

'Kingdom of Ends' as Economic Model: Whether Transition is Possible?

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Abstract The article considers the connection between ethics, in particular Kant's practical philosophy, and economics. The author examines historical reasons for Kant's ethic not to have become part of the economic discourse and interprets modern business processes from Kant's perspective. The article aims to demonstrate the possibilities of applying the philosophical instruments of Kant's morals to concrete economic issues.

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An economic model implies some description of the objects and links between them, which function in such a way that the laws of interaction between economic agents are formulated. It is assumed that the agents can be both firms and distinct individuals who, for example, negotiate something between each other.

To this end, it might be supposed that economics and philosophy are connected at least in the first approximation. This connection is based on the functional meaning of human activity. In other words, a specific act corresponds to the meaning in human motivation likewise in economics

when, for instance, the price corresponds to the amount of goods. We cannot fail to notice the dependence between a business deal or agreement and moral riches of humanity: the revenue of the firm specialized in elite furniture depends on transparency of long-term contracts with suppliers of materials. If a supplier suddenly refuses to carry goods due to the macroeconomic situation, the firm will suffer losses. The same is true in the sphere of human relationships. We do not sign a contract with every interlocutor only because it is assumed that the terms of agreements will be respected by both sides. So both situations are based essentially on agreements.

An economic agent, as they say, aspires to maximize his income acting on the principle of rational behaviour. In ordinary life we cannot observe rational behaviour of people all the time. It seems sometimes that a man does not cherish neither his time, nor even his life. This is not peculiar to economics while in the market the only one wrong step may cause bankruptcy and losses to a firm. For this reason, both philosophers and economists tried to find the basis of market functioning and proposed different principles and laws. Hence, it is impossible to set the borders between an 'economic person' and a 'sociological person' or rational behaviour and the emotional one. It can be explained by the fact that a man is unified in his manifestations. It is his activity which is divided into different application spheres. The economists and philosophers understand these peculiarities perfectly well, but to outline science fields we need idealization which will help us to modify the human behaviour with specific traits and to study it with particular tools¹.

In the history of philosophy Kant's system is regarded as one of the most large-scale projects estimated by the criterion of solved problems. Kant clearly follows the developed methodology taking into account the categorical apparatus of Aristotle, Plato, Christian Wolf and David Hume. At the same time Kant applies new philosophical tools (the transcendental method) to examine a human in the context of various activities. Therefore, he asks his four famous questions including the main one – 'what the human being is' –, and defines him as the ultimate goal of nature².

1 Filatov, 2012, 137.

2 Kalinnikov, 2010, 21–33.

Noteworthy to mention that Kant did not directly raise economic problems but he managed to define a range of notions and laws in practical philosophy that can be applied to all sensible beings despite the field of their activity. This Königsberger identified the human feature which he called ‘unsocial sociability’. It reflects the tendency of people to interact with other subjects but at the same time an individual is endowed with a desire for independence. A synthesis of two aspirations develops competition (due to the increased need to communicate with others) and an ability to use your mind (due to an increase of independence degree of mind and decision making), as Kant said in the ‘Idea for a Universal History with a Cosmopolitan Purpose’. The following question arises: what is the main motive of human being allowing them to interact/communicate with others?

Kant’s section ‘Transcendentale Methodenlehre’ in the ‘Critique of practical Reason’ embodies the idea of freedom in the form of moral law, that is categorical imperative³, the ground of the human behaviour:

“[The fact of] practical freedom can be proved through experience. For the human will is not determined by that alone which stimulates, that is, immediately affects the senses; we have the power to overcome the impressions on our faculty of sensuous desire, by calling up representations of what, in a more indirect manner, is useful or injurious. But these considerations, as to what is desirable in respect of our whole state, that is, as to what is good and useful, are based on reason.”⁴

As a culmination of the practical philosophy, Kant coins the term ‘kingdom of ends’ which is regulatory in nature. It also makes an ideal model

3 Kant’s categorical imperative is an autonomous law of will, since it is not based on any human feelings or emotions; it rather expresses the absolute form and requires that an individual behaves so that their behaviour is of universal relevance to all rational beings. Life is the basis of moral behaviour and thus, the supreme value for oneself and another.

4 Kant, 1929, 633. Original text read here: “Die praktische Freiheit kann durch Erfahrung bewiesen werden. Denn nicht bloß das, was reizt, d. i. die Sinne unmittelbar afficirt, bestimmt die menschliche Willkür, sondern wir haben ein Vermögen, durch Vorstellungen von dem, was selbst auf entferntere Art nützlich oder schädlich ist, die Eindrücke auf unser sinnliches Begehungsvermögen zu überwinden; diese Überlegungen aber von dem, was in Ansehung unseres ganzen Zustandes begehrenswerth, d. i. gut und nützlich, ist, beruhen auf der Vernunft” [Kant, AA III: Kritik der reinen Vernunft, 521].

which shows what will happen if a moral (and legal) society is successfully built⁵. In fact, Kant assumes the creation of a community in which a private aim is connected with the aims of other subjects by the means of synthesis which results in a total system of aims existing under the laws of rational/moral beings. The actions of these moral beings, as highlighted by Christine Korsgaard, a professor of philosophy, are based on the mutual responsibility of people which is the guarantor of moral action⁶.

In 'The Metaphysics of Morals' Kant develops an idea about the concept of liability and responsibility in relation to another individual (human being):

"Man can therefore have no duty to any beings other than men: and he thinks he has such duties, it is because of an amphiboly in his concepts of reflection, and his supposed duty to other beings is only a duty to himself. He is led to this misunderstanding by mistaking his duty with regard to other beings for a duty to those beings".⁷

Since the actions of people have the widest possible distribution in the light of their activities, the model of the kingdom of ends should not only regulate the interaction of individuals in the field of morality. It can be possible situation that a person has 'double standards' in relation to others and he knowingly lies to make a profitable deal. In the 'Religion within the Boundaries of Mere Reason' Kant addresses the motive in relation to the problem of good and evil, that is strives to understand the moral foundation of human behaviour: "Hence the ground of evil cannot lie in any object determining the power of choice through inclination, not in any natural impulses, but only in a rule that the power of choice itself produces for the exercise of its freedom, i.e. in a maxim".⁸ When moral freedom is undermined or an individual intentionally acts immoral, legal

5 Kant, AA IV: Grundlegung zur Metaphysik der Sitten, 433.

In the 'Groundwork for the Metaphysics of Morals' Kant writes: "I understand by a 'kingdom' the systematic union of different rational beings under common laws".

6 Korsgaard, 1996, 188–223.

7 Kant, 1991, 237.

8 Kant, 1998, 46–47.

justice must intervene. In this case we are facing not only with a moral freedom, but with a juridical (external) freedom. Kant writes in ‘Toward Perpetual Peace’:

“My external (juridical) freedom must rather be described in this way: it is the authority to obey no external laws than those to which I have been able to give consent. – In the same way external (juridical) equality in a state is that relationship among citizens of a state according to which no one can place another under a legal obligation without similarly submitting himself to a law according to which he can be placed under a similar obligation by the other.”⁹

Kant supposes the validity of innate rights, which necessarily belong to humankind and are inalienable, is confirmed and elevated by the principle of the juridical relations that a human being can be as a citizen of a supersensible world. That is why the kingdom of ends also generally imposes conditions to ensure the harmonious development of legal and moral society. That is to provide a synthesis of morality, law and general wellbeing, to be also a condition of a certain economic setting.

Thus, the ‘kingdom of ends’ is not only the world of morality (or angels) but also the world which provides itself with conditions natural for its existence. In general, in the kingdom of ends we have two communities:

1. Legal (political) civil state.
2. Moral civil state.

In our real world, economic system and conditions integrate morality and legality. These economic conditions may include the following: developed mutually beneficial trade (in Kantian terms – ‘the power of money’, promoting a noble peace¹⁰), an opportunity of fair contracting and market competition in which the mankind can achieve perfection.

Unfortunately, the notion of ‘kingdom of ends’ is not a popular research subject in the world philosophy although it is obvious that Kant’s idea can be successfully used to solve urgent issues in the sphere of econo-

9 Kant, 2006, 74.

10 Kant, 2006, 92.

mics and entrepreneurship. If so, why is not Kant's practical philosophy enough popular among economists now?

One of the reasons may lie in a historical dispute among economists. The development of economic thought is thoroughly described in the article of Prof. Avtonomov who analyzed and summarized the two so-called canons or 'types of economic science'¹¹. According to Avtonomov, representatives of the first canon tended to justify universal truths which are applied regardless their geography and historical context (the physiocrats, political economists, neoclassicists). As for the second canon, its representatives insisted on an actually useful economic theory inseparable from the other social sciences such as policy (mercantilists, the economists of the historical school, the American institutionalists); the second case reveals direct connection with ethics. The first canon corresponds mostly to the English science tradition while the second one resembles the German. It is believed that the German school was losing a dispute over the priority of its methodology for some period of time despite the fact that the 'second canon' appeared earlier than the first one due to historical reasons: it was necessary to meet foremost needs of running the household or the king's court (depending on a historical era).

In the XX century swinging on 'historical scales' of two canons led to the attempts of escape from excessive abstractions and to the transition towards synthesis. An example is the theory of Ronald Coase who relied on realistic premises of human behaviour and the analysis of existing institutions and property rights. At the same time he found a place for idealization having formulated the idea of piece with zero transaction costs. The fact is that for a long time the economists were using only the notion of 'transformational costs' which denotes the costs that are realized on the condition of physical transformation of particular goodness. Few, however, understood the significance of transaction costs up to the appearance of the famous R. Coase 'Nature of the Firm' (1937). An academician, Nesterenko N.N. regards these costs as "the costs related to information obtaining, deal performance and property rights protection"¹². Coase introduced not only the concept of transaction costs but

11 Avtonomov, 2013.

12 Nesterenko, 2002, 250.

also a theory of the world with zero transaction costs while analyzing externalities in order to show the following: without these costs the classical economics works unobstructed and the parties (agents) are free to negotiate without government interference. The hypothesis stressed that it is impossible to consider modern market society without transaction examination¹³. Institutionalism, therefore, focused the attention of economists on legal matters along with the issues of human behaviour.

In the 70s of the last century there was an interest in the ethics of entrepreneurship which was regarded as an independent discipline. German economist and philosopher Peter Koslowski deliberately drew his attention to ethics which could be useful for a solution of economic problems¹⁴. In his famous work ‘Principles of Ethical Theory’ he returns the problems raised by Kant into economic discourse. Koslowski’s main aim was to exempt the ethics of entrepreneurship from a delusion that an economic man can exist in isolation from his behaviour aspects, his freedom above all. In addition, one of the guarantors of economics and society coordination is regulatory rules and norms developed by Kant:

“The deontological ethics of the categorical imperative, as it is presented in the Kantian tradition, proves to be suitable for developing the rules to which the ethical pre-coordination of economic coordination must correspond, so that it is possible for free human persons to coexist. Deontological ethics needs, however, the motive- and action-foundation of virtue theory, most of all for the relationship of the human person to himself or herself and for behaviour in singular decision — situations. Both the theory of duties and the theory of virtues must, in turn, be completed by a theory of goods and substantive ethics of values...”¹⁵

Another reason why Kantian ethics and his notion of ‘kingdom of ends’ were not applied directly to the problems of economics was an aggressive

13 Coase, 2007, 99.

14 Here we should not forget the historical context in which ethics has become urgent due to the crisis of postmodernism in the 1970s.

15 Koslowski, 1999, 140.

interpretation of this idea in foreign philosophy due to several reasons (lack of theoretical foundation in the categorical imperative, presence of the latent form of theologism, heteronomy of moral law).

The rationalist nature of Kant's philosophy has not always resonated with the Russian philosophical tradition and sometimes bordered on charges with the involvement in the expansive foreign policy of Germany at the beginning of the XX century. It is worth to mention the famous speech 'From Kant to Krupp' by Vladimir Ern in which he states:

"... 1) There is no noumenon, i.e. there is nothing ontological, that can be met in our external experience, and 2) there is nothing noumenal, i. e. relating to the world of 'things existent', that can be given and implemented in our inner experience ... Inner experience which is very often subordinate to a phenomenological form of time presented in one dimension, of course, cannot include the noumenon of freedom."¹⁶

In recent studies of Kant's philosophy there also can be seen a rebuke to Kant due to the incompleteness of morality system. For example, Yovel claims that the kingdom of ends can exist only because of coercion and it does not require any moral status of individuals¹⁷.

However, these allegations are rather an attempt to discredit the secular nature of Kant's philosophy and justify the ontology of the Supreme Being within the framework of theoretical mind. The modern philosophical tradition also includes following interpretations: Prof. Sudakov¹⁸ regards Kantian ethics as personalistic and completes it systematically by linking the idea of the kingdom of ends with the idea of the Supreme Being¹⁹.

16 Ern, 1991, 309.

17 Yovel, 1980, 189.

18 Sudakov, 1998, 240.

19 Such interpretations take a toll on the Kant's term 'kingdom of ends' and distort the scope of its application. Criticism of Kantian ethics, the categorical imperative in particular, may be partially neutralized if it is considered from the perspective of methodological rules which Kant laid into his system.

However, the global nature of Kant's philosophy make it possible to observe the latest trends in science resolving into the analysis of Kant's system through the perspective of economic categories, to make use of the potential of Kant's practical philosophy to solve specific problems in society. Nowadays the attempts to compare Kant's 'kingdoms of ends' with the economic model have been reflected in several articles of British philosophers and economists. A business consultant and a teacher of MBA program at Manchester Business School, Patrick McNutt has published a number of articles including the ones about co-authorship in which he tries to apply Kantian ethics to solve the problems of opportunistic behaviour in business.

In the article 'Kantian ethics within transaction cost economics' co-authored with Xavier Duran McNutt describes the opportunistic behaviour of organization management which acts in its own interests. In other words, it does not follow the principle 'be responsible' to employees. McNutt refers to the moral philosophy of Kant and claims that all people have the capacity for rational, moral deeds but people tend to deliberately neglect it or do not notice any moral value. He, therefore, suggests describing the values cultivated in the organization and enshrining them into a code of ethics that would serve as a synthesis of responsibilities between the employees and the employer, based on preliminary mutual agreement²⁰.

The active return to Kantian ethics in the UK has provoked a lot of questions, such as the issue of leadership, contractual arrangements in the market, marketing, personnel management – all this has become real thanks to the universality of Kant's method and system.

For instance, Norman Bowie in his article 'A Kantian theory of leadership' also describes the connection between economics and individuals in the field of leadership interaction:

“Kant recognized that human beings interacted with other human beings (ends). Thus the arena of interaction was called a 'kingdom of ends'. A business organization, like any other organization, is composed of individual persons

²⁰ McNutt, 2010, 761.

and since persons are moral creatures, the interactions of persons in an organization are moral interactions and thus are subject to moral law. On Kant's view a business relationship cannot be simply economic; business interactions are interactions among persons and thus they are always subject to morality as well."²¹

In modern Russian scientific tradition there are also several publications that connect Kantian ethics with economics. For example, the article of Koshmilo O.K. published in 2012 gives us the original interpretation of such economic notions as 'supply' and 'demand'. The main idea of the author who follows Kant's ideas is to analyze the three-stage capacity of human cognition through sensibility, sense, and mind. According to Koshmilo, comprehensive assessment serves as a structural unit of Kant's transcendental philosophy²². A subject (person) estimates an object in three ways: aesthetic assessment (the feeling of pleasure and displeasure) gives grounds for the object, the logical one (rational judgment) provides a condition of its existence while the ethical (ability of desire) gives freedom of action. In this sense, Kant achieves in his system a balance between freedom and unfreedom which resembles a balance between supply and demand in economics.

Of course, the full-scale application of Kant's practical philosophy in order to solve economic problems should be preceded by a systematic comparative analysis of methodologies of these sciences. If ethics is interested in 'what motivates human behaviour', economics wonders 'what the result of an act is'. It is difficult to combine Kant's categorical imperative with the principles of entrepreneurship, but still it is possible in case of the procedure of research subjects idealization and generalization which is widely used in both fields.

It is noteworthy that all states are interested in attracting investments and in development of business processes used also as social effects. For example, a new business creates jobs, thereby reducing the level of unemployment. Understanding of what the ideal conditions should be

21 Bowie, 2000, 189.

22 Koshmilo, 2012, 51.

contributes to the optimal search for solutions and the creation of these conditions both for the population and business.

At the same time there are still many business representatives and states, which have not realized that a strategic planning of activity reduces immensely transaction costs while the development of corporate ethics and the establishment of codes regulate the relationship between an employer and an employee, thereby making working conditions and interaction at work transparent. In other words, the use of ethics tools can organize the behaviour of economic agents.

This likewise is the case with the Kant's term 'kingdom of ends'. Natural resources and goods that represent economic value are limited in the world. But created mechanisms of interaction between the actors/agents based on the study of human practical mind can contribute to the development of investment mechanisms and justify speaking about approaching to the ideal model. This refers to the use of modes of special economic zones and territories of advanced development in which favorable conditions have artificially been created to say nothing of the reduced (or nonexistent) tax rates (for land, property, social benefits, etc.), and in which the economic agents are not derogated from the right of land usage because they have various opportunities with regard to its acquisition, ownership and disposition.

It is, therefore, important to find a common systematic basis between ethics and economics to provide their correlation with examples of solved cases and to show the value of ethical (and juridical) tools application with regard to economics. However, this article is aimed to demonstrate the relevance (of Kantian ethics in particular) in modern economic discourse.

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