well-being is best served by “<...> liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices.” (Harvey, 2005, p. 2, see also Peck, 2010)

When taking a closer look at the neoliberal project one finds that there is one value that trumps all other values, namely freedom. The role of the state is to be as small and minimal as possible especially vis-à-vis markets, which are thought to generate beneficial results for society at large (M. Friedman, 2002). This idea that the workings of the market not only bring about an efficient allocation of goods but also comes with beneficial (unintended) consequences for society at large has a long history attached to it. (Hirschman, 1982, 1997) According to one interpretation of this relationship, interactions in the economic spheres of life would almost by necessity be accompanied by a refinement of one’s manners. (Montesquieu, 1989, first published in 1748) On a macro level it was thought that the introduction of commerce would lead to more sensible judgments and policies on the part of the lawmakers and the rulers of the land. This idea would re-emerge centuries later and find fertile ground in the globalization debate (see e.g. T. L. Friedman, 1999).

Yet this view overlooks the fact that the market does not exist by itself. There is no market without a society, or more specifically, there is no market without human beings. On this view, the market is part of society; it is embedded in society. (Finn, 2006; Fourcade and Healy, 2007) From this one can infer that the form, shape, size, workings and function of the market are to a large extent determined by the society in which it is embedded.

It would be wrong to classify these opposing positions as a mere theoretical problem, as ethics is central to human society. This thesis contributes to the debate on the relationship between the market and morality. As such, this book is about everyday life. And somewhere in everyday life the fairly basic and intuitive idea that humankind was not made to serve the market, versus the idea that the market exists to serve humankind, has somehow been forgotten.

Objective

The title of this thesis, *Decency and the Market*, indicates the topic at hand. This dissertation examines the relationship between the market and morality, between value and values. Specifically, this thesis seeks to identify to what extent morality (phrased in terms of decency and human dignity) has a place in the market system. The necessity for such an appraisal is in part derived from the premise that: “Beyond every ‘is’ lies a claim of ‘ought’. No system—not scientific or political or economic—is self-justifying, worthy of endorsement just because it happens to be what it is.” (Sacks, 2002, p. 89)

In order to discuss this relationship between morality and the market, the thesis uses the Decent Work Agenda of the International Labour Organisation (ILO) as its focal point. With this agenda, launched in 1999, the ILO refocused its activities and stipulated its overall objective, namely “to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity.” (ILO, 1999)

The justification for using the Decent Work Agenda to facilitate a discussion on the relationship between markets and morality is twofold. Firstly, the agenda is intrinsically tied up with labor, which can be seen as an explicitly human aspect of the economy. In economics and in markets, there are two identifiable roles for human beings, namely as consumers and as providers of labor whether self-employed or as an employee. The fact that the agenda specifically deals with human beings in relation with the market in general terms brings us to the second reason, which has to do with the nature of this relationship. A key component of the Decent Work Agenda is the ILO’s framework of international labor standards. These standards were introduced in order to protect workers against the workings of the market, and to steer market outcomes. The Decent Work Agenda thus combines a focus on human beings within an economic setting with a framework concerned with the nature of the relationship between human beings and the market.

This thesis moves from the abstract and theoretical to a more concrete level, namely that of the Decent Work Agenda. More specifically, it is structured along the lines of the three main and closely intertwined questions that will be covered in the text and that can be phrased as follows:

- Does the market allow for moral deliberation?
- Is it possible to devise a coherent moral framework to evaluate market outcomes, based on concepts alien to the workings of the market, that addresses the normative significance of the individual?
- Can a policy framework, such as the Decent Work Agenda with its foundational moral values of human dignity and decency, be successful as a normative boundary against market forces?

Next we look at the way in which this thesis addresses these three research questions.

Outline

The book consists of three parts addressing the three questions above. These three sections are titled *The Market and its Boundaries*, *Decency and Dignity*, and *Labor Standards and Decent Work*, respectively.

The first part of the thesis, *The Market and its Boundaries*, focuses on the first of the three research questions revolving around the general nature of the relationship between markets and morality. It may seem trivial to ask whether the market allows for moral deliberation yet it may in fact be the most important question of the three, for if the answer is negative, then there seems to be little need to proceed.¹

Chapter one starts with an overview of the debate regarding the normative consequences of the market on a societal level by reviewing the dominant theories on the subject. These theories cover the entire spectrum, with some asserting the complete absence of morality from the market system, while others contend that the workings of the market carry a clear moral dimension. From the discussion of some of these views, it will become clear that we need for

¹ A distinction needs to be made when talking about markets namely that between *a* market and *the* market. The distinction made here is based on Finn (2006) who states that the former refers “to any of a number of distinct markets—for corporate bonds, stocks, wheat, industrial equipment, or artworks.” *The* market, on the other hand, is used to indicate “that form of economic organization which allows individuals the freedom to do what they wish, to freely make and respond to offers provided they avoid a list of abusive behaviours forbidden by law.” (2006, pp. 115-116)

a more methodological approach for evaluating normative claims about the market system to help to structure the debate.

The second chapter of the thesis discusses such a framework. At the core of this framework lies the question of how one evaluates normative claims about market outcomes. Key to answering this question is the idea that the operations of the market are ‘confined’ by boundaries that are created by societies where the market operates. These boundaries contain the forces of the market and include—but are not limited to—social legislation that address issues like environmental policies and labor standards.

At the end of this first part of the thesis it will become clear that the market economy does not exclude the possibility for moral deliberation and action and economics does not operate in a moral vacuum. On the contrary, the market depends on moral values that in part are associated with the boundaries that confine market activity.² These values are at the center of the second part of the thesis, *Decency and Dignity*.

Because this thesis uses the ILO’s Decent Work Agenda to talk about morality and markets, a review of the two key values that underpin that agenda, namely human dignity and decency, is warranted. This review will also help in assessing the potential of these values as guiding forces in the realm of economic policy making. Chapter three thus contains a discussion of human dignity while chapter four is devoted to the idea of decency.

A broadly shared component of the concept of human dignity is the idea that human beings are, in the words of the German philosopher Immanuel Kant, ‘beyond a price’. Chapter three discusses how this concept, which on a fundamental level is alien to the workings of the market, can and has been invoked by the ILO (and others) to steer market forces.

In his 1996 book *The Decent Society*, the philosopher Avishai Margalit offers a framework for appraising societal arrangements based on the notion of decency. In this work, he proceeds *ex*

² It is not uncommon to see that ethics and morality used as synonyms. In this thesis, the term ethics is reserved as reference to the science of right and wrong and morality to describe the status of specific conduct, i.e., what is right and what is wrong. However, the adjectives ethical as well as moral are used to refer to the status (appropriateness) of a specific conduct, action, or human character. In addition, standards, e.g. international labor standards, can in turn be seen as carriers of norms and—depending on the issue that these standards are targeting—morality.

negativo arguing that the focus in these appraisals should aim at the eradication of the negation of decency, i.e. humiliation. Another important element of his work concerns the idea that the way something is achieved should be as much part of moral deliberation as the desired end state itself. His work forms the basis for the discussion of the topic of decency in chapter four.

The final part of the thesis—*Labor Standards and Decent Work*—is where the more theoretical findings of the previous chapters make a crossover to the practical. Although the Decent Work Agenda is fairly recent, international labor standards, which form an integral part of the agenda, have a long history. Chapter five takes a closer look at this history, including the emergence and workings of the International Labour Organisation. Since its inception in 1919, this last remaining institution of the League of Nations (and now a part of the United Nations) has played a pivotal role in formulating international labor standards. This chapter will also cover the obstacles (e.g. with respect to adherence) that have had to be overcome to introduce labor standards, as well as address the current state of affairs whereby a clear distinction is made between intentions and realization.

In chapter six, the ILO's Decent Work Agenda takes center stage. By applying the lessons and findings of the previous chapters this chapter offers an appraisal of the agenda as an approach to framing the market. Special attention will be devoted to the question of how the concepts of decency and human dignity are operationalized in the agenda and thus deployed to steer market outcomes. The final chapter of the thesis contains a discussion of the main findings and conclusions of the aforementioned parts as well as recommendations for further research.

There is a need to look closer at the relationship between morality and markets. And if anything this need has become more immediate in recent times. This thesis seeks to help fulfill this need. At the very least, it challenges the two popular views noted at the outset, namely that 'morality cannot play a role in markets' and that 'morality does not play a role in markets' by arguing that it can, it does and that it should.