

ETHICS AND DEVELOPMENT – BETWEEN WELL-BEING, LIVELIHOOD AND MARKET

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Abstract

In today's development discourse, the implementation and facilitation of a liberal market economy is assumed to be the crucial asset to success in the developing world. However, this article elaborates on the role of ethical values such as freedom, justice and care as necessary for a development concept that is concerned with the improvement of people's well-being and livelihood. It therefore takes as a point of departure the ethical capabilities of people, and sees this as important for daily interaction and economic behaviour, while concurrently claiming that substantial understanding of freedom, justice and care has developmental features when exercised at the national level. The Listian concept of "capital of mind" augmented with the Aristotelian urge for "Eudaimonia" constitute the basis for this elaboration.

INTRODUCTION

Concern for our happiness recommends to us the virtue of prudence; concerns for that of other people, the virtues of justice and beneficence; of which, the one retains us from hurting, the other prompts us to promote happiness.

Adam Smith (1759) *The Theory of Moral Sentiments*: 262

Current conventional wisdom within developmental discourses assumes that economic progress in the developing world is bonded to participation in the global market system. The impact of this assumption on development discourse has been considerable in the last few decades. Modernisation, another key word in development discourses, is also ingrained; it implies a transition from the traditional to the modern, where the latter should manifest in the capitalism inherent in liberal markets around the world. Following this logic, development is a repetition of "western" economic history in the developing world. Many countries belonging to the so-called developing world, supported by the World

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Bank, the International Monetary Fund and the World Trade Organization, appear to place their faith in this panacea of modernisation.

However, while implementing a liberal market economy globally, values and ethical capabilities and attached economic behaviour seem to be unimportant and not part of economic and developmental considerations. In contrast to Adam Smith's normative approach noted above, the neoclassical actor is assumed to be neutral regarding the ethical values influencing economic behaviour. This is deeply related to the modelling of neoclassical theory, where ethical values do not fit into an analysis built upon a non-normative positivistic paradigm. Amartya Sen argues in his book, *Ethics and Economics* (1987:7), that:

The methodology of the so-called “positive economics” has not only shunned normative analysis in economics, it has also had the effect of ignoring a variety of complex ethical considerations which affect actual human behaviour and which, from the point of view of the economists studying such behaviour, are primarily matters of fact rather than of normative judgement.

Cultural variables such as ethical values are important to recognise while analysing development processes and strategies, where “development and culture are linked in a number of different ways” (Sen 2000). Since values in an ethical sense are constituted ends of the development process that help to ensure well-being, they are also means (tools of understanding and action) within the same process. Values regulate perception within social interaction, and they influence decisions at the social, political and also at the economic level.

The concept of well-being is thus linked to its societal context since it defines ethical values that are important for individual action. Sen (1999) expounds upon this with his capability approach, emphasizing the possibility to include values in the understanding of well-being. In his well-known book, *Development as Freedom* (1999:74), he explains:

The object [to achieve well-being] is to concentrate on the individual's real opportunity to pursue her objectives (as Rawls explicitly recommends), then account would have to be taken not only of the primary goods the person respectively holds, but also of the relevant personal characteristics that govern the conversion of primary goods into the person's ability to promote her ends.

Well-being is, in this analogy, achieved when people have the opportunity to fulfil their objectives. This includes not only the objective of primary goods such as

food and clothing, but also the possibility to exercise ethical values important for the individual and society at large. This explanation of well-being has profoundly been captured by the Aristotelian concept of *Eudaimonia* that defines “human good, or human happiness” as the urgent centre of all human action (Aristotle 2000:X).

The particular role of ethical values in the development process is, therefore, an essential feature to be explored. This article will try to explore the role of ethical values for economic development on the national level (measured as growth) as well as for the well-being and livelihood of people. The significance of values for day-to-day acting on the micro level will be explained and outlined in the next section. This will be followed by the elaboration on the role of values within a peasant society. This part will emphasise the essential significance of values for survival and development in the context of a developing country. The last section of the article will explore the role of values for economic policies, national development and their importance on national development.

ETHICAL VALUES AND ECONOMIC BEHAVIOUR

To expound on the role of ethical values for economic behaviour and development, this article will take advantage of Irene van Staveren’s ethical approach to economics. In her book, *The Values of Economics – An Aristotelian Approach* (2001), she identifies three important values for economic behaviour and subsequently national development: *freedom*, *justice* and *care*. These core values play a pivotal role for social and economic behaviour. Exercised together they ensure, on the one hand, people’s well-being and, on the other hand, they influence people’s way of interaction and economic behaviour. In contradiction to neoclassical rationality and utility maximisation, Van Staveren (2001) emphasises the importance of these values. Without the intrinsic value of freedom, the liberal market economy would not function as predicted by neoclassical theorists. To declare the value of freedom as natural to human life and not as a virtue is to neglect its social and economic role, especially when it might otherwise be absent.

The freedom of people to choose between products, employment, life styles and so on is the most significant virtue of neoclassical theory. Without the embedded value of freedom – according to the logic of neoclassical theory – markets cannot work properly and the allocation of capital and productive means is flawed. The often-cited “invisible hand” would not be able to act freely, which is presumed to be essential for the effective function of free markets. “Voluntary exchange,” as

Van Staveren puts it, “is deemed a ‘beautiful’ instrument that is important to efficiency, a statement that can hardly be seen neutral” (Van Staveren 2001:26, emphasis hers).

Furthermore, the values of freedom need the “assistance” of justice in order to ensure the function of a liberal market economy. Justice guarantees all participants the freedom of participation based on equal terms. In contrast to the *formal* neoclassical explanation, the *substantial* dimension of justice needs to be integrated. People fill the formal concept of justice with urgent ethical capabilities, so that justice can be done substantively as far as people’s needs and problems that arise from and are inherent within as the economic system exercised. The ethical value of justice emphasises that people are able to recognise what is just and what is not. People need to seize responsibility in the world of free markets, and this responsibility connects justice to the value of care. Van Staveren (2001) points to the ethical value of care as an essential part of freedom and justice. Freedom can only be exercised within a certain context of care. The value of care points to a concept constituted by people, a value that takes its departure from the relationship people have to each other. While being contextual and not universal in its approach, care is not “enforced” as an moral obligation but rather constituted “on the basis of contingent needs arising from human vulnerability” (Ibid.:39).

The interrelation between freedom, justice and care is characterised by the Aristotelian intermediate state wherein values are exercised between the state of *excess* and the state of *deficiency*. Aristotle (2000:9) explains in the *Nicomachean Ethics*, Book II:

[...] that excellence of character is an intermediate state, in what way it is intermediate between two bad states, one relating to excess and the other to deficiency; and that it is such because it is effective at hitting upon the intermediate in affections and in actions.

A balance between freedom, justice and care ensures that no one value is exclusively determining the actor’s behaviour. To further explain this point, the excess of the value of freedom can serve as an example. When exercised unattached to justice and care, another person could suffer from his or her behaviour if justice and care measures are not part of action. The integration of justice and care sustains the actor's social relationship and prevents others who might suffer from an exaggeration of free exchange. The inclusion of all values leaves the actor in a social position, which enables her or him to further engage in

social relations that in turn benefits the actor's economic and social opportunities. Economic behaviour is, therefore, influenced by ethical capabilities that are connected to the values of freedom, justice and care. Only the recognition of all three values ensures the *Eudaimonia* for all. The neoclassical dichotomy between the *economic man* and the *social man* has, in this approach, been given up and exchanged for an actor who possesses and exercises all ethical capabilities. Economic behaviour is, therefore, not only reliant on the formal opportunity to exercise utility maximisation but is also related to societally recognised virtues. However it is crucial to understand that freedom, justice and care might be exercised and interpreted differently in various societal contexts. However, following Aristotle and Sen, all of these actions need to be exercised for the sake of the *good for all*.

FORMAL AND INFORMAL INSTITUTIONS

Having explained the significance of values at the micro level – that is to say in between people – the following will explore the role of institutions for the mediation and interpretation of values between people as well as between people and institutions. The institutional role for value constitution and mediation is relevant because institutions convey different understandings of the values of freedom, justice and care. However, to put the societal function of institutions in a wider perspective, it is necessary to explain the different roles of *formal* institutions and *informal* institutions.

Formal institutions are, in this approach, regarded as being directly attached to the economic system, as exercised at a certain point of time. They guide interaction between the individual and the implemented economic system. The market, for example, is the vital formal institution for the liberal market economy. It sets the rules for how individuals can engage in economic interaction and how justice and care are executed. With its focus on free exchange, the market conveys a different interpretation of freedom, justice and care when compared to, for example, rural African exchange systems and social networks. The latter will be explained in the following section of this article. However, the mediation of values between society and people is also influenced by formal institutions (e.g. market and welfare state), which are at the centre of the respective economic system.

In contrast to the formal is the informal institution, understood as a phenomenon at the social level. It mediates values between people. The institution of marriage, for example, is such an informal institution. Marriage is exercised differently in distinctive cultural and social contexts. Beteille defines such institutions as “a

social arrangement that has not only a certain form and function, but also a certain legitimacy and meaning by its individual members” (Beteille in Giri, 2002:251). An informal institution like marriage varies from society to society and displays different values and inhabits distinct “routines,” which determines its function at the societal level (Berger and Luckmann 1972:71). Informal institutions, which are different from those imposed by a ruling power, are based on a deliberate process taking place between individuals. Berger and Luckmann (1972) talk about a dialectal interaction between the socially constructed world and the individual (Ibid.:79).

Informal institutions are a product of “grassroots” interaction; one can talk about a bottom-up process of implementation, whereas the formal institution is understood as a top-down institution implemented by a political elite. Both kinds of institutions fulfil two essential roles in relation to freedom: justice and care. On the one hand, these institutions “enable mediation” between the individual and society, as they ensure that these values will have an impact on other value domains (e.g. justice and care will have an impact on freedom); and on the other hand, these institutions “constrain mediation,” which means that negative outcomes of the employed economic system are counterbalanced by formal institutions such as the welfare state (formal level) and social networks exercising justice and care at the informal level (Van Staveren 2001:179). Both exemplify the function of institutions on the formal and informal level, while supporting (re)distribution (the value of justice) and taking care of people in need (the value of care).

THE PEASANT ECONOMY – AN INFORMAL INSTITUTION

The peasant economy, explained by Göran Hyden (1983) with the description of “economy of affection,” will serve as an example of a distinguished African informal system that displays how the social *and* economic organisation of a society is interrelated and constitutes an important source for value formation. Hyden's concept is taken as an example because it profoundly explains how socially and economically rooted values are part of economic and social considerations in a rural African context.

Hyden's “peasant mode of production” is characterised by a rudimentary division of labour, where rural dwellers live in a “structural independency” with each other (Hyden 1983:6). This mode of production is, in the view of Hyden, a barrier to trade at the national economic level and prevents national economic development. It additionally reduces the possibility of attaining surplus and further investment in

more advanced productive means (e.g. new agricultural methods, machines, etc.). In the eyes of Hyden, this type of peasant production is pre-capitalistic in its construction and is, therefore, unattached to the national economic systems (Ibid.:6-7).

Pekka Seppälä adds that “village economics” are tremendously influenced by the question of “how people give a value and compare things” (Seppälä 1998:13). “Economics,” so he states, “is here first of all a language for a discourse which tries to answer how people manage a specific balancing operation between maximising individual interests and following a cultural pattern” (Ibid.). This discourse points to the Aristotelian balancing between the values of freedom, justice and care described by Van Stavaren (2001). The *cultural pattern* Seppälä points to is the exercise of ethical capabilities related to the three core values within the economic domain. Economic behaviour attached to those values fulfils a social function of this economic behaviour taken by the individual. Hyden (1983) explains three of these social functions in his approach, and these will be outlined below.

The first function the peasant economy is concerned with is the “*basic survival*” of its members (Hyden 1983:11). This points, on the one hand, to a kind of welfare function and, on the other hand, to a kind of “micro finance institution,” where people borrow money from each other. To obtain formal loans on a small scale is nearly impossible for peasants living in rural Africa (Hyden takes his examples from rural Tanzania), and the “face to face nature” of relationships makes it impossible for “rich” neighbours, friends or relatives to run from the “mutual obligation” of help (Ibid.). This help is not restricted to small cash loans because they are expanded further as help in the form of clothing, food and mutual childcare. These informal networks, grounded in the *economy of affection*, engage spontaneously when problems occur.

The *mutual obligation* to help the one in need includes not only *basic survival* but also a second function, namely “*social maintenance*” (Ibid.:13). The social and economic function of the peasant organisation maintains relationships between family members, neighbours and relatives that help each other financially and personally, for example in cases of weddings and burials. Those occasions often consume many resources and therefore bind people in rural areas together. Hyden talks about a “social companionship” between people (Ibid.). These relationships have no “macro-economic perspectives,” in the eyes of Hyden (Ibid.). Furthermore, they are identified as a hindrance to economic development at the

national level, because achieved surplus is not invested in entrepreneurial activities but in “social relations” instead. What is defined as a barrier in Hyden's development approach is a kind of welfare system to Waters, who concludes that, “networks grounded in social relations are highly resilient to fluctuations in market conditions” (Waters 1992:166). With the possibility of engaging in both systems, liberal market and peasant economy, the latter constitutes the safety net for the former.

The third function that the peasant economy offers is “*development*” (Hyden 1983:13). The self-help concept between the members of a peasant society also has development features. Financial support for the education of children in poorer families is one example of such support activities (Ibid.:14). Despite Hyden's general opinion that the *economy of affection* is a barrier to macro-economic development, he identifies potentials for development at the micro level.

Ethical capabilities, important for the utilisation of the values of freedom, justice and care, might be different within peasant society when compared to Western patterns. A concept pointing to affection as a component of economy might convey another value interpretation than those presumed in a neoclassical liberal market context. Hyden explains:

The use of “affection” was determined by my decision to demonstrate that humans beings make their choices not only based on a dispassionate calculation of end and means (nor are they guided by ultimate values only), but that there is also room for yet another form of rationality - one based on investment in social relation with other people, i.e. the generation of affective relations (Hyden 1997:23).

Trust and responsibility in the peasant organisation is closely related to the *mutual obligation* to exercise care practically. Van Staveren (2001) attached the ethical capabilities of *commitment, interaction, deliberation* and *emotion* to the value of care. These capabilities are, as well, part of the social and economic organisation of rural economies. However, the peasant economy introduced by Hyden is not only about “social harmony” but also explains the bounds between people and the “social sentiments” these relations produce (Hyden 1997:29).

ECONOMICS AND THE COMMON GOOD

Having introduced the function of values on the micro level, and the mediation of those values via rural institutions in Africa, the next step in this article will contain

an elaboration on the relation between economy and the fulfilment of the Aristotelian concept of *Eudaimonia*. Aristotle states in the *Nicomachean Ethics*:

Every skill and every inquiry, and similarly every action and rational choice, is thought to aim at some good; and so the good has been aptly described as that at which everything aims (Aristotle 2000:3-4).

In this respect, the decision as to what economic system to implement is of great interest because it constitutes the idea of how *the good* should be achieved. The economic system, as Sen puts it, is one vital component for the constitution of the “good for man” (Sen 1987:3). The *good for man* is thereby closely tied to the adopted policy of the state concerning the economy and welfare. These political decisions manifest or dismiss people’s ethical values that are otherwise important for their daily social affiliation. Closely related to Aristotle’s *Eudaimonia* is the Socratic question, “How should one live?” (Ibid.:2). The Aristotelian answer to this question – formulated in the above quote from the *Nicomachean Ethics* – pictures the significance of ethical values for human beings. Economic behaviour is embedded in people’s social relations and values and plays an important role in this context. A happy life is also dependent on the opportunity to “utilise” ethical capabilities within the economic sphere.

In contrast to Van Stavaren (2001), who dismisses contract theory with the argument that individuals act in an ethically responsible manner without “signing” a contract that releases them from the state of nature, this approach will make use of John Rawls’ (1973) contractual approach. In his approach, outlined in *A Theory of Justice*, Rawls offers vital insights regarding social justice when applied at the formal institutional level.

Taking as a departure point the introduced dichotomy of formal and informal institutions, Van Stavaren’s (2001) critique of contract theory is convincing when focused at the *informal* level where people act in an ethically responsible way because of their social affiliation. Her line of reasoning has been taken a step further by Berger and Luckmann’s (1972) explanation as to the formation of habits and routines and their role within informal institutions. However, Van Stavaren’s (2001) argument is not convincing when looking at *formal* institutions and their impact on value constitution and mediation. People find themselves in a kind of contractual relation to the state and an introduced economic system. One might argue that this relation is merely of an imposed nature rather than “contractually agreed upon,” but this circumstance makes Rawls’ (1973) ideas more imperative

as he clearly pleads for the societal roots of justice and their institutions. He argues:

A conception of social justice, then, is to be regarded as providing in the first instance a standard whereby the distributive aspect of the basic structure of society are to be asset (Rawls 1973:9).

Social justice is understood in a contextual realm and is, for the sake of the continuation of the argument, extended by the values of freedom, justice and care.¹ The “social ideal” is achieved when “a vision of the way in which the aims and purposes of social cooperation” that is societal is also understood to be a part of this (Ibid.). This relates to the Aristotelian wish of “good for human” and the Socratic search for a decent “way of life.” Rawls (1973) acknowledges that different definitions of justice exist, as they do for the values of care and freedom. The “principle of justice as fairness,” which is the pillar of all understanding, is agreed upon as “the guiding idea” of justice found in the “origin society” (Ibid.:11). Rawls, thereby, pleads for a contextual understanding of justice, as Van Stavaren (2001) did for the other values of freedom and care. He puts it at the centre of his understanding of justice and the institutionalisation of the same:

Whenever institutions satisfy these principles those engaged in them can say to one another that they are cooperating on terms to which they could agree if they were free and equal persons whose relations with respect to one another were fair (Ibid.:13).

The vital point is that formal institutions, such as the market, need to be augmented with values concurrently exercised within a society. The “socially agreed” upon principles of justice are the pillars upon which formal institutions should be built. Rawls’ (1973) theory builds on a society, which in contrast to Hobbes, does not find people in a state of nature. The state of nature in Rawls’ philosophy is merely a hypothetical society, which explains the feature of free people able to make decisions (Ibid.:12).

The question of equality and redistribution in relation to justice and, from a wider perspective, also to freedom and care is embedded in the socio-economic organisation of society. The closely attached question of what kind of state is

¹ “Justice as fairness is not a complete contract theory. For it is clear that the contractarian idea can be extended to the choice of more or less an entire ethical system, that is, to a system including principles for all the virtues and not only for justice” (Rawls 1972:17)

being referred to in terms of freedom, justice and care for a developing country is at the very centre of the inquiry. The different understanding of the values (pointing to a formal understanding of values) within a liberal market economy and a peasant economy, described by Hyden (1983), constrain people's livelihood and it is therefore important that this be taken into account.

National economic development (measured in, for example, GDP) that is unattached to development on the social level, neglecting poverty and refusing to deal with the question of social justice and livelihood, are in effect discarding *Eudaimonia*. This, furthermore, undermines a development process for the good of all.

ETHICS AND NATIONAL DEVELOPMENT – A JUNCTURE OF POLITICAL ECONOMY

The question of freedom, justice and care is, as formulated before, also a question of development, when that is understood as improved well-being and sufficient livelihood for all people. Economic development is closely related to the accumulation of wealth, which in turn impacts people's livelihood and their possibilities to enjoy *Eudaimonia*. With the help of Friedrich List's approach to "managing" the development of an economy through protective measures, the role of freedom, justice and care, formal institutionalisation and their significance for economic development is the point of departure for the following.

Friedrich List (1841) emphasises in *The National System of Political Economy*, that the way wealth is achieved is more important than the accumulation of wealth itself. The power of production "ensures not only the possession and the increase of what has been gained, but also the replacement of what has(?) been lost" (List 1841:130). In relation to the question of livelihood and the choice of the adequate economic system, List introduces a close relationship between production modes and redistribution. He concludes:

The more the mental producers succeed in promoting morality, religion, enlightenment, increase of knowledge, extension of liberty and of perfection of political institutions – security of persons and property within the state, and the independence and power of the nation externally – so much greater will be the production of material wealth. On the other hand, the more goods that the material producers produce, the more will mental production be capable of being promoted (Ibid.:155-156).

List (1841) emphasises the relation between the way a nation accumulates wealth and the actual utilisation of it for national socio-economic development. Building national development on a nation's own power of production makes them not only independent in relation to other nations, it will also secure a nation's own production of "*mental capital*" (Ibid.:136). In his historic analysis of Europe's economic development, he emphasises that:

The present state of nations is the result of the accumulation of all discoveries, inventions, improvements, perfections and exertion of all generations which have lived before us: they form the mental capital of the present human race (Ibid.).

List's approach takes people's production capabilities into account and, thus, enhances a sustainable development circle between the economy and the production of *mental capital* that provides the nation with new innovations and knowledge. The promotion of mental capital includes also the employment of values expressed in terms of morality and religion. Together with economic prosperity they frame the concept of well-being, which is the objective of economic development expressed in Aristotle's concept of *Eudaimonia* (Ibid.:170). By acknowledging the significance of morality and religion along with the embedded values of freedom, justice and care, the production of wealth *and* its redistribution depends on the adopted economic system. A further need at this juncture is the exploration on how local understanding of freedom, justice and care finds its utilisation in the chosen economic system. Leaving those concepts unconsidered would influence, on the one hand, the building of *mental capital* and, on the other, would diminish a national development process which takes its departure from the people it should serve.

The interrelation between the historical accumulation of knowledge and its significance for socio-economic development of nations leads List to the question of how beneficial the participation of less developed countries in free trade would be. List analyses the gains and losses that came from German participation in free trade while, at the same time, having the economic "superpower" of Britain as a neighbour. He emphasises, in relation to Germany's development in the nineteenth century, that nations have to pass five stages of development. In order to ensure economic development by "climbing" these stages, List suggests economic management with protective measures.

To obtain the opportunity to enhance a nation's *capital of mind*, the manufacturing, political and institutional unity should be at the same

developmental level as those they compete with. List's (1841) main assumption is that trade done on unequal grounds would lead to "a universal subjection of the less advanced nations to the supremacy" (Ibid.:123). Free trade between the developed world and the developing world would, in List's eyes, lead to the exploitation of the economically weaker nation.

The nation is the essential unit which accumulates language, literature, customs, laws and other institutions of its people (Ibid.:169). It ensures the well-being of its people by the constitution of an economy that "recognises the law of right for and within itself" (Ibid.). To evolve the opportunity to develop as an economically and socially sustainable nation – with the objective of achieving the *capital of mind* for further development – an economy in the "developing stage" needs to protect itself. Otherwise it will exclusively depend on the exchange of raw material or agricultural surplus for its accumulation of wealth. This, in the view of List, would miss the development of production power for further manufacturing technologies. The wealth accumulated via this "shortcut" not only lacks the feature of sustainability for a nation's development process. It would also not include the integration of the societally rooted values of freedom, justice and care in the economic system.

The (economic) state, as mentioned before, depends on a nation's accumulation of historically gained knowledge. However, it is imperative for development that the nationally adopted economic systems are related to the social and economic reality of its people. The essential base for development is located within the society, which should – enabled via protective measures – also develop the capital of mind. People should be the dwellers of the mode of exchange and redistribution, as suggested by Rawls (1973) before. The values of freedom, justice and care should be part of the construction of this "genuine economic system" of a nation. List resumes:

As the individual chiefly obtains by means of the nation and in the nation mental culture, power of production, security and prosperity, so is the civilisation of the human race only conceivable and possible by means of the civilisation and development of the individual nation (Ibid.:169).

The nation, along with its *mental culture* and *power of production*, is the structure wherein development takes place. The values of freedom, justice and care are essential to this relation, as they are a part of what List calls *mental culture*. The power of production is concurrently related to people's exercise of values, and

these in turn define how wealth should be accumulated and redistributed. The answer to the question of how one should live is answered by the values people exercise and their opportunity to exercise them within the economic system they are a part of.

CONCLUSION

Development politics in the last decades have been focused on how far developing countries implement and follow the requirements for a liberal market economy. The conclusions have been that economic development is closely related to the fulfilment of free market conditions, in other words, that living up to those will promote economic prosperity. The policies based upon such conclusions build on the neoclassical assumption that the market and its miraculous spirit will bring a good life to those who are regarded as underdeveloped and backward. Ethical values like freedom, justice and care have not been considered in this non-normative approach to economy and national development. The “rollback of the state paradigm” and cut in social services exercised within Structural Adjustment Programs of the 1980s and further on have only emphasised further the formal understanding of freedom, justice and care.

The liberal market economy, as exercised in African countries today, offers another interpretation of the utilisation of ethical values than that of the peasant economy, as explained by Hyden. In contrast to Hyden’s (1983) economy of affection, the liberal market builds on a formal understanding of values, which in turn provides an interpretation of freedom, justice and care unrelated to substantial and important features such as redistribution and care in case of hardship.

To provide welfare within the social sector, national incomes need to have the potential to accumulate in order to finance the major formal institutions. Economic development exclusively dependent on the export from cash crops, as has been the case in many African countries over many years, has not achieved this goal. To enhance innovation and new technologies, protection offered to the weak agrarian sector could potentially create space and time to develop modes of production which would be more competitive than those that are currently used. Stable and calculated incomes are ensured by stabilised and protected markets, which in turn free peasants from fluctuating prices on cash crops at the world market. This would offer the opportunity for needed investment in new productive capabilities. Without these productive capabilities, developing countries might not be able to move past dependency of the sort which has kept people in poverty over the last

two decades. Closely related to innovation, knowledge and creativity is the opportunity for people to participate in the process of innovation and production. Therefore, formal institutions that integrate the substantial (informal) understanding of freedom, justice and care are necessary. People living in poverty who receive no suitable help in leaving behind this condition will not be able to create *capital of mind* essential for the national development process. “Viewing development in terms of expanding freedoms directs attention to the ends,” as Sen (1999:3) emphasises. Those ends are closely connected to the practice of justice and care, since these enable citizens to expand their freedom within a liberal market economy. Formal institutions that provide for the practise of the substantial understanding of freedom, justice and care would therefore formulate the end and destiny of the development process, and this would include *Eudaimonia* for all citizens.

Furthermore, the integration of ethical values in a particular economic system would enhance a closer relation between state and society. Formal institutions which provide education and health are the basis for a national strength which “is built on a public policy orientation founded on the bedrock of public purpose, public service and public ethics that stimulate solidarity amongst states, markets and society” (Muchie 2003:78). The state relies on its people’s creativity, innovation and entrepreneurial skills, since these enhance production and wealth. A state that does not provide the formal institutions for adequate education and health will not have educated and healthy people who, in turn, could provide dynamic production and innovation that, again in turn, would provide a decent life for all citizens. The task of the developing state today is to provide *basic survival, development* and *social maintenance* – all features of the peasant society. These three features unify public *purpose*, public *service* and the public *ethics* of freedom, justice and care. The interrelation between those three qualities contains an intrinsic value, which stimulates the “determinant of individual initiative and social effectiveness” (Sen 1999:18).

The way people regard their own inclusion at the social and economic level of their country has an influence on their motivation and involvement in the creation of *new knowledge*. Being enabled means to take part, and it creates a personal freedom that, from a developmental perspective, will be sustained.

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