Appendix C **The General Economy**

On the whole, in neither Latin America nor Eastern Europe has the 'interface' of civil society and market economy been adequately analyzed. Such an analysis, however, is a precondition for any really serious conceptual alternative to the dangers of economic liberalism and the false promises of utopian socialism. Without such an alternative, one can expect more vacillation between market and state as agents of liberation and renewed neglect of the destructive effects of both on social solidarity and individual autonomy.
Jean Cohen and Andrew Arato, Civil Society and Political Theory (Cambridge: The MIT Press, 1997) 77.

The concept of civil society that we have seen evolving through the centuries and that continues to stimulate more thought today does not link easily with a concept of the economy. The popular concept of the economy is connected with business. It is viewed by economists as a system of production, distribution and consumption and suggests that the values of business prevail in it, such as the efficient use of resources, profit making, thriftiness, and reducing cost. The popular picture of the economy came with the development of capitalism but it is actually much broader in scope. It is co-terminus with the entire society and that is what we want to examine in this appendix. The general economy, as we conceive it, actually carries the core values of society.

In brief, these core values involve a commitment to something beyond profit, something larger than these capitalist values. They include justice, truth, faith, and the protection of the environment for future generations, for instance. These values, while not easily calculated, are part of civil society and the development of modern institutions.

We argue that the modern economy is more than capitalist; it is more than a business sector. This economy includes three sectors, business, government, and the Third Sector. The interaction between these three brings the core values of society into the market and business. The study of this interaction would enable public policies to deal with the decline in these values and promote what we call civil development.

The general economy is a framework for understanding how this can happen. The idea changes our picture of how markets operate, revealing what is latent within them and suggesting how they can develop in a way that links the business sector with the deeper values in which it operates.[1]

In this appendix we ask: What is the framework of this general economy? Could researchers study how civil markets develop inside capitalist markets?

The Concept of a General Economy

A CIVIL REPUBLIC discusses how markets develop substantive values from the larger culture. It asks: Could private markets become more fair, equitable, democratic and justice-oriented? Could they develop an order of accountability in a public domain? Could markets develop on a public commons? Chapter 5 outlines a prototype for a civil market and proposes a process of civil development, in which stakeholders and government planners could synthesize differences between social and cultural values and business values. Civil development already takes place through a blend of values in profit and nonprofit sectors. In other words, business could develop its values further in concert with those of the nation at large. Business could thus become not only more productive, profitable, efficient, and competitive but also more humane, fair, cooperative, transparent, just, safe, and environmentally sustainable.[2]

This appendix examines how this can be studied. Such a synthesis of values could not happen overnight, obviously. Hence, we need a framework to study the problem.

The General Economy

This framework begins with a key question: What is the nature of an economy in which business links with society's most important values?

In brief, we see the economy affected by organizations in all orders of society; religion, art, science, education, and the professions. People develop *non-economic values in economic systems of exchange*. They develop substantive values in the market.

Here are examples.

We can start with the educational order. Faculty who work in a nonprofit university purchase school textbooks. These books are bought and exchanged in the market and add to the GNP and material wealth. This is called a consumer preference in the rationale of economists. But the action also adds knowledge for students and to the nation. This is a kind of cultural wealth, if you will, and cannot be reduced to "human capital." This fact is missed in the field of economics and the study of capitalist markets.[3]

Next, we go to the religious order. Nonprofit churches construct retirement homes. The money spent adds to the GNP and material wealth, but economists do not measure other values added here. Churches in this capital investment express non-capitalist values, like compassion and care for their members. These are emotional and spiritual values that are added by this (specially-directed) capital investment. Those values are generated in the culture of religious associations that reside in the general economy.

And there are more subtle values added here. Nonprofit corporations (like churches and universities) provide low-cost housing and reduce the need for government to do it. This saves on taxes. This tax saving is not counted in the GNP, or noted in the stock market or any financial report. It is part of a civil rationale, not an economic rationale.

Then, there is social (ethical) investment to overcome poverty. The managers of nonprofit retirement funds invest in housing for the poor. This adds to the GNP but it also adds social and cultural values, like fairness and a quality of justice in the general economy.

And this investment reduces the need for government to do that shelter construction. If private funds did not invest in low-income housing and slum rehabilitation, a "caring government" would make this investment. This added value in the investment is not examined in mainstream economics or even in welfare economics. This added value should be assessed in economic sociology.[4]

There are more values that are hidden from the subject of economics. When fiduciaries and money managers engage in social (non-capitalist) investment, they shape the direction of the market. They influence the normative order of business, changing its very nature. This is again a subject for sociology, not mainstream economics.

The normative life of different economies around the world changes the life of markets. Genetically engineered food in the United States, for example, has had a difficult time getting marketed in Europe and Japan. Economists call it "consumer preference" but it is more than that. It is due to a different normative order that exists within other countries. These different countries cause a capitalist corporation to adjust to their social order.

Monsanto Corporation withdrew its RoundUp Ready (RR) genetically engineered wheat from the market. It announced in May 2004, after seven years of development and failed efforts to win over farmers and the international wheat market, that it would discontinue all research and field trial activities on RR wheat. The overwhelming opposition to the first GE wheat variety from U.S. farmers, and both domestic and international markets, was too great for the company to overcome.[5]

In a general economy, we can see how people with different values compete to shape the market. Third Sector corporations not only in America but around the world have norms that challenge economic interests. Nonprofits (hospitals, professions, etc.) add and mix non-economic (social/cultural) values to the economy. These varying norms all shape the economy.

Below we set forth premises underlying the attributes of this general economy that cuts across society. These premises suggest how an economy develops in society. They allow us to see how the Third Sector is shaping capitalist production and exchange.[6]

Table 1 The General Economy: Basic Premises[7]

1. **The general economy exists where people make a living and associations generate an income.**
2. **The general economy exists in markets defined by a civil order (e.g. norms, rules, folkways, conventions, customs, mores, and laws) and core values (e.g. justice and freedom, wealth and welfare, and democracy).**
3. **The general economy develops through a public domain that links markets with all organizations (profit, nonprofit, government, and households).**
4. **The general economy is a system of power and authority that includes both profit and nonprofit sectors.**
5. **The general economy is composed of organizations in markets based on different types of social governance.**
6. **The general economy develops with civil capital invested to support public values and standards.**
7. **The general economy develops in a culture that carries contradictions and contrary principles.**
8. **The general economy develops where stakeholders define a common good.**
9. **The general economy develops through systems of public accountability, which require study in market sectors.**

Other premises guide the study of a general economy and the practice of civil development, but those above are sufficient to start a different mode of inquiry. Let's look at each of them in more detail.

1. **The general economy exists where people make a living and associations generate an income.**

The general economy is not based on just business and commerce. It is where people make their livelihood and draw an income, where they work, as in business, government, and the Third Sector. It is where organizations buy and sell and obtain revenue, as with a church, a factory, a retail store, a university, a profession, or a clinic. It is where people exchange goods and services to create social and economic values. This economy involves a system of exchange touching all orders of society.

The general economy is thus different from the capitalist economy. The primary purpose of business is to make money, not to cultivate a religious faith, establish justice, or seek knowledge as an end in itself. The general economy, however, connects business with social (non-financial) goals. The quest for profit and productivity is only one feature of this general economy.[8]

This point is missed in mainstream economics.[9]

Put another way, the general economy is grounded in social and cultural interests as well as material and economic interests. People live in a social order as well as an economic order. An economy may be based on abundance, not just scarcity alone. The economy is not just based on physical needs and shortages. A larger culture and a set of beliefs linked with it underlie the economy. That culture determines which material resources are important to cultivate and use. It shapes the rules that govern economic development. It influences the types of competition, cooperation, accommodation, conflict, and association that happen in systems of economic exchange.[10]

In a capitalist system, people believe that economic values determine behavior; the quest for profits is the key motif. But this general economy is based on a more complex set of assumptions. This economy is based on associations as well as corporations, and on social systems that interweave with financial systems. Human associations and their norms influence the direction of capital and finance. These associations are where people determine the level of safety, freedom and civil order in the economy as well as how capital is allocated.

The term "association" is different from “corporation” even as the terms may overlap in meaning. The term simply shapes our perception of reality. An association, for example, connotes a feeling of equality not just formality, hierarchy and power. This term is developing in the minds of executives today in business corporations. Corporate executives speak of their “association” and refer to employees as "members."

Now, there is an ideal hidden within this usage.

Webster's New Collegiate Dictionary notes that association indicates "members" (not employees) and "a sense of equality and allegiance" (not hierarchy and command.) It suggests “being in fellowship," and can signify "a process of learning." Business scholars say that fellowship and learning are beginning to be promoted in corporations today.[11]

There is more to note here. The general economy develops through corporations and associations that are in the voluntary sector. The term “voluntary” has its own connotations. In the Third Sector, "voluntary" can refer to people who do unpaid work, such as “volunteers” in a church or a civic club. Civil society advocates often use the term "voluntary sector" to exclude business, but CEOs use the term to include all systems of free exchange – as opposed to a government-controlled economy. CEOs see their own business as part of a voluntary sector, in contrast to nations with authoritarian regimes.[12]

The term "voluntary association" then refers to degrees of freedom and ranges of choice that exist for people in the economy. People increase or decrease their freedom by how well they organize systems of exchange. Voluntary associations are in business <u>and</u> the Third Sector at the same time in this general economy.[13]

2. **The general economy exists in markets defined by a civil order (e.g. norms, rules, folkways, conventions, customs, mores, and laws) and core values (e.g. justice and freedom, wealth and welfare, and democracy).**

The term "civil" has various meanings, depending on context. It has subjective and objective aspects. It can refer to both a fact and an ideal.

"Civil" can be an ideal, for example, a normative idea; it indicates what people believe is the right way to live and conduct an economic exchange. Human conduct in a market is determined by rules of civility. People are in an association whose members make agreements and assume responsibility for their conduct. The whole society is made up of associations.

The "civil order" of an association can be studied from the inside and the outside. The subjective side, which Max Weber discussed, refers to how members of an association understand the rules. This inside view requires a <u>subjective understanding</u>, that is, knowing the market actor's view of things. But sociologists also study rules with relative objectivity. Objectivity is based on generalizations about the life of people in associations.[14]

Civil is then defined in the rules of association, i.e. in agreements, etiquette, convention, custom, folkways, and mores. It is also defined in corporate charters and commercial law. So, there is nothing moral or sacrosanct about civility. What is civil depends upon what people think is right and wrong from their perspective. Rules may justify hierarchy and suppression or they may help people to avoid anarchy and ensure greater liberty.[15]

A civil order is shaped by rules at all levels of society. City gangs have their codes of etiquette and are "civil" (courteous) when the police are visible. But gangs can destroy a neighborhood without breaking their gang codes of etiquette. Global corporations have their codes of conduct and are "civil" when the government is visible; they comply with the law. But legal codes can be abandoned quickly when competitors move aggressively in the market. Global corporations can destroy the environment while still conforming to their own codes of conduct.

Hence, it is imperative to understand the meanings of "civil," which are both subjective and objective. On the one hand, civil is what a particular group believes to be right. On the other hand, civil is what observers witness to be held in common.

Civil can also be the ideal (the hope) of what an order <u>might be</u> in markets as well as <u>what exists</u> in the messy reality of economic transactions. The "ought" and "is" are like the ideal and the real in this general economy. The term "civil" operates as a fact in one case and as an ideal in another case.

Put another way, "civil" is a fact when it refers to a normative order of economic exchange that can be documented; that is, it is the way people set rules to conduct their affairs. It is axiomatic that people cannot live in freedom without order. Yet, what is "civil" is also an ideal when it refers to how people advance a goal based on their agreement.

For example, civility is a fact and a value in a court. A judge makes a decision in a civil court about what is appropriate behavior. This is a fact of life in the judge's courtroom. At the same time, civility is an ideal in that court. All courts, like all organizations, have standards of what is right and wrong. Standard making is the ground for human conduct and civil development in the market as well as the court.

What does "civil" mean in a market? The answer is told partly in the beliefs of stakeholders. Competitors, for example, are stakeholders who create rules in trade groups. They set standards for trade fairs, bookkeeping, and employee training programs. Stakeholders are also consumers and employees. But stakeholders can be also an ideal posed against reality. Not all competitors and consumers have the same authority. Not all buyers and sellers have the same power. Let's look at this situation.

Stakeholders

The concept of stakeholders has its place in this framework of a general economy. Stakeholders exist across both profit and nonprofit sectors. The Sierra Club is a potential stakeholder (a latent power) in the lumber industry. The International Labour Organization (ILO) is a potential stakeholder (a latent power) in the construction industry. In civil development, the critical question is how a latent power develops and how stakeholders set standards. Stakeholders include competitors, owners, employees, communities, buyers and sellers. They look like subjects who are becoming citizens in a corporate economy.

Social economists like Shann Turnbull are developing a theory of "stakeholder governance." Stakeholder governance is an idea that could cause a business system to develop a new civil order, to become free from the excesses of capitalism. Turnbull looks at the "performance implications" of stakeholders and at public policies for building a stakeholder society. His analysis draws upon the science of cybernetics, which has a rigorous framework for analyzing communications and control. Corporate control, he notes, arises from ownership rights. His analysis looks at how the stakeholder ownership of firms can provide "operating advantages and increased social equity" and how control in stakeholder participation requires a "multi-board control architecture" to provide operating advantages. For Turnbull cybernetic analysis provides a basis for understanding and "designing self-regulating social institutions."[16]

Turnbull is on the right track. The idea of self-regulating institutions is part of this framework for researching a general economy. The concepts of self-regulation, self-governance and self-direction all imply "autonomy" in an organized economy. There is the autonomy of workers by groups inside the firm. There is the autonomy of business firms, which have types of self-regulation in trade associations. There is the autonomy of consumers at the shopping mall with types of choice in their purchases.[17]

Since the beginning of capitalist markets, new measures of autonomy have developed along with new measures of dominance. How could this happen at the same time? The answer is that there are many different market sectors; they develop and regress in different ways. Market sectors regress when they develop a monopoly and they progress when they develop autonomy and accountability in a public domain. [18]

3. The general economy develops through a public domain that links markets with all organizations (profit, nonprofit, government, and households).

Goldman, Sachs & Company officially registered as a "public corporation" on Wall Street in August 1998, ending its 129-year-old private partnership. The New York Times reported that the company went public in a very secret way. The regulatory filing required Goldman, Sachs to open a full window on its profit-making machinery, disclosing hidden details about earnings and how its money was made. However, its leaders were loath to release operating details, and clung to the last strands of exemption from public scrutiny that a partnership status could afford.[19]

The concept of a public domain (or public commons) suggests that there should be transparency in the market. By going public, FleetBoston Financial Corp. was required to disclose "private information" in its proxy statement filed with the US Securities & Exchange Commission. It stated openly that it paid chief executive Terrence Murray about $20.2 million in 1999 in salary, bonus, and stock awards. These bonuses were tied to cost cutting and efficiency efforts in the wake of the bank's acquisition of its biggest rival, BankBoston Corp. In turn, FleetBoston President Charles K. "Chad" Gifford, Bank Boston's former CEO, received $15.6 million, including similar stock awards. The disclosure came a day after FleetBoston said it would lay off 4,000 workers, or about 7 percent of its workforce, to cut operating costs in the merger.[20] In this manner, corporations already perform on a public commons. But "what is public" and "what is private" remains a controversy. The resolution of the difference and tension between "public" and "private" should be studied in the general economy.[21]

The economy is “private” to the degree that government, representing the public, does not rule it. But there is a dark side to this concept. It is also private in the sense that there are clandestine operations and secrets that exist behind closed doors. Certain corporate activities are hidden from customers and the public. This privacy may seem normal to social life, but civil planners and stakeholders would look for greater transparency. Legal scholars would study what market information should go public for the common good.

Notice how certain principles work together in markets. A private exchange can refer to an economic transaction that can also be, variously, *personal, secret, concealed, intimate, hidden, veiled* or *covert.* A public exchange can refer to an economic transaction that can also be, variously, *shared, open, transparent, mutual, well known,* and *"on the commons.”* All these terms have their own meaning in markets. But a market that is on a public commons is where people transact business as openly as possible.

According to mainstream economists, the idea of free markets means that information should be accessible to everyone. But each market sector (e.g. autos, computers, foods) differs in that degree of accessibility of information and transparency. What is public remains a frontier for theory and research in economic sociology.

A Philosophy of the Public

The philosopher Jürgen Habermas asks how civil society can develop "with rationality promoting freedom and equality for every citizen." He describes the “public sphere” as that domain of social life where opinions can be widely shared, where free speech is in principle open to everyone. Civil society develops when people act in a public arena, he says, when they deal with matters of general interest without being subject to coercion. In a public sphere, people have the right to assemble and to express their opinions freely. Citizens develop a capacity to create and articulate a public will. In other words, the public sphere is a field of common discourse accessible to all people, a place for open negotiation and civil debate, and a place where rules are held in common.

In the framework of a general economy, Habermas' attributes for public sphere are the same as a public commons. It is that arena where people in separate vocations and livelihoods build a culture that includes a common language, norms, values, and folkways. And this culture develops through systems of economic exchange.

Notice the allied concepts that must be studied with the polar principles of public/private. They are *manifest/latent, open/secret, hidden/known, and concealed/revealed*. These terms all have their own meanings even though they are connected with this master polarity of *public/private*. The Internet illustrates this play between polarities. Stakeholders on the Internet have a major task to make visible (manifest) what is invisible (latent).[22]

The Internet as a Public Domain

The Internet began as a *private* domain of communications, but it is developing into a *public* domain. The Telecommunications Act of 1996 requires that the Federal Communications Commission (FCC) develop a "universal service system" on the following principles.

Everyone in the country should have quality service at just, reasonable, and affordable rates;
All regions of the country should have access to advanced services;
There should be access for low-income consumers in rural and high-cost areas;
All Providers of telecommunications services should contribute to ensuring universal service;
There should be federal and state support mechanisms to preserve and advance universal service;
All schools, classrooms, health-care providers, and libraries should have access to advanced telecommunications services.

Reed Hunt, a former chairman of the FCC, says that the Telecommunications Act is "about opportunity for everyone." The information sector of the economy now makes up more than one-sixth of the entire economy; job growth in that area is 2/3 greater than in any other part of the economy. By adopting these rules to ensure affordable access to everyone at all income levels, government is taking steps to guarantee that the Information Age develops on a public commons.[23]

John Barry, lecturer at Keele University, says that public goods are developed through worldwide interactions of all kinds, not simply through business. Telecommunications fosters the transmission of *public* (shareable) *goods* in efficient markets. Consumers organize grass-roots movements through the Internet because it is public, efficient and cost effective. When people "go public" on the Internet, the cost in "time" for organizing and the cost of "rented space" go down. Consumers can calculate the costs and benefits for themselves. Consumers need "a variety of possible calculations" on the possible effects (costs and benefits) of production. It is for their collective good.[24]

The private right to intellectual property on the Internet is debated in world markets. Some critics have viewed proposals to the U.S. Congress for copyright protection as a publisher's monopoly over the free flow of information. They claim that the legislation would undermine consumers' "fair use" rights and eliminate the individual's right to read and browse digital publications. Similarly, many representatives argue in Congress that it is too early to impose "top-down" solutions. For instance, to browse a document, a computer must make a temporary copy in its random access memory, and the proposed legislation would have made this an infringement of copyright law.[25]

Copyright protection advocates argue that for people to make a rational choice, a public commons is essential, but things happen fast on the Internet. The information sometimes moves too fast to be seen, and Internet commerce therefore should become more open and more regularized.[26]

So, the Internet is developing a public domain, but there is a long way to go to achieve adequate uniform standards for stakeholder accountability and self-regulation.

Internet consultants are in the process of developing self-regulation. People making a livelihood in cyberspace are creating a common code of conduct. As part of this effort, the Cyberspace Law Institute, a body of professors and practitioners, has launched a Virtual Magistrate project to provide a low-cost dispute resolution mechanism for self-regulation. It takes advantage of technology to resolve problems related to its use.[27]

To sum up, a public domain is a place where transparency is emphasized; common norms are established and values are shared among buyers and sellers. Major economic transactions are open for all to view. The market develops on this commons through jointly shared "goods," that is, people who buy and sell must have a common monetary system, common agreements and contracts.[28]

The Sociological Study of Markets on a Public Commons

Economists and sociologists differ on how to study markets on this public commons. Economists study markets as mechanisms. They say that prices guide production and resource allocation. Producers and consumers use prices as basic information to make decisions about which resources to use and which products to purchase. Economists then seek to understand how markets determine prices. One fundamental assumption is that "economic agents are rational calculators and are motivated by self-interest." Consumers are viewed as "rational with respect to their purchase… seeking to maximize their own welfare through consumption, given their available spending power."[29]

Sociologists study markets as patterns of social interaction. Max Weber, for example, sees markets composed of competitors oriented to each other. For him, markets are a process of "peaceful conflict" to gain control over opportunities desired by others. Sociologists today describe markets as social networks. Wayne Baker sees them as "socially constructed." Most economists see markets rooted in competition but we argue that they are rooted equally in cooperation. Competition is critical but it cannot survive without cooperation. (For more, see Appendix D: Mapping Markets.)[30]

Economic sociologists study markets as institutions and associations. People determine prices by the way they organize associations and set standards. Let us look at a sociological analysis of how one market is organized in this general (cross-sector) economy.

In A CIVIL REPUBLIC we noted how hospitals in the United States must abide by rules set by the Joint Commission on Accreditation of Health Care Organizations (JAHCO). The Joint Commission evaluates and accredits nearly 19,000 health care organizations and programs in the United States. The Commission is an independent, not-for-profit organization, the nation's predominant standards setting and accrediting body in health care. Since 1951, the Joint Commission has developed state-of-the-art, professionally based standards and evaluated the compliance of health care organizations against these benchmarks. This is a public commons for hospital management.[31]

Health care organizations seek Joint Commission accreditation because it assists them in improving their quality of care, and may be used to meet certain Medicare certification requirements. This is a commons that enhances community confidence and expedites third-party payment. It fulfills state licensure requirements in some cases and favorably influences liability insurance premiums. It can favorably influence bond ratings and access to financial markets. So, there is good reason to join this system of public accountability.[32]

In sum, the market is private insofar as the government does not own it but it is public by its terms of transparency and the degree to which it is based on common standards. The development of a public domain takes place with greater stakeholder participation, options, and information intelligibility. Some market sectors (e.g. hospital care and JCAHO) are developing a public commons in their sectors with stakeholder norms. Stakeholders are from different civil orders – business, religion, education, and the professions -- as part of the general economy.

4. The general economy is a system of power and authority that includes both profit and nonprofit sectors.

Mainstream economists think of the economy as composed of for-profit businesses. But business professor David Rados says that it is now possible to fill all of life's needs by relying solely on non-profit organizations. Nonprofits are growing in number, complexity, and diversity. They exist in connection with a profit sector and the question is: How do these two sectors connect?[33]

Nonprofit and profit corporations are bound up with each other on a public commons. Nonprofits invest in the stock market, for example, and depend upon the productivity of business. Business, in turn, supplies nonprofits with capital in the form of dividends. Businesses make charitable contributions to nonprofits based on their norms, interests, and values. Nonprofits organize business subsidiaries that bring in money for services. Colleges, youth clubs, churches, hospitals, and other nonprofits compete among themselves in their own economically related sector, and then they compete again against for-profit firms. This close relationship broadens our concept of the economy developing a public commons and introduces problems of equity and justice.

a. <u>The Profit/Nonprofit Sectors have Common Problems</u>

Both profit and nonprofit sectors work in the tension of contrary principles, like public vs. private and freedom vs. justice. Legal questions are raised in terms of collusion, equity and fairness.

How do these questions arise in both sectors?

In the nonprofit sector, the National Collegiate Athletic Association (NCAA) regulates the number of athletic scholarships and the amount of compensation that the athletes receive. It has a certain power over members and thus may face legal consequences for collusion and price fixing. Major league baseball teams have been found guilty of collusion with regard to free agents, for instance.

This problem of collusion is simply more publicized in the profit sector. California tuna canneries have fixed prices at artificially low levels, and antique dealers have rigged bids in public auctions for a cut of the spoils. In both cases, profit and nonprofit, the parties are lawbreakers, acting unfairly. Legal analysts Blair and Harrison give other examples of breaking the law.[34]

<u>The Profit Sector</u>

American Express offers better terms for cardholders than Visa and Master card, but merchants pay higher fees: 1-2% for bank cards, but 3-5% more for American Express. In the Boston area, restaurants were being charged a fee of about 3.5%. When Boston restaurants got together in an association to revolt against this practice, American

Express made concessions to the bigger restaurants in the association, giving them a better interest rate – linked to the volume of sales in the restaurant and whether it filed its records electronically – while restaurants with little volume and no electronic systems lost in the deal. This is against the law.

The Nonprofit Sector

Elite colleges and universities "collude" in deciding on financial aid for students. The "Overlap Group" is an elite cartel composed of 23 prestigious universities that pools information on financial aid applicants. Each competing member of this alliance sends its records on financial aid applicants to Harvard, which employs Student Aid Services, Inc. to sort the applicants and identify which ones have applied in two or more of the cartel schools. Twice a year the financial officers meet to decide how much financial aid each student will be offered. If there is disagreement on how much should be offered to an applicant, the matter is discussed and resolved. As a result, students cannot benefit by competition among these elite universities for their enrollment. This is against the law.

Profit and nonprofit sectors are part of a general economy. Both nonprofit and business corporations are in a competitive market, which can push them to perpetrate injustices and actually inhibit competition. Both require monitoring by the U.S. Justice Department.

However, for-profits and nonprofits can develop civil (justice-oriented) markets and avoid legal penalties. They can reduce the need for states and governments to settle their problems. Such settlements would be made through "civil associations" outside government. A civil association in the private sector would carry standards, legitimacy, authority, penalties, and enforcement procedure. We call it civil governance in the private sector, both profit and nonprofit. But this process of achieving forms of civil governance in the private sector requires study. It begins with research on the connection between social and economic factors in markets. [35]

<u>The Social-Economic Connection</u>: Building Civil Governance

The conflict between social goals (e.g. “more safety”) and economic goals (e.g. “more profits”) can be resolved without government interference. For example, when nonprofits such as charitable foundations, religious organizations, and universities make their ethical investments in business, they look for public safety with accountability. They promote free markets but also public responsibility in them.

Social investment criteria emphasize stakeholder participation and equity for people who have little power in the market. Such investment has included support for employee ownership and management, and the advance of community finance corporations and land trusts in localities. Nonprofit institutions (like churches and universities) use stockholder resolutions to put pressure on businesses to act on principles of fairness and greater equity. NGOs and pension fund institutions force businesses in some cases to change corporate policy to become more just as they see it. The nonprofit sector then leads CEOs in the profit sector to think about combining corporate self-interest <u>and</u> the common good together.[36]

Nonprofit corporations are a part of this general economy. They are involved just like business in what we call civil decline and civil development. Nonprofit hospitals, universities, legal and medical partnerships, for example, can compete fairly or unfairly. Indeed, nonprofits may become "monopolies." And they can be countervailing powers to business or they can collude with business and lose their core values. Certain nonprofit corporations of professionals and scientists convert to capitalist values. This is why the nonprofit sector needs to be studied.

Professionals and scientists have reasons to develop standards beyond the profit standard. They can do this because core values are built into their practice. Physicians seek to advance human health, not profits. So, medical standards have been insisted upon at times; indeed, the American Medical Association risked its name to take civil action against the tobacco industry over the cause of 400,000 cancer deaths each year, and this was done before it was popular to do so. The tension between the interests of nonprofit Third Sector corporations and business can work for good or not. This is why the study of civil governance is so important.

Nonprofits with Business Subsidiaries: An Odd Couple

There is a tight interweaving between the normative orders of nonprofit and profit corporations. Nonprofit corporations, for example, establish business subsidiaries to get more money for social purposes. Nonprofit churches own profitable property; indeed, they own everything from large areas of land to stocks and bonds, to big rental buildings and parking garages. Nonprofit community development corporations (CDCs) own business subsidiaries (e.g. shopping centers) to produce income for poor neighborhoods. The Boston Pops, a for-profit, helps supply income for the Boston Symphony Orchestra, a nonprofit.

These cases above demonstrate how social goals of nonprofit corporations in the Third Sector are advanced through business ties. Both sectors should be studied for their capacity to meet definitions of the common good in the context of power.

b. <u>The general economy is a local to global system of power.</u>

Political scientists are giving attention to global markets as competing firms cooperate in trade associations. They are beginning to see the importance of cooperation.

> The existence and effects of international cooperation among firms is an important element of the international political economy for a number of reasons. First, many of these firms control huge resources in terms of financial capital, technology, employment, and natural resources. Second, they deploy these resources in response to both the competitive <u>and cooperative</u> elements of their relations with other firms. Third, the norms, practices, and rules they establish among themselves also affect the opportunities available to the rest of society. Fourth, and most importantly as we argue here, such cooperation among private sector actors can become authoritative or government-like, even in the international sphere, thus challenging our notions of the character of political authority itself.[37]

Cooperation among business firms can work for stakeholders as well as against them. In the regional economies of Northern and Central Italy, we see cooperation among small, family-owned, family-managed businesses; people formed cooperative networks of companies, subcontracting with each other for supplies and marketing services. Researchers describe this as "social capital" in decentralized modes of “cooperation.” These cooperative networks in Italy resemble civic-oriented organizations also developing in Asia, Africa, and India. Political scientists describe these patterns of cooperation as social capital in its human and productive sense. They study these arrangements to assess their effectiveness to work in international settings.[38]

But while cooperative small business networks in regions like Northern Italy and the Silicon Valley are hailed as the frontier of capitalism, some global analysts say that these regions of "small to medium enterprises" (SMEs) are in fact controlled by a larger network of power-alliances. These alliances are made up of conglomerates acting in global markets. Such conglomerate firms and their alliances can be destructive, not only to SMEs, but also to human beings and the environment. In effect, today's alliances of big businesses are utilizing something like "social capital," in the form of "strategic cooperation" to form international cartels. Such global alliances, created through trust and civil norms within their own sphere of action, can control the life and death of lower-level economies, local and regional markets. Social capital, in this analytical sense, is political power at all levels of market organization.[39]

c. Power develops through associations.

Political power develops through trade associations and social networks that form among corporations. This political power should chill the dream of any idealist who expects an equitable distribution of power to happen in business markets. Below is one example of how inequity develops in the entertainment industry.

Small (local) independent recording companies initiated the production, publishing, and marketing of many records, but larger record companies – such as

Warner Brothers Records, Capitol-EMI Music, Polygram Records, Sony Music Entertainment Company (CBS Records, Inc.), and BMG Music – soon acquired power. During the late 1980s, these big firms bought out or became distributors for independent labels, thus re-structuring the music industry, effectively reinforcing high-level corporate control over distribution, and shifting the scale of control from local/regional to global markets. Small record companies became subsidiaries of multi-billion dollar international conglomerates: the entertainment industry became worldwide. Only one of the parent companies, Time Warner, Incorporated (which owns Warner Records) is based in the United States.

Small and medium sized business networks can become subordinate to the power of global networks and alliances. The late labor economist, Bennett Harrison, described how this global power works:

> Global companies are finding new ways to use computerized manufacturing and management information systems to coordinate far flung activities and increase the flexibility with which they enter and exit different markets, alter production designs, and monitor their employee's performance. Computer programmable automation (PA) on the factory floor or in the warehouse permits firms to enhance product quality while reducing machine set-up and other costs of production.[40]

Harrison documents how managers divide permanent ("core") personnel from contingent workers in peripheral jobs. The number of core personnel is cut to the bone in "downsizing," along with a "minimization of inventory holding," making corporations "lean" and "flexible" in production. These "core/ring production systems" are then organized so that worldwide production is "concentrated," not "centralized" by strict command systems. These concentrations are subtle and powerfully managed.

In effect, the friendly collaboration of competitors at the global level is "mutually beneficial" to their circle of exchange on their terms. Common agreements are established to enhance joint interests against outsiders. While a relative equity is developed between competitors at their level, this equity may not favor friendly alliances below them at local levels.

Critics like Bennett Harrison suggest that local and regional alliances of small-firm owners – who share long-run interests, mutual trust, and reciprocal commerce – are dominated by a global-market system. These small firms are under the umbrella of this global "core/ring production system." The strategic downsizing of personnel on the periphery of big firms has caused some smaller-firm growth, but the core personnel of the big firms remain in higher positions of control. The scope of authority for global corporations is immense and it raises questions about their purpose in markets without inter-government controls with world monitors.

In sum, power can develop through associated networks in Italy with Wcooperation but it also develops through associated networks at the world level through cartels that dominate them in the global market.

d. <u>The global economic sectors are composed of social networks.</u>

Sociologist Mark Granovetter proposed that “networks of social relations penetrate irregularly and in different degrees” throughout the economy. And the concept of social networks has developed a tradition of study in economic sociology. [41]

We should say that social relations exist within every economic action and that social networks exist from local to national and global markets. The local to global market in business operates to maximize profits and power. Corporate analysts predict that, as the scope of authority for global firms grows, it will change the conditions by which human beings relate to each other.

Former business professor David Korten says that Nike, a major footwear company, refers to itself as a "network firm," not a corporation. This means that it employs 8,000 people in management, design, sales, and promotion and leaves production in the hands of some 75,000 workers hired by independent contractors. Most of the outsourced production takes place in Indonesia, where a pair of Nikes that sells in the United States or Europe for $73 to $135 is produced for about $5.60 by girls and young women paid as little as fifteen cents an hour. When asked about the conditions at plants where Nikes are produced, John Woodman, Nike's general manager in Indonesia, said, “I don't know that I need to know. It's not within our scope to investigate."[42]

The Nike case is an example of the problems created by an expanding capitalist system. It shifts rewards away from those who produce with real value to those whose primary function is to market. Marketers convince consumers to buy products they do not need at inflated prices. Many managers, like the Nike manager who avoided contact with Indonesian workers, prefer to avoid talking to workers outside the management circle.

The social distance between managers in global corporations and those they control is growing exponentially. Corporate control over localities vs. local control is an issue. The concept of social capital as democratic “productive services” becomes part of the confusion. The following two cases highlight these issues:

> 1) The governing system of Silicon Valley looks like a full-fledged social district, a thicket of small and medium-sized firms that cooperate – and compete – with one another. It appears to be a healthy market system, providing job training and finance capital, and offering a "down-up" flow of ideas about the latest design and production techniques. It trades with the rest of the world as well as maintaining local production relationships. It looks like a perfect illustration of “social capital” at work. But critics argue that equating this sector with "social capital" is pure idealization. Silicon Valley exists within a larger system of global dominance.
>
> Silicon Valley is heavily dependent upon multinational corporations and the government. Researchers have posed questions about the stability and resiliency of the district. Various developments, such as the fragmentation of the global U.S. electronics industry, are eroding the competitive position of Silicon Valley firms. In addition, since Valley firms are dependent on the fiscal and regulatory support of the federal government, this is not the self-sustaining system of governance that people might imagine. This post-industrial district – and indeed, all industrial districts – is part of a "global production network system." This global network can quickly self-destruct and destroy local communities.[43]
>
> 2) In Italy, Benetton is the maker of multicolored clothing, selling its products in franchised shops in seventy-nine countries. It is a global firm that

> exemplifies imperial power. Most of the design and high-end production work for Benetton is done around Treviso, near Venice, where the firm originated in the 1960's. All labor-intensive assembly, pressing, and embroidery work is contracted out. Contractors hire the "periphery workers" who can be easily fired and exchanged for others. Corporate subcontractors manage lower-order tiers of suppliers elsewhere in Italy, and in other low-wage countries. Low-wage, small, non-unionized suppliers compete to get contracts from Benetton, the big firm.
>
> At the bottom of this hierarchy is the "home worker" who receives the lowest wages and has no legislated health and safety protection. Today's corporate system, not just that of Benetton, has developed a large "contingent labor force" – that is, temporary workers; part-time, part-year, and non-unionized.[44]

There are many issues here. First, many workers in these two examples lack job security, health insurance, and pensions. Organized labor, which in the past helped to define safety standards, benefits, and working conditions, is not organized here. Second, there is a loss of "sustainability" in communities, and a toll on local self-governance. Contractual law does not work well when parties are so unequal in world markets. If local problems arise, global corporations can move to another location at any time. Third, although large, powerful, and well-known global firms create these labor problems, the solutions are hidden from public view. The dominance of global corporations in the mass media inhibits their exposure.

Individual nation-states are not capable of dealing effectively with the abuses of global markets. Nations do not belong to a world government that would regulate cartels, and they have few other mechanisms to establish fairness in global competition. The global economy has no "Justice Department." There is no "Small Business Administration" to empower small local manufacturers and suppliers, no world law to prescribe health benefits for employees, nor any concept of a productive, fair, and, civil economy at the global level. There is no concept of social governance in the field of economics.[45]

5. The general economy is composed of organizations and markets based on principles of social governance.

Below are basic principles that explain how a general economy is governed. We modify the idea of "government" (associated with the state) and substitute the idea of social “governance." Different types of social governance exist among all organizations in the private economy. Let’s look at them.

Social governance refers to the way people manage any group, including economic groups. There are various types of social governance, such as command governance, self-governance, and mutual governance.

Command governance refers to an administrative hierarchy of authority. Although it exists in all organizations with a power structure, it can also co-exist with some measure of self-governance. Self-governance refers to the capacity of people in associations to be relatively autonomous, self reliant, and self-responsible. (For our purposes, the terms self-governance, self-management, and self-regulation will be interchangeable.)[46] Mutual governance refers to the way people rule their lives together by cooperation. All these terms refer to a social fact of life. They are facets of organized life to be studied in systems of exchange between business and non-business sectors. But each analytical concept also carries an ideal within it.

Clearly, all these systems of governance coexist in any group – even a prisoner has some self-governing power, when walking and talking with other inmates, for instance. Most settings are less authoritarian, and the concepts of mutual governance and self-governance in particular can be flexibly negotiated to meet association goals.

In sum, the idea of "social governance" refers to the way people manage their affairs in the organizations of both profit and nonprofit sectors. It assumes that the economy is based on patterns of social interaction and socioeconomic organization. The two concepts (mutual governance and self-governance) help us understand how people reduce the need for outside controls, including government regulations. Some type of mutual governance is required to augment the power to be "self governing" in firms, temples, schools, and market sectors.[47]

In the business corporation, for example, management may "optimize self governance" through quality circles and autonomous groups. Each worker is trained to be more independent (developing individual imagination and self-discipline) at the workplace through a system of mutual governance. This involves different ways of working together in the context of a larger command system. The practice in many cases has been profitable and productive because "increasing responsible worker self-governance" reduces the costs of hiring supervisors.

The type of mutual governance that exists in the management of a firm, a union, a school, or a synagogue, determines the level of self-governance that can be achieved. In the business sector, corporations have discovered that cultivating employee self-governance is correlated with high productivity, profitability, and worker satisfaction. This depends of course upon training, and the way firms are socially organized.[48]

For purposes of theory and research, each of these concepts can be explored analytically for the variety of meanings associated with it. For example, *self-regulation* and *self-governance* for our immediate purposes refer to the same phenomenon and they each also carry other meanings. Other concepts allied with self-governance include *self-direction, self-organization, self-reliance, self-authority, self-mastery, self-realization, self-regard, self-satisfaction, self-support, self-taught, self-development*, etc. Each term is different, but all refer to the way people acquire autonomy in the organization of a general economy.[49]

These terms can be defined as developing progressively in relation to their affiliated concepts. They can be "principles" in theory or "operationalized" with precision for empirical study. They become the framework for the study of organizations in a general economy.[50]

6. The general economy develops with <u>civil capital</u> invested to support public values and standards.

New concepts are needed for an economy developing a new social order. Such words include civil capital, civil economy, civil market, civil polity, civil corporation, and civil investment. They are applicable to all levels of governance, from the corporation, to market-wide associations, to regional and worldwide associations. Let us begin with the meaning of civil capital.

In classical economics "capital" referred to land, labor, minerals, machines, and material resources used for private gain, but the word has evolved with new modifiers. Today we are familiar with "human capital," "social capital," "organizational capital," and "cultural capital."

For sociologist James Coleman, "social capital" represents "features of human organization," which include trustworthiness, and cooperative networks that improve efficiency by "facilitating coordinated actions." Social capital allows people to get work done with less physical capital in the form of tools and equipment. A firm whose members manifest trustworthiness and place extensive trust in one another will be able to accomplish much more than a comparable firm lacking that trustworthiness and trust.[51]

Political scientist Robert Putnam builds from the Coleman concept:

> By analogy with notions of physical capital and human capital – tools and training that enhance individual productivity – “social capital” refers to features of social organization, such as networks, norms, and trust that facilitate coordination and cooperation for mutual benefits.[52]

Putnam observes social capital operating around the world for "mutual benefits." He describes cases of cooperation that advance efficiency in enterprises on every continent. "Rotating credit," for example, is a highly successful example of social capital at work. A "rotating credit association" is an informal savings institution, consisting of a group of people who agree to make regular contributions to a fund that is given to each contributor in rotation. "Rotating credit associations have been reported from Nigeria to Scotland, from Peru to Vietnam, from Japan to Egypt, from West Indian immigrants in the eastern United States to Chicanos in the West, from illiterate Chinese villagers to bank managers and economic forecasters in Mexico City." Although participants usually do not possess financial capital as collateral, social capital allows them access to important credit.[53]

The term social capital is still popular. Internet consultants talk about social “trust,” “awareness,” ”commitment” – words common to the field of religion. Tim Gallwey, best-selling author of the “Inner Game” series of sports instruction books, spent fifteen years applying his techniques to business in clinics and workshops. To succeed at digital strategy, Gallwey says “your business must be a learning organization,” focused on ideas and experiments more than on detailed plans and forecasts. Businesses are “core learning entities,” reinvented throughout history. These terms place business in the language of education. Without a learning capability, some theorists argue, business would never have been born, and if self-education is lacking, the business will perish as much as if it had lost physical capital.[54]

The Information revolution has accelerated activity in organizational learning, intelligent organizations, and intellectual assets. CEOs now focus on the creation and management of knowledge. Big companies today boast of their Intranet managed by a

Chief Knowledge Officer, or Director of Corporate Learning. They are concerned with the "brain" of the corporation, and with educating people about the coordinating units within the whole. They have even been dismantling hierarchies with the power of their Intranet. Now consultants celebrate firms like ABB, a corporation composed of 5,000 self-managed units interacting freely within an "internal market."[55]

Francis Fukyama points to social capital in the "development" of markets. In this sense, social capital refers to how a healthy market is constructed and then sustained. Social capital is needed for the development of a civil society.

> It has been argued that the market itself constitutes a school for sociability, by providing the opportunity and incentive for people to cooperate with one another for the sake of mutual enrichment. But while the market does impose its own socializing discipline to some degree, the larger theme of this book is that sociability does not simply emerge spontaneously once the state retreats. The ability to cooperate socially is dependent on prior habits, traditions, and norms, which themselves serve to structure the market. Hence, it is more likely that a successful market economy, rather than being the cause of stable democracy, is codetermined by the prior factor of social capital. If the latter is abundant, then both markets and democratic politics will thrive, and the market can in fact play a role as a school of sociability that reinforces democratic institutions . . .
>
> A healthy capitalist economy is one in which there will be sufficient social capital in the underlying society to permit businesses, corporations, networks, and the like to be self-organizing. In default of this self-organizing capability, the state can step in to promote key firms and sectors, but markets almost always work more efficiently when private actors are making the decisions.[56]

Fukuyama argues that an emphasis on the self-organizing capacity of business is what makes political democracy work. Now this notion of “self-organization” is connected to the development of civil capital. [57]

Civil Capital

Civil capital is the use of capital resources for developing a self-governing economy and the common good. “The common good” means different things to people in different fields and we shall address this question shortly. In jurisprudence, the common good at the national level is close in meaning to the “public interest,” part of American law.[58]

In an analytical sense, civil capital is a subset of the analytical meaning of social capital. Social capital has a double meaning in reference to being both a "fact" and "value." The use of "capital" is (technically) a social fact. Capital is allocated anywhere within a normative framework. Thus, its analytical usage in sociology is different than its popular usage. Social capital is applied everywhere; it is simply an economic resource that is deployed in society.[59]

But we said that the term “social capital” in popular usage has a special (positive) meaning. It refers to human trust and mutually beneficial cooperation and so we must be watchful. As we have seen, capital is social when it is deployed in any human way. It can be distributed in hierarchical systems of dominance and applied destructively in the economy. “Trust” and “cooperation” can operate to advance exploitation by capitalist systems and class oppression, although theorists of social capital don’t talk about that.[60]

In its ideal sense, then, civil capital refers to the allocation of money for the common good. In the theory of development we are suggesting capital would be applied to the broader community, for example, to the development of effective decentralized systems of power. It would be applied to the development of self-governance and a re-ordering of all levels of organization. (For more, see Appendix E: Civil Corporations and Associations.)

In this theory of development, "civil capital" refers the effective resolution of philosophical values (e.g. individual vs. community) that collide in the organization of markets. Civil investors must answer questions like the following: How does the core value of freedom (e.g. openness, transparency) and the core value of justice (e.g. uniformity, standards) link creatively in building markets? Civil investors search for answers to such questions.

Civil Capital and Social Inventions

Social inventions break the habits of business and markets. We are thinking especially of organizational inventions that are born with imagination, reason, and emotional subtlety. These inventions make it possible for people to change the culture of firms and systems of exchange. Inventions are not due simply to the profit motive as some say today. Rather, they have taken place down through history without money motives. Nature itself breaks its own rules, inventing, building atoms from particles and molecules from atoms. Birds build nests in new ways all the time, not just instinctually. In the same manner, humans can allocate capital inventively and create civil markets.[61]

And that series of inventions by which man from age to age has remade his environment is a different kind of evolution – not biological, but cultural evolution. I call that brilliant sequence of cultural peaks The Ascent of Man.
Jacob Bronowksi (1908-1974) The Ascent of Man (1973)

Social (organizational) inventions brought about new degrees of equity and justice for workers in Swedish and German corporations. National leaders in this case developed “co-determination” on corporate boards for labor and management. These managerial inventions did not solve the problems of capitalism but they were increasing the level of authority and power for employees. They created new social problems but they were steps in the direction of a new type of corporation.

In a totally different case, the American National Standards Institute (ANSI) invented common standards in markets. Certain markets were facing “anarchy” around the competing, confusing sizes of nails and screws. ANSI made this market a more civil order, a public domain. The process required negotiation and impartiality. Notice another invention. Trade associations invented codes of conduct in the pressure on them from grass roots movements.

Codes of conduct can be “social capital" in markets. The U.S. Department of Commerce publishes a "Model Business Principles of Business Ethics" for voluntary adoption by companies. The Department recognizes "the positive role of U.S. business in upholding and promoting adherence to standards of human rights." The Administration encourages all businesses to adopt and implement voluntary codes of conduct for doing business around the world. These codes cover the following areas:

1. Provision of a safe and healthy workplace.
2. Fair employment practices, including avoidance of child and forced labor and avoidance of discrimination based on race, gender, national origin or religious beliefs; and respect for the right of association and the right to organize and bargain collectively.
3. Responsible environmental protection and environmental practices.
4. Compliance with U.S. and local laws promoting good business practices, including laws prohibiting illicit payments and ensuring fair competition.
5. Maintenance, through leadership at all levels, of a corporate culture that respects free expression consistent with legitimate business concerns, and does not condone political coercion in the workplace; that encourages good corporate citizenship and makes a positive contribution to the communities in which the company operates; and where ethical conduct is recognized.[62]

The Internet appears to be the zenith of invention and new freedom; yet, political scientists argue that social inequality comes along with new “openness.” It’s very difficult for a poor person to find the money (from $1,000 to $4,000) to pay for a personal computer, network connections, and software. Net connections cost from $20 to $100 a month, plus expensive hardwiring or cable costs. Telephone service is costly in central cities and rural areas. Thus, the invention of the Internet is not as "open" and "fair" to everyone as its advocates claim. Andy Ross, owner of Cody's Books in Berkeley, argues that Amazon.com. competes unfairly in California by not paying any sales taxes. The Internet does not contribute taxes to local schools, he says, and it does nothing to help the local community.[63]

Capital is a material resource to advance social invention. Civil investors would invent justice-oriented markets; they would support greater equity in the organization of economic exchange. They would allocate money for public accountability; allocate money to settle disputes fairly between warring parties. They would help advance creative alliances in the profit-nonprofit sector. They would help business resolve global conflicts and reduce economic inequities in a fair manner.[64]

Civil investors would combine human and material resources for the common good. They would increase the freedom of firms to compete in a justice-oriented market. A civil investor would cultivate fairness and responsibility in markets.

7. The general economy develops in a culture that carries contradictions and contrary principles.

The concept of culture in anthropology refers to everything created by human beings – ideas and ideals, houses and hats, mathematics and molecular engineering.[65] The relationship between culture and the economy is extremely complex and sociologists have explored the territory. Robert Merton described a disjuncture within the cultural system of goals and values that define citizens' lives and the structural means for achieving them. Daniel Bell asserted that society's social structure is ruled by an economic principle of rationality, defined in terms of efficiency and a culture which is promiscuous and dominated by an antirational, anti-intellectual temper.[66]

The concept of culture is more complex than can be represented properly in these studies but it remains as a vital component of the general economy.[67]

For our purposes, a general economy gains legitimacy through the norms and values of society, a nation's culture. A nation's culture is not the subject of economics. In the broad sense this culture is filled with contradictions and contrary ideas. The culture carries principles that develop dialectically and related to the development of an economy.

A dialectical theory of change is needed in economic sociology and socioeconomics to understand what is happening here. Dialectical theory has existed in philosophy and religious thought for a long time, going back to ancient China and Greece and forward into western thought and German idealism.[68]

We have proposed that a general economy is created through social and cultural factors in markets that stand in tension with economic and financial factors. There is a dialectical factor here. The development of this economy takes place through links among these cultural factors – norms, ideas, interests, principles, and values.

We are talking about the ideational aspects of culture that stand in opposition to each other in connection with this economy. The business order, for example, contains a value orientation (e.g. self-interest, efficiency, productivity, and profitability), which stands in tension with value orientations in the Third Sector. In the general economy we see the tension, (e.g. altruism, [vs. self interest], leisure [vs. profitability] pure art, [vs. productivity] devotion and meditation [vs. efficiency]). These different interests and values do not link easily. But connections are being made that need to be studied by sociologists.[69]

In light of the oppositions among principles in this culture it is not hard to see how a new system of markets could develop. A new system develops in this steaming conflict of different interests and values. Each civil order of society (the professions, sciences, religion, etc.) carries interests and values that shape the order of buying and selling. They collide and develop together in markets. (See A CIVIL REPUBIC, Chapter 4)

In these appendices we describe some theoretical principles: *social vs. economic, competition vs. cooperation, freedom vs. justice, individual vs. community, public vs. private*. We have proposed that each side of these (seemingly) polar principles carries a certain value into the economy. Each stands in tension with its opposing partner and yet is intricately linked with it. We argue that each opposing side requires attention, that these contrary principles need to be studied together. The sociological study of contrary principles could provide a basis for public policy.

In the public policy we proposed in A CIVIL REPUBLIC, each principled side needs advancement in the development of markets. Government and civic planners should optimize both sides of paired contraries to change capitalist markets into civil markets.

Let's look at this policy orientation a little further.

Each high principle that we mentioned above has lesser concepts that are allied with separate meanings. For example, the abstract principle of justice has allied concepts with irregular meanings in markets: <u>impartiality</u>, <u>even-handedness</u>, <u>standards</u>, <u>accountability,</u> <u>fairness</u>, <u>authority</u>, and <u>equity</u>. At the same time, the abstract principle of freedom has its allied concepts with their uneven meanings in market contexts: autonomy, independence, openness, voluntary, options, sovereignty, and choices. These concepts together help us to understand how this cultural component operates in a market. The great principles of freedom and justice develop meaning in the economy through such “middle range” allies. These allied concepts extend the meaning of such abstract principles as people talk about them in markets.

Economic sociologists should look at these contrary principles as they conflict, combine and work together. We need to hold them simultaneously in mind. Then, imagine how they link intricately together inside the social order of a market. Cardinal opposites like order and freedom coexist in market contexts and they develop together through these conceptual allies that have an everyday meaning.

The principle of justice appears as though it is alienated from the ideology of capitalism but this is only partly true. It is an invisible principle that seems to vanish and then become more visible. The concept of *free* trade, for example, is beginning to be studied with *fair* trade.

Free trade is conceived in economics as "international business not restrained by government interference or regulation, such as duties." This is the “freedom principle,” as in the advancement of autonomous enterprises around the world. Economists also see free trade as a place to maximize alternative choices for buyers and sellers. But there is more in this context that is not studied. There is also a sense of fairness defined by free traders in economic transactions – along with all the unfairness and injustice that can also be observed there. These terms of fairness – an allied concept of justice – should be documented in field research, as market participants define them. The clarification of these concepts then aid in developing public policy.

Let's look at this research proposal in another way.[70]

The principle of justice in markets is not studied (typically) as part of capitalist markets. Yet, its allied concepts (mentioned above) develop there, such as <u>fair</u> trade and <u>fair</u> competition. The concept of "fair" is written into government legislation on markets and is prevalent in stock market conversations.

Many of the rules for employee compensation, for example, refer to the "fair market value of stock." There is a classical definition of this term that tax professionals know very well. The fair market value is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

This is where the rubber hits the road for researching this cultural component. It means looking at those contrary principles, values, and interests in the economy. The philosophical principles of freedom and justice have been separated in beliefs about how markets operate, but it is time to study them together.[71]

Each pair of opposing ideas (interests and values) should be seen with an analytical eye. Each polar idea that is part of a pair has its link with its opposite in the cultural life of a market, and it is found in the context of social interaction.[72]

Here is a paradox in the concept of civil development. A more civil (just) and open (free) market sector can develop along with a less just and free market in general. But when government policymakers can see these pairs together (i.e. free and fair) they can understand what is happening. Let's look at how policy theory would follow this line of thought.[73]

Dual Optimization: Public Policy

Dual optimization is the simultaneous enhancement of contrary values. It happens on a minor scale today. Government efforts to make a joint optimization of contrary principles can be seen first in Internet commerce.

The Internet looks like anarchy because it plays so far outside the control of government, seeming to lack any civil order. The new "netizens" (i.e. people on the Internet who are not just "citizens") establish that order with standards. It is done in the midst of an extraordinary freedom to communicate across the nation and around the world. They must optimize the principles of freedom and civil order (justice) together.

The Federal Communications Commission has debated the question of reconciling *freedom* (i.e. open access and unimpeded entry) with a sense of being just and fair. A discussion on this polarity is found in Section 254 of the Telecommunications Act of 1996. The Act stresses the importance of "universal services" with civil equality; every citizen should have "quality service at just, reasonable, and affordable rates…access for low-income consumers…" The government is trying to optimize contrary principles to develop the Internet.

Dual optimization means encouraging (seemingly) contradictory concepts to come together. What does this mean?

It means emphasizing *transparency* with appropriate *privacy*; accenting *autonomy* for enterprises with appropriate *authority* from government; stressing government *planning* while accentuating *spontaneity* in the market. Sociologists can study judicial precedents for how such contrary principles are settled.[74]

One concept in a polarity can rule over another in a market. For example, a battle rages right now on the Internet over which concept should be supreme: *privacy* over *transparency* and *standards* over *choice.* But both sides in this battle are equally vital to commerce. The solution must involve both of them together.

Online advertising agencies (e.g. DoubleClick.net) pay to place advertisements on web sites. They include a link from the host site's web page to the advertising agency's URL. So, when a user accesses a web page that contains an ad from DoubleClick.net, a cookie is sent to the user's system not only from the requested web site, but also from that online advertising agency. But government agencies, such as the Justice Department and the Federal Trade Commission, are thinking on behalf of consumers about the need for more transparency. To what extent can the market regulate itself – as opposed to government regulations – for the common good?[75]

Critics of Internet development say, "Self-regulation is a sham." BusinessWeek editors recommend "privacy standards" in the spirit of the Fair Information Practices, which is a framework for privacy protection adopted worldwide over the past 25 years.

The broad principles are as follows:

> Companies conducting business online should be required by law to disclose clearly how they collect and use information.
> Consumers must be given control of how their data is used.
> Web surfers should have the ability to inspect that data and to correct any errors they discover.
> When companies break the rules, the government must have power to impose penalties.[76]

In a review of how private e-commerce and public e-commerce can coexist, BusinessWeek advises guidelines for business: "Display your practices, give people a choice, show me the data, play fair or pay." Such guidelines are the beginning of a long fight over how contrary principles can be optimized together for the common good.

8. The general economy develops where people define a common good.

We are not talking about economic development. We are not talking about business development or commercial development. We are talking about how to study civil development. Civil development invokes a sense, a notion of the common good.

A "common good" begins to be defined where buyers and sellers agree on rules in their own interest. Trade associations, trade unions, church associations, etc. create rules for their common good. Trade associations set public standards (size of nails, electrical codes, Internet codes) in the interest of stakeholders, producers and users. Stakeholders shape a market.

Stakeholders define a common good in their system of exchange. They work with an agreeable and measurable "good" as they perceive it. Now, the extent to which this good serves the larger good of society in markets is a subject for social research.

Does the standardization of nails work for the good of the entire society? [77]

When corporations in the steel industry and the airlines decided independently to join with labor unions to inaugurate a higher level of participatory management and corporate ownership for workers, it was labor and management that defined their common good. The new sense of what was for the common good was trade-specific, not necessarily for all industries.[78]

A common good develops in a broader sense through tri-sector agreements between business, government, and the Third Sector. For example, a social contract was signed in August 2004 between the Occupational Safety and Health Administration (OSHA) and electrical contractors, industry trade associations, and a labor organization that represents more than 750,000 members nationwide. The contract includes: electrical contractors (Henkels & McCoy, Inc.; MYR Group, Inc.; Pike Electric, Inc.; Quanta Services, Inc.; and Utility Services, Inc.), two trade associations (National Electrical Contractors Association (NECA) and Edison Electric Institute (EEI); and the International Brotherhood of Electrical Workers (IBEW).

OSHA Administrator John Henshaw said "This partnership was constructed on mutual respect and trust by each organization with the single goal of reducing injuries, illnesses and fatalities in the industry…Each of us, as partners, believes that this cooperative effort provides us the best opportunity to identify, develop and communicate best practices which will make great strides in reducing injuries and fatalities in the industry." [79]

A trade-specific common good was created here in a tri-sector agreement. It is <u>not</u> necessarily the common good for the whole society although it could be.

A common good on health and safety is being defined in global markets. The European Commission and OSHA held its third EU-US Joint Conference on Occupational Health and Safety with a tripartite forum on good practices to improve occupational safety and health conditions for workers on both sides of the Atlantic. This agreement now offers construction codes, standards, specifications and guidelines created and endorsed by all major building trade associations.

When economic sociologists want to examine how market decisions are made for the common good with standards, they should look to the thousands of trade associations that govern business. Trade associations are in every market: airlines, autos, computers, machine tools, petroleum, and uncounted other sectors. Trade associations are where private standard making is done. Below is a list of a few associations in the food industry, for example, to illustrate how they are related to standard making. Trade members perceive their work as promoting a common good.

The *National Food Processors Association* (a scientific trade association representing the U.S. food processing industry), the *Food Marketing Institute* (serving the needs of food distribution and related business, including grocery wholesalers and retail supermarkets); *International Federation of Organic Agriculture Movements* (an umbrella organization for the national organic certification bodies, setting out minimum standards for organic production with accreditation schemes for national organizations); the *Grocery Manufacturers of America* (supplying information about social issues in retail food supply chains); the *Food Safety Training and Education Alliance*; *TransFair USA* (a non-profit monitoring association that certifies that participating traders are following fair trade guidelines in products including coffee, tea, and bananas); the *American Society of Baking* (promoting the advancement of baking science technology through interaction among baking industry professionals); the *Chef's Collaborative* (promoting sustainable cuisine by teaching children, supporting local farmers, educating one another, and inspiring the public to choose good and safe food); the *Food Institute* (a portal for the food industry that includes industry, health and government and international news and related resources).

In other words, government is not the only standard maker. There are thousands of associations that create public standards, not states alone. And a government can inspire these associations to do better in this quest to find the common good.

The Human Quest

A human quest for the common good is a search for rules that guide the development of humanity, the whole world community. It has a history that began with religious leaders and philosophers in early civilizations. It is in St. Augustine’s The City of God (430. C.E.) as res publica. Res publica could be translated as the "the common good," or "the commonweal," a "commonwealth," or "a republic." Augustine asked what conditions must be present for a republic (or a "people") to exist at all. To answer this question, Augustine turned to a definition supplied by Cicero around 50 BC.

> A people is not any collection of human beings brought together in any sort of way, but an assemblage of people in large numbers associated in agreement with respect to justice and a partnership for the common good.[80]

The pursuit of a common good is a search for unity in the midst of cultural differences. Yet, it is very clear: every human attempt to find a common good fails at some point. It fails to meet some ideal. Every effort is partial to certain groups even while the quest keeps going and stays alive in the market.[81]

Every market sector (e.g. insurance, realty, construction, chemicals) establishes standards. It is about what participants believe to be a common good. Markets always need order and reliability in relation to standards, which establish a sense of fairness in the context of injustice and inordinate corporate power.

To increase the level of fairness, the government plays a role. Market mechanisms like those in OSHA, mentioned above, can be developed in a tri-sector relationship. This helps to create a civil order through public standards for nations.[82]

Resolving Tensions in Opposing Principles

We said that the search for a common good is accomplished through the resolution of differences between principles: private vs. public, individual vs. community, and freedom vs. order. Each principle is abstract, but resolutions take place by a creative combination of their allied concepts.

How can sociologists study this problem of polarities in the market? Let’s look at e-commerce for starters. Below we place in parentheses that polarity we called public vs. private to indicate how they are present in market talk. I pulled this statement off the Internet and added parentheses and italics to indicate where they appear with allied concepts. I have added quotation markets for emphasis.

> Online advertisers today say they want to connect with their consumer "intimately" (*i.e. private*) and confidentially (*i.e. private*) in order to do whatever customers want them to do through "open" (*i.e. public*) trade. Business firms say they want access to a customer's “personal” (*i.e. private*) information, "for everyone’s advantage" (*e.g. public*). But critics say that their assurance of "safety" (*i.e. public)* for all customers is dubious.

The allied principles of *private vs. public* are examined through their related concepts in markets. They are principles that cross with the principles of *freedom vs. order* in the economy. Let’s look at how these polarities and related concepts are embedded in market talk. Here is another Internet conversation.

> Customers do not have the same power of software on their computers as do big companies. They want "equity" (*i.e. justice*) in this market relationship. The corporation's right to "open access" (*i.e. freedom*) is a one-way system of communication, not an "equal" or "fair" (*i.e. justice*) exchange. It is "inequitable" because big companies have expert software engineers while customers do not have them. Buyers and sellers do not exchange information on "equal" (*i.e. justice*) terms. The sellers have "personal information" (*i.e. private*) about customers, but customers do not have "open information" (*i.e. public*) about sellers. [83]

The right connection and balance between the principles of justice and freedom must be found through the (simultaneous) application of private and public principles. The right balance in the culture of markets can be studied through contrary principles that cross profit and nonprofit sectors. The market actors in this system of e-commerce must find out how the right options (i.e. freedom) come together with fairness (i.e. justice).

The overall problem: capitalist markets were not established on the principle of justice. Our hypothesis for socioeconomic development is: when these dialectical principles of freedom and justice (and their allied concepts) are linked properly, a civil market is born.[84]

These are examples of how a tension between great (philosophical) principles works in Internet commerce, but the question in our model (Chapter 5, A Civil Republic) is how these principles can resolve for the common good over the long term. The study of how the individual can be developed with the larger community is essential to studies in economic sociology. And it is the subject of communitarianism, an intellectual movement building a new set of public policies.[85]

The Internet has a capacity to establish "links" in markets for more people than any other communication system in history. "Links" bring people together to make transactions without the usual financial cost. This means that when reliable information is linked into its commons, nothing can stop others from joining the game. New links build new communities of interest. A new kind of transparency develops never before imagined but also with new secret codes.[86]

How will the Internet develop in the future? Internet analyst Kevin Kelly says the future ought to bring both more producer-power and more consumer-power at the same time. He describes the multiplayer game Ultima Online, which offers the opportunity for anyone with some tools to invent one's own character, develop her/his own clothing, acquire unique powers, and build a surrounding story and history. All the thousands of characters one interacts with are sculpted by other prosumers. (Prosumers is a word coined by Alvin Toffler in Future Shock in which producers and consumers are joined together.) The action is like a small town, which is being produced by those who experience it.[87]

So, *rules* are the name of the game in markets.[88]

Social researchers have this guideline: Reveal the contrary interests and principles in ethnographic studies. Government policy makers who read these studies have this guideline: increase the positive value of each opposing trait. This means optimize *freedom* inside a civil *order*, advance social *innovation* within *stable* markets, encourage *competition* with *cooperation* for the common good, and develop *individuality* and personal worth inside a *community*. Studies are required in the general economy to see how this dual optimization works.[89]

9. The general economy develops through systems of public accountability, which may be effective or ineffective, enforceable or unenforceable in the marketplace.

We have noted a whole lexicon of ideas that apply to developing a civil economy. Each philosophical idea (or core value) has affiliated ideas. For example, the idea of justice is linked with public "accountability" and "equity," but such terms have their own domains of meaning. The concept of accountability, for example, has a set of sub-concepts that apply to development. A quick summary can be given here. [90] (See Table 4.)

Table 4. Public Accountability Systems
Requirements for Self-Regulating Organizations

Key Terms and Definitions	Allied Concepts
<u>Agreements</u> are written contracts or informal understandings established between people that set standards for civil conduct in the marketplace.	Contracts, arrangements, deals, covenants, compacts, pacts, documents, etc.
<u>Standards</u> are guidelines (norms, rules, and principles) for conduct, which are written into contracts. By contracts, we include broadly corporate charters, bylaws, constitutions, mission statements, and corporate codes of ethics.	Norms, rules, principles, criteria, measures, guidelines, codes, regulations, etc.
<u>Monitors</u> are "watchdogs" and countervailing organizations that keep the stakeholders and the public informed on how well the standards are maintained. We have argued that monitors cannot do their job adequately without transparency. Monitors include NGOs, social-financial auditors, public interest groups, consumer federations, social investment firms, and UN agencies.	Observers, witnesses, critics, advisors, directors, counselors, informants, “whistleblowers,” etc.
<u>Authorities</u> are judges and rule-enforcers in the private sector. They operate at different levels of organization and could be called tribunals, arbiters, courts, judiciaries, boards of directors, final decision-makers, and enforcement groups that are empowered by stakeholder agreement to make judgments and issue penalties for misconduct. They are groups designated to judge offenders, to issue fines or specific punishments against offenders, and to help bring practice into conformity with the agreed standards. A national government has been the traditional regulator, using courts and judges to decide on penalties such as probation, restitution, fees, jail and prison sentences, but the private sector has been developing its own system of governance.	Judges, courts, tribunals, enforcers, arbiters, adjudicators, mediators, etc.

We noted in A Civil Economy that a large group of accountability systems could be called a "civil structure." A civil structure is a self-governing system of organizations that requires business firms to be accountable to the people they affect. The people they affect are called stakeholders and they could be organized at the level of a community or a nation or the global economy. An example of a (reasonable) civil structure in the United States is The American National Standards Institute (ANSI). It is a private, non-profit organization (501(c)3) that administers and coordinates the U.S. voluntary standardization and conformity assessment system for consumer goods. An example at the global level is the International Organization for Standardization. It sets global standards to protect the environment. It is engaged in the technical classification and grading of products in the national and global economy. It requires some reconstitution in its organization but it is a start in the right direction.[91]

Another civil structure in the United States that requires some reconstitution is public accounting. Keeping proper company books is done with the aid of a society-wide set of professional rules supported by associations whose job it is to monitor the fiscal status and reliability of a firm. There is a system of agreements and standards for accounting procedures that is taught professionally in schools of management. It is not perfect but its latent function is to reduce the need for government agencies to assess the bookkeeping of firms. It works by some measure for the common good to judge financial credibility. Certified professionals do the job and governments must keep an eye on the procedure. Government serves as a last resort when the system breaks down.[92]

Civil planners and investors would develop public accountability systems with standards on safety, health, the environment, race, and gender.

Summary

In the book A CIVIL REPUBLIC we asked whether capitalist markets could change into civil markets. Could markets become fair, equitable, democratic and justice-based? Could markets develop a social order of accountability? Could they work with stakeholders on a public commons and become (more) self-governing?

In this appendix we have described a framework that tells us how markets develop beyond capitalism. The general economy includes all three sectors – business, government, and the Third Sector. It is based on systems of economic exchange that have social, cultural and political factors shaping it. With government planning, markets could develop values generated in this larger culture. This is a framework for social research and policy studies.

The capitalist economy could develop a strong public domain inside its private domain. Socioeconomic researchers should look at degrees of transparency in markets. Along the way investors could, in our proposed policy, encourage more transparency with civil capital. Civil capital encourages open transactions based on standards. It favors public accountability and encourages markets to work in the public interest.

This framework for studying the economy and government is different from mainstream economics. All economic transactions are analyzed in the context of people making a living in society. People have different interests that link and blend and conflict, which constantly changes the market as a system.

Social studies should reveal how these changes take place in the collision of these interests in a tri-sector economy. In Appendix D we will illustrate how to map those markets that connect all three sectors in the economy.

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[1] I have written about the latent vs. manifest dimensions of the American economy. See A Future for the American Economy (Stanford, CA: Stanford University Press, 1991), Chapter 2. "A Theory of Oppositional Dynamics in the Market."

[2] When capitalist markets become involved with Third Sector organizations, as in higher education, religion, art, and science, their core culture can be challenged. Competition, profit making, productivity, and efficiency characterize the culture of capitalism, which is now reaching into social life in nonprofit and government sectors. The mainframe for studying a capitalist economy is economics, but the main frame for studying a civil economy is interdisciplinary, based on more complex principles.

In A CIVIL REPUBLIC we said that university researchers must ask whether the nonprofit sector is showing the traits of the profit sector. Do the professions, for example, show a steady increase in the values of competition and profit maximizing as opposed to, say, health and justice? Do churches and temples show more interest in material acquisition and utilitarian values than in spiritual values? Do researchers need to examine how Max Weber described capitalism – as intricately linked to formal rationality? Do we need new categories to describe what is happening?

[3] Economists define human capital in different ways. First, it can refer to the attributes of a person that are productive in some economic context. Second, it can refer to formal educational attainment, with the implication that education is an investment whose returns are in the form of wage, salary, or other compensation. These returns are measured and conceived as private returns to the individual but are also social returns. Third, it can refer to the set of skills which an employee acquires on the job, through training and experience, and which increase that employee's value in the marketplace. Economists call this human capital but this value cannot be reduced to the framework of economics. This type of "wealth" is social and cultural. These are sociological categories and fundamentally different from economic categories.

[4] Welfare economics became a branch of economic theory during the 20th century and began to use microeconomic techniques to determine the efficiency of a macroeconomy and the income distribution consequences associated with it. It seeks to maximize the level of social welfare by examining the economic activities of *individuals* that comprise society. It is concerned mainly with the welfare of individuals, as opposed to groups, communities, or societies. It assumes in the main that the individual is the basic unit of measurement. It also assumes that individuals are the best judges of their own welfare, that people will prefer greater welfare to less welfare, and that welfare can be adequately measured either in dollars (or some other unit of currency)

or as a relative preference. And further, social welfare refers to the overall *utilitarian* condition of society. It is often defined as the summation of the welfare of all the individuals in the society. Some theories in welfare economics come close to what we are talking about in this appendix but the field is not designed basically to examine this type of "added value" from a sociological perspective. There is more here that is different from a sociological perspective. See Hla Myint, Theories of Welfare Economics, Harvard University Press, Cambridge, MA, 1948.

[5] Monsanto's application for commercialization is still pending with U.S. and Canadian governments, but this major retreat tells us something that is not studied in mainstream economics. Major export markets such as Japan said they would not purchase GE wheat. Food companies in North America, such as General Mills, George Weston Bakeries, King Arthur Flour and several others, expressed concerns about consumer acceptance. King Arthur Flour released company statements against its introduction, pledging not to use GE wheat in their products if it was indeed approved.

"Monsanto Pulls the Plug on its Roundup Ready GE Wheat, Opposition to Engineered Wheat From Farmers and Consumers Worldwide, Force Biotech Giant's Retreat" (May 10, 2004). True Food Network , 11.05.2004 00:15.

[6] Neva Goodwin, an economist at Tufts University says that the search for underlying assumptions in theory is interesting, but the web of assumptions is "so deep, subtle, and many-layered that a complete confession of all those that bear in any way upon the subject at hand

would likely be both impossible and excruciating." This is true, and the real question rests in their relevance, that is, "What matters?" Next, "What is important in a given context?" Neva R. Goodwin, Social Economics: An Alternative Theory, vol. 1 (N.Y.: St. Martin's Press, 1991) p. 183-184.

[7] Other assertions are discussed in later appendices. For example, we have not discussed the extent that "non-economic forces" operate in the economy, including beliefs, human emotions and personal relationships. Collective sentiments influence the economic order in specific ways not discussed here. The market system is composed of associations and patterns of inter-organizational activity that carry those collective sentiments, which may enhance and/or retard civil development in a capitalist economy.

[8] A note on history. Since the beginning of civilization human beings have met their physical needs through inventions. Money is not the only motivation for people to invent or discover things or to improve living conditions. People are not dependent on profits to develop an economy. They develop an economy by the greater forces in social life itself, including human curiosity, a hunger to know more about the world, a desire for status, and power, and the aspiration to advance great principles and values, and more.

[9] See Karl Polanyi, "The Economy as an Instituted Process," in Mark Granovetter and Richard Swedberg, The Sociology of Economic Life, (Boulder: Westview Press, 1992).

[10] Karl Polanyi derives the "substantive meaning of economic" from people living interdependently with nature and fellow human beings. "Economic" refers to the interchange with his natural and social environment in so far as they are supplied with

"the means of material want satisfaction." Karl Polanyi, Conrad M. Arensberg, Harry W. Pearson, Trade Market in the Early Empires (NY: The Free Press, 1985).

[11] While a corporation is an association, not all associations are corporations. A "corporation" is a formal association of individuals united for a common purpose and acting under a common name. A corporate order of government includes administrative agencies and receives its ultimate authority from citizens. A corporate order of economy includes business proprietorships, partnerships, and firms that intersect with societal values. A corporate order of religion includes the churches, sects, denominations, temples, synagogues, and mosques, all rooted in the ongoing activities of society.

The neutral word "association" became a doctrine in the last century called "associationalism." Some attributes in this movement called "associationalism" are close to the idea of civil-society advocates: 1) a criticism of centralized states, 2) a proposal for decentralized associations, and 3) the advancement of an economy based on principles of cooperation and justice as well as profit and competition. The belief in association democracy emerged in opposition to totalitarian tendencies in the organization of both government and business. Advocates recommended a more diverse and self-governing society, not hooked on the typical "right" or the "left" of the political spectrum. Paul Hirst, a social theorist at Birkbeck College, University of London, sums up three principles of associative democracy:

> Voluntary self-governing associations gradually and progressively become the primary means of democratic governance of economic and social affairs; 2. Power is as far as possible distributed to distinct domains of authority, whether territorial or functional, and administrations within such domains are devolved to the lowest level consistent with the

> effective governance of the affairs in question; 3. Democratic governance is expanded to include not only the powers of citizen elections or majority decision, but the continuous flow of information between governors and the governed, whereby the former seek the consent and cooperation of the latter.

This set of premises above is my own phrasing of ideas found in Paul Hirst, Associative Democracy (Amherst: The University of Massachusetts Press, 1994) 20.

[12] For our purposes, "voluntary associations" are not created merely by accident or fiat, but are consciously generated to be free and intentional. The term indicates the capacity of people to make choices, whether for selecting goods in the market or for activities outside of the business sector. In essence, a voluntary association is a group of people organized by choice around a common interest. Membership is not acquired by birth, coerced, or required by an outside authority. The voluntary association is autonomous and self-governing. The degree and range of choice available to people in this economy helps determine the degree to which a system of voluntary associations has developed in society.

[13] A concept of "rational choice" might prevail in all civil orders. In sociology, Max Weber distinguished between formal and substantive rationality. The former is true of economic action, as the "quantitative calculation or account that is technically possible and that is actually applied," and substantive rationality, is that which occurs under "some criterion of ultimate value." Weber was suspicious of too narrow an application of the former; the latter was full of ambiguities that made it virtually impossible to systematize with any clear meaning. Max Weber, Economy and Society: An Outline of Interpretive Sociology, trans. By G. Roth and G.

Wittich (N.Y.: Bedminster Press, 1968).

[14] Ethnographers have always described the rules of conduct in the structure of "primitive" economies. The work of Claude Lévi-Strauss (The Raw and the Cooked, 1969, and The Origin of Table Manners, 1978) illustrates this objective study of norms. Strauss contended that if "structure, order, or universals" were ever fully understood as such, the framework would remain open so that new determinations could be adduced while earlier ones were enlarged or corrected.

[15] The concept of civil society differs according to each subject in the university. In philosophy, civil society is an idea that can be debated as great contraries, such as "existence and essence," and "trust and deception." Contemporary philosophers depict the problem of civil society as an issue of trust, but the trust they describe is in its universal form. For example, modern society created an abstraction of trust in the modern state and in capital that vitiates the mutuality and communality upon which real trust is based. The idea of civil society is "concretizing" a new ground for trust in associative life. Charles Taylor, "Modes of Civil Society," Public Culture, vol. 3, no. 1 (Fall, 1990) pp. 95-118.

[16] Turnbull says that the "utility of current concepts of corporate property rights are evaluated from their ability to contribute to economic efficiency, equity and self-governance." Shann Turnbull, "Stakeholder Democracy: Redesigning the Governance of Firms and Bureaucracies," Journal of Socio-Economics, 23:3 (Autumn 1994) pp. 321-360.

[17] Businesses today develop employee self-management as part of corporate policy. CEOs have found that training for self-management and self-direction is necessary. Cultivating self-management can change personal (office) identities. The cultivation of self-management adds human values to the economy, like individual responsibility, self-confidence, discipline, and responsibility in the workplace.

[18] Today Internet inventions keep challenging the capacity of people to avoid being controlled and exploited. Notice how Matthew McCloskey raises questions about who the "self" is on the Internet. What is self-regulation of the Internet? Who is the "self" that is regulating itself? What are the mechanisms by which the self regulates itself? And what part of the Internet are we regulating? McCloskey raises these questions and provides a bibliography on "self-regulation" and the Internet. For the theory and bibliography, see Internet Law & Policy Forum, http://www.ilpf.org/selfreg/bib4_15.htm#tech solutions.

[19] Joseph Kahn, "Goldman Keeps It Private Even in Going Public," The New York Times (Aug. 25, 1998) C1.

[20] Ross Kerber, "FleetBoston paid executives millions in merger," The Boston Globe (March 11, 2000) A 1.

[21] Concrete resolutions in this tension between what is public vs. private should also be studied in conjunction with other guiding principles in this economy, such as freedom and order, individual and community. Greater degrees of personal privacy, for example,

must be resolved with greater degrees of public order and justice. This is a subject for middle range theory in economic sociology.

[22] Jürgen Habermas, The Structural Transformation of the Public Sphere, trans. Thomas Burger (Cambridge: MIT Press, 1996).

[23] Reed Hunt, "Statement by Federal Communications Commission Chairman Reed Hundt," Federal Communications Commission (November 7, 1996).

[24] How are collective goods created? Where does the development of collective goods begin? The answer is simple for John Barry who says – with everybody. John Barry says "Pollution prevention" is a public good for consumers. John Barry, Rethinking Green Politics (London: Sage,1999) p. 147.

[25] Pamela Samuelson, "The Copyright Grab," Wired (January, 1996) 134-91.

[26] Millions of people now have access to libraries of information that they never had before. The competition today is to find the greatest access to information for the most viewers. Lycos Inc. in Waltham, Massachusetts moved within a year to compete with Yahoo. The cross-linking of web sites for Lycos became part of its purpose and its quick growth. It expanded the power of viewers to access a greater range of information. Google has gone public. At this writing the industry is radically changing all rules in the market.

[27] For issues of copyright, see Adam White Scoville, "Text is Self: The Merger of Property and Identity," Book of Proceedings: The Fourth Annual Ethics and Technology Conference, hosted

by Boston College Law School and Carroll School of Management (Loyola University Chicago, Santa Clara University, June 4-5, 1999).

[28] The European Union is a political entity created as the European Economic Community (or Common Market) through the Treaty of Rome in 1957. It evolved into the European Community, and finally to the European Union through the Maastricht Treaty of 1991, formally known as the ”Treaty of the European Union.” All economic systems in this case are based on a shared understanding of property rights, but terms like "public commons" are only now entering the language in reference to markets. Rights, held in common, are developed over centuries and clarify the basis for ownership and exchange. The elaboration of "rights" provide consistency, reliability, and some basis for punishing those who violate them

[29] John Anderson, Bill Cooper, Peter Kresi, Economics (Reading, MA: ADDISON-WESLEY Pbls. 1982) p. 134.

[30] Max Weber, Economy and Society (2 vols. (University of California Press, 1978) p. 635. Wayne Baker, “The Social Structure of a National Securities Market,” American Journal of Sociology 1984, pp. 775-811.

[31] The mission of the Joint Commission is to improve “continuously” the safety and quality of care provided to the public through the provision of health care accreditation and related services that support performance improvement in health care organizations. It deals with standards that cover hospitals, health care networks, home care, long term care, behavior health care, clinical laboratories, and much more.

The Joint Commission's standards address an organization's level of performance in areas such as patient rights, focusing not simply on what the organization has, but what it actually does. Standards set forth performance expectations for activities that affect the quality of patient care. The Commission assumes that if an organization does the right things and does them well, there is a strong likelihood that its patients will experience good outcomes. It develops its standards in consultation with health care experts, providers, measurement experts, purchasers and consumers. For more on this system, see THE CIVIL REPUBLIC, Chapter 5.

[32] More than 650 physicians, nurses, health care administrators, medical technologists, psychologists, respiratory therapists, pharmacists, durable medical equipment providers and social workers are employed by the Joint Commission to conduct accreditation surveys. In addition, there are more than 500 people employed in the Central Office in Oakbrook Terrace, IL. A small office also is maintained in Washington, DC. For a formal statement about the mission and accreditation practice, see The Joint Commission on the Accreditation of Health Care Organizations, http://www.jcaho.org/whatwedo_frm.html.

[33] David Rados, Marketing for Nonprofit Organizations (Dover, MA.: Auburn House, 1981) pp. 3-5. Rados is a Professor of Business Administration in the Owen Graduate School of Management of Vanderbilt University.

[34] The common problem we are discussing here is (legally) called "monopsony," which is defined as "the structural condition of having a single buyer for a well-specified good or

service." Roger Blair and Jeffrey Harrison, Monopsony, (Princeton, N.J.: Princeton University Press, 1993). Examples in the text are my summaries drawn from their book. A market situation is different from a market system. In both cases, the economic factor is dominant, but a “situation” is not a whole system. We refer to the market system as the business sector. Nonprofits are inside and outside this sector by the degree to which they emphasize the economic factor in their systems of exchange.

[35] The issue of equity that is so central to the field of welfare economics is applicable to the exchange systems in society’s civil orders. Equity, as some scholars define it, is the rationality of a quid pro quo actuarial justice, of fair shares, while equality reflects a distributive justice of collective solidarity. See Peter Baldwin, The Politics of Solidarity; Class Bases of the European Welfare State (Cambridge: Cambridge University Press, 1990).

[36] Institutional fiduciaries such as state and union pension funds have developed a practice called "relationship investing." This involves "close monitoring" of business conduct. It means holding the threat of selling major portions of the fund's stocks if a firm's policies are not fair or in the public interest. While social fiduciaries are not perfect monitors, not always making the best judgments, their existence shows how the nonprofit sector is a countervailing power. Robert Monks and Neil Minow, Corporate Governance, Cambridge, MA.: Blackwell, 1995.)

[37] A. Claire Cutler, Virginia Haufler, and Tony Porter, “Introduction,” editors of Private Authority and International Affairs (NY: State University of New York Press, 1999) p 6. Italics are mine.

[38] Michael Piore and Suzanne Berger, Dualism and Discontinuity in Industrial Society (Cambridge University Press, 1980); Charles Sabel, Work and Politics (Cambridge: Cambridge University Press, 1981).

[39] The World Bank has been embarking on an interdisciplinary project (sponsored by the Danish government) to incorporate sociological issues into the theory and measurement of economic development. The appearance of "social capital" in the literature has prompted research in this direction. In April 1997, a group of fourteen social scientists were invited to Washington to join senior staff of the World Bank to discuss the integration of economic and sociological perspectives. The problem is to "establish common ground and modes of communication" and the project is ongoing. Michael Woolcock, "Social Capital Belongs to Interdisciplinary Discipline," Footnotes (American Sociological Association, Nov 1997).

[40] Bennett Harrison, Lean and Mean (NY: Basic Books, 1994) p. 10.

[41] Mark S. Granovetter, "Economic Action, Social Structure, and Embeddedness, American Journal of Sociology, 91, p. 491. For more analysis, see Walter W. Powell and Laurel Smith-Doerr, "Networks and Economic Life," in Neil J. Smelser and Richard Swedberg, editors, The Handbook of Economic Sociology (Princeton, NJ: Princeton University Press, 1994).

[42] David Korten, When Corporations Rule the World (Westford, Conn.: Kumarian Press, 1995) p. 111.

[43] Richard Florida and Martin Kenney, Why Silicon Valley and Route 128 Won't Save Us." California Management Review 33 (Fall 1990); David Teece, "Foreign Investment in Silicon

Valley." California Management Review 34 (Winter 1992) 88-106; Richard Gordon, "Innovation, Industrial Networks, and High Technology Regions." in Innovation Networks: Spatial Perspectives, ed. Roberto Camagni (London: Belhaven Press, 1991); Saxenian, Anna Lee, "Regional Networks and the Resurgence of Silicon Valley," California Management Review (Fall 1990) 33.

[44] B. Elous, The Contingent Economy: The Growth of the Temporary, Part-Time and Subcontracted Workforce (Washington, D.C. National Planning Association, 1989); R. Parker, Flesh Peddlers and Warm Bodies: The Temporary Help Industry and Its Workers (N.J.: Rutgers University Press, 1993).

[45] International (contractual) law exists, but global (enforceable) law does not exist. Law professors define the corporation in a normative space between "contractual theory" and "regulatory theory." The contractual theory states that the corporation is a set of formal agreements among the stakeholders, including shareholders, managers, creditors, employees, and others. The corporate "regulatory theory" relies on normative arguments of two kinds. The first is that the corporation is so powerful that it needs to be controlled to limit the "massive externalization of costs." The second is that regulation is needed to protect corporate investors from malfeasance by remote corporate managers. Henry Butler, and Larry Ribstein. The Corporation and the Constitution (Washington D.C.: The AEI Press, 1995).

[46] People live together as partially self-governing (autonomous) as well as mutually governing (interdependent). Even the bedridden patient can still "self-organize" and govern her/his own

thoughts without sharing them. Each individual has some relative degree of autonomy in the context of being interdependent with others in a degree of community. Each organization has some independence in the context of being interdependent with members and other organizations.

These are fact-oriented premises, analytical concepts, and not just ideals. The concepts are grouped together as part of a social theory, but all sorts of problems arise in the context of finding the right relationship between such terms as self-regulation and mutual governance. These concepts are connected with other oppositional concepts, like individuality/community or independent/dependent. In everyday life these dichotomies can be in opposition to one another, with one extreme dominant, or they may be complementary.

For example, an excessive drive by people in groups for self-governance and independence, as in a small nation rebelling against colonialism, can result in a problem of scarce resources. As the nation revolts from its colonial status, it could isolate itself from economic trade with other nations; as a result it could later become more dependent on other nations, or become itself totalitarian. Another example: An excessive drive for self-governance and independence for a person can result in a false sense of reality. The overdrive can result eventually in a profound loneliness in a world that seems unreal.

On the other hand, an excessive drive for mutual governance and community, to "be as one," may also result in a false sense of reality. One's own individuality and independence is suppressed. Even an employee-owned corporation, where workers and managers feel themselves to be a strong community, is still interdependent with an outside market community. A corporation may become a very independent monopoly, thinking of itself as a corporate community, but is actually creating a false reality by not recognizing its interdependence in a larger setting. People in a "high-density community" may fail to recognize the actual diversity and plurality existing in their organization. Hence, the balance and special integration between the analytical concepts of self-governance and mutual governance, and related concepts like individuality and community are important to observe in the market economy.

[47] A market sector, like steel or plastics, is mutually self-governed through trade associations. A sector may need stronger standards for safety and more collective self-monitoring and enforcement. This can develop while advancing the freedom for individual member firms to compete against one another. If the government does not see the required standards for safety cultivated together among firms in an effective manner, an agency will monitor them. But the government also has the option to encourage standard making through these associations.

[48] In market sectors, "self-governance of the firm" is optimized through trade (mutually governed) associations. These firms have a mutual purpose to maximize their corporate independence and equally the independence of their trade sector from government controls. Firms govern themselves in a variety of mutual alliances and trade groups to advance common interests and reduce government control over them.

The Marxist focus on "domination" is important in the theory of a general economy. Any civil order is by some measure "dominating" or "oppressive." This is a human condition, and part of any analysis of associations. Self-governance does not mean separation from the social whole; rather, it is a form of autonomy within a social system.

As Michael Walzer puts it, liberalism is "the art of separation…Liberalism is a world of walls, and each one creates a new liberty." Marxist scholars, like Frederick Jameson, Raymond Williams, and Stuart Hall, have trouble with this view. They see individualism implied in it. They offer more subtle versions of domination that carry a sense of autonomy. In other words, they want to escape economic determinism by the notion of "semi-autonomy," a concept that falls between the liberal emphasis on the individual and the reductionism of "vulgar Marxism." Jameson's interpretation of "semiautonomy" is a concept that helps to link competing vocabularies in a university. Michael Walzer, "Liberalism and the Art of Separation," Political Theory, 1984, 12: pp. 315-330. Jameson argues that the notion of "semi-autonomy" has to "relate" as much as it separates. Frederick Jameson, The Political Unconscious (Ithaca: Cornell University Press, 1981) p. 41.

[49] In the fields of religion, philosophy and semiotics, the "self" has more meanings. These meanings refer to categories of identity. The sense of self in systems of exchange is significant, although not the subject of mainstream economics. The problems of the semiotic self are concerned with issues of contradiction (e.g. the "Many into One") and have become issues on the Internet. The Internet has problems in self-regulation, Adam White Scoville, "Text is Self: The Merger of Property and Identity," Fourth Annual Ethics and Technology Conference, Conference Papers (Boston College, June 4-5, 1999).

[50] Many ideas in social science are "sensitizing concepts" which focus the mind on an important area of human interaction, and they do not need to be carefully defined. The terms we use here, like self-governance, or later, public commons, begin loosely defined as sensitizing concepts. These terms illuminate a field of study and point to significant areas for research, which later can be defined more precisely as ideal types and operational concepts.

Sociological terms are too technical to discuss in detail here, but a few examples can be suggested. “Self governance" can be viewed as a principle, a sensitizing concept, an ideal type, and an operational concept. As a principle, a term (like self-governance) refers to a type of action that is always present in some measure for people and groups in any social context. As a sensitizing concept, self-governance is used in a popular vein, focusing our minds on a specific field of interaction, like the concepts of "mores" or "primary group," general terms in sociology defined by illustration and metaphor; this concept simply brings attention to a significant field of human conduct. As an ideal type, self-governance is studied more definitively with regard to special attributes in particular markets, as in Max Weber's formal definition of bureaucracy. As an operational concept, self-governance is defined even more precisely with mathematical indexes, so researchers can study details in specific action, ultimately in order to predict outcomes. However, the same word (e.g. self-governance) at these different levels assumes a slightly different meaning. Each type of concept at each level must be translated and conceptualized in relation to others. The idea of mutual governance also develops into a scientific concept when it becomes more definitive in meaning. It requires sub-categorization in relation to other interdependent concepts like self-governance. We study self-governance (self-regulation) as it connects with mutual governance in the domain of human association.

[51] On social capital, see James Coleman, Foundations of Social Theory (Cambridge, MA.: Harvard University Press, 1990) p. 302; on organizational capital, see John Tomer, "Organization Capital and Economic Growth." (Eastern Economics Journal, 7:1.1981); on human capital, see Gary Becker, Human Capital (N.Y.: National Bureau of Economic Research: 9, O.D, 1964); on cultural capital, see C. Craig, Edward LiPuma, and Moishe Postone, eds. Bourdieu: Critical Perspectives (Chicago: University of Chicago Press, 1993).

[52] Putnam reports a steady growth of "interest groups" of all kinds, like lobbying organizations, professional associations, and trade organizations whose purpose is to protect particular economic interests. Many of these organizations, such as the American Association of Retired Persons and the Sierra Club, have large memberships. He describes their members as seldom interacting personally, beyond paying dues and receiving newsletters. Real communities of personal trust and shared values, he argues, have become rare. Robert Putnam, "The Prosperous Community: Social Capital and Public Affairs." (The American Prospect, 13 Spring 2, 1993).

[53] Putnam argues that social capital is diminishing in the United States. His data show a "striking decline in sociability" in the United States since the 1950's. Membership in voluntary associations has dropped. Net church attendance has fallen by approximately one-sixth; union membership has declined from 32.5 to 15.8 percent. Participation in parent-teacher associations has plummeted from 12 million in 1964 to 7 million today. Fraternal organizations like the

Lions, Elks, Masons, and Jaycees have lost from an eighth to nearly half of their memberships in the past twenty years. Similar reductions in membership have been observed in organizations from the Boy Scouts to the American Red Cross. These data, he argues, show a decline in social capital and civil society. Robert Putnam, "Bowling Alone" (Journal of Democracy 6, 1995) 65-78.

The idea "social capital" has been coined in recent studies because it reveals a more fundamental outlook on the economy than is provided by mainstream economics. Nonetheless, the analytical term "social" indicates simply that people take account of one another. This happens constantly when people organize a market or decide to allocate capital. The term "social" in formal terms is descriptive and analytical, not normative. It is possible to take account of other people and injure them, or dominate them. In its analytical sense, social capital has a more generic meaning.

[54] Timothy Gallwey, The Inner Game of Tennis, Rev. ed. (NY: Random House, 1994).

[55] For an overall view of this phenomenon, see William E. Halal and Kenneth Taylor, eds.. Century Economics (NY: St. Martin’s Press, 1999). ABB is a business in automation technologies that enables utility and industry customers to improve performance while lowering environmental impact. The ABB Group of companies operates in around 100 countries and employs around 105,000 people.

[56] Francis Fukuyama, Trust (NY: The Free Press, 1995) p. 356-357.

[57] There are many reasons for more inquiry into the meaning of social capital. First, social capital – as used by current theorists – helps clarify productive situations of reciprocal (cooperative) exchange in the market. It does not explain how capital works in a system of stratification where political capital (e.g. using resources to control others) operates, and does not treat the problem of class conflict, or hierarchy and global power differences, but it remains productive in its limited reference.

Second, the term social capital is useful in clarifying how the allocation of material resources advances the economy more effectively in a civil society. The attributes of social capital (e.g. “human cooperation reduces financial costs”) are critical, clarifying "mutual benefits" for participants. However, this concept does not signify what is needed to advance Fukuyama's thesis that social capital is the key to stability in a political democracy. This remains the larger question.

[58] Apart from the law, however, the meaning is often connected with the rhetoric of corporations and their public relations departments. In theory the common good involves taking account of all people in society, which includes private, individual, corporate, industrial, nonprofit, and local interests. It means checking the linkage of those interests on the commons.

[59] For Karl Marx, the very essence of capital was found in its social relationships. In his view, capital was used to purchase labor power. Social capital therefore can be employed within a special set of norms in the profit sector. Social capital in the Marxist sense operates within

systems of stratification that exploit people, but it follows of course that social capital may, in a contrary way, enable people to become self-governing.

[60] In the past, "economic" was assumed in the concept of “capital.” Richard Leftwich, The Price System and Resource Allocation (N.Y.: Holt, Rinehard and Winston, 1960) p. 4. But today "economic" can suggest resources that are human rather than material resources. Similarly, other terms have emerged in reference to (social) economy, (social) investment, (social) ownership, (social) property, (social) exchange, (social) market, and more. This combined (social-economic) orientation is what researchers now find in their studies, and it is not represented in the language of economics. The coinage of such concepts points to how the capitalist economy is changing. The new terms do not support the traditional rationale of a capitalist system, but they do not wholly reject it either. The neologisms combine the old terms with the new.

"Social capital" was coined for a purpose. It was defined in contrast to "capital" as defined in economics. Social capital can refer analytically to all non-economic resources, which nevertheless contribute toward placing goods in the hands of the consumer.

[61] William F. Whyte served as the 72nd President of the American Sociological Association. His Presidential Address, entitled "Social Inventions for Solving Human Problems," was delivered at the Association's 1981 Annual Meeting in Toronto,and was later published in the American Sociological Review (ASR February 1982, Vol 47 No 1, pp 1-13).

[62] http://www.depaul.edu/ethics/principles.html. Other sites where codes of conduct can be found are http://csep.iit.edu/codes/codes.html, http://www.depaul.edu/ethics/ethb1.html, http://www.mapnp.org/library/ethics/ethxgde.htm, http://www.mapnp.org/library/ethics/ethxgde.htm, http://www.kpmg.ca/ethics, http://www.josephsoninstitute.org/ethicswatch/ewwork.htm, http://ethics.ubc.ca/resources/business, and http://ethics.acusd.edu/index.html.

[63] Political scientist Ulrich Beck says that the Internet is shielded from "the demands of democratic legitimation by its own constitution." It is "neither politics nor non-politics, but a third entity" that is profit driven in the pursuit of self-interest. Other political scientists say that the Net is where uncountable numbers of people become business-motivated. The Internet robs democracy of its political character and locks people into profit seeking games. The Net then becomes a virtual sovereign with its own virtual assets to serve. Quoted by Timothy W. Luke, "Dealing with Digital Divides," Presented at the annual meeting of the American Sociological Association, August 6-10, 1999. References also made to Ulrich Beck, The Risk Society (London: Sage, 1992) p. 22. See also Beck's The Reinvention of Politics (Oxford: Polity Press, 1997).

[64] We are defining a concept for its functional use, not its precise use at this point. Civil capital should advance the development of business, nonprofits and voluntary groups, through systems of public accountability. Civil investors then seek an optimal mix of opposing principles. Civil capital is a financial resource helping to design a self-governing economy. It is allocated to

advance "mutual benefits” from the individual to the workplace, to the corporation, and to larger sectors of markets. It is not simply an instrument for advancing productivity, though that may be included as part of the process. Civil capital is judged by its capacity to contribute toward a higher-order of value to the advantage of stakeholders. A higher order of value is defined by the degree to which the relationship combines justice with freedom, and productivity with profitability.

[65] Sociologist Paul Dimaggio says that culture is a means for instilling capitalist markets with meaning. See, Paul Dimaggio, “Culture and the Economy,” in Neil J. Smelser and Richard Swedberg, eds., The Handbook of Economic Sociology (Princeton, NJ: Princeton University Press, 1994). Economic action is a subset of symbolic interaction. Anthropologists hope their work would not to be reduced to the “ideal vs. real” dilemma (idealism vs. realism), which many philosophers would say are irreducible. They designate culture as part of the whole dynamic of material and ideal expressions of society.

[66] Robert K. Merton, Social Theory and Social Structure rev. ed. (Glencoe: Free Press, 1957); Daniel Bell, The Cultural Contradictions of Capitalism (NY: Basic Books, 1978).

[67] By more complex I mean the usage of culture in anthropology and literary studies. See Terry Eagleton, The Idea of Culture (NY: Blackwell publishers, 2000).

[68] Philosophers have long written about contradictory principles in culture. The principles that we talk about, such as “individual and community” are debated today as public philosophies, as in libertarianism and communitarianism. As principles, the sides of these

paired opposites are not reducible to one another. Indeed, they are impossible to reconcile even as we say they link and may converge at middle range levels of theory. Much of modern criticism has been about the dialectic and living in the tension of opposites embedded in modern culture. We can cite the work of writers to the Frankfurt School with Adorno, Horkheimer, and Benjamin, but the list of relevant philosophers is very long. It would include – if I can be permitted omissions – Nietzsche, Jameson, Anderson, Baudrillard, De Man, Derrida, Leotard, Foucault, Heidegger, Levinas, Wittgenstein, Habermas, and Rorty. Much of postmodernism and deconstruction in literary thought has been about differences and their irreconcilability in any new scheme of things.

[69] Many historians who have written on the nature of culture and civilization are pessimistic, but there are also optimistic tones. The optimism is in the idea that great principles can find new resolutions in concrete instances. There are certain high principles which can be reconciled in specific situations. This linking of opposing principles has various interpretations, as in reconciliation, connecting, mixing, combining, integration, or synthesis. When this happens the process can lead to a new culture or, as some say, a new civilization. Oswald Spengler, <u>The Decline of the West</u>, an abridged edition by Helmut Werner, English abridged edition prepared by Arthur Helps from the translation by Charles Francis Atkinson (New York: Oxford University Press c199 [1926, 1928, 1932]). Arnold Toynbee's <u>A Study of History</u> followed with a thesis that history should be regarded not as the progress of specific nations or other political entities but rather as the rise and fall of larger "civilizations." He compared 26 different human

civilizations, focusing upon their origins and growth and the reasons for their eventual disintegration – leading, then, to the development of a new civilization. The present day theory of Samuel Huntington's Clash of Civilizations is part of this tradition. Both Huntington and Toynbee had some influence of foreign policy.

[70] We noted in A CIVIL REPUBLIC that the concepts of free trade and fair trade should be studied together. It is part of a new process of market development in trade practice. These concepts of justice and freedom (with their different allied concepts) are abstract principles to be seen in the culture of markets. The larger culture of society supports and legitimizes the economy in a civil society and infuses into market life. The terms of freedom and justice get redefined everyday through the interactions of people who buy and sell in the market.

[71] Government policies that would develop civil markets would optimize the principle of freedom by promoting autonomy and choices. At the same time the government would optimize the principle of justice by promoting fairness and impartiality. It means optimizing the value of privacy along with the value of transparency. The development of civil markets is judged by the degree that trade associations can enhance the autonomy of their members and by the degree that members can accent fairness in competition and provide different options (choices) for consumers. The trick is to optimize all these cultural values together.

For example, when business firms want to merge and come to the Justice Department to get a judgment about whether their merger would be described as a monopoly, members of the

Antitrust Division would ask: Does this vertical integration of your two companies allow for adequate "autonomy" for competitive enterprises in a market? Is it "fair" to consumers?

In Great Britain, two privatized electricity generation companies, PowerGen and National Power, attempted to acquire former regional electric companies (RECs), thereby gaining a foothold in the energy supply market. The previous Government blocked the moves, arguing that bringing together the major generators with significant market power in the price-setting sector of the generation market with a (then) supply monopoly in a REC franchise area would give rise to significant competition concerns. Thus, these are issues of autonomy for firms and fairness for consumers, as settled in Great Britain by a government agency called Office of Fair Trading.

[72] In general, government policy should optimize these different principles together. This is not new. It takes place everyday in small degrees. Optimizing equity and fairness in membership fees in a trade association, for example, is supported in capitalist markets. These civil developments occur by small measures in the everyday life of markets.

[73] This is a theoretical principle for development, not an absolute rule. The allied concepts of freedom (e.g. autonomy) are given a high priority in capitalist markets, but such markets cannot become self-regulating without concepts of justice (e.g. fairness) added into the equation. Practitioners of civil development must take account of such contrary principles and bring them together with their allied concepts. The optimization of both sides of this polar equation leads to civil development.

[74] Dual optimizing refers to more principles in tension than can be covered here. It refers to enhancing great principles, such as individual vs. community, private vs. public, etc. This task of linking, combining and connecting oppositions is complex, but that is what civil development is all about. For example, some writers suggest that the Internet should work to increase the high principle of freedom (transparency, openness, and free communications). Part of this freedom, in this view, lies in the Internet's use as a new "surveillance medium." Producers, distributors, and advertisers can monitor peoples' computer use in hidden ways. Through data-gathering techniques (i.e. "cookies"), online businesses and Web-site owners can store and retrieve information about a user who visits their Web sites, even without the user's consent. Information about an individual's online browsing preferences can be "captured" while that user is visiting a Web site. This is opposed to the value of justice (standards and authority), and resolving these values is one of the challenges of the Internet's organization and self regulation.

[75] One product from Pretty Good Privacy (PG) is a pgcookie cutter, allowing viewers to disable the data-monitoring technology, which could pose a threat to privacy on a scale never before known in history. For more on this "privacy vs. public" issue, see Herman Tavani, "Privacy and the Internet," in The Fourth Annual Ethics and Technology Conference: Book of Proceedings, (Hosted by the Boston College Law School and Carroll School of Management, June 4-5, 1999). One aspect of this problem is the inherent inequality: the business sector can obtain private information about the consumer, but the consumer can not obtain equivalent information

about the producer. For example, the elderly do not have full information on how pharmaceutical firms determine their price on drugs made in overseas markets, but the pharmaceuticals have access to information about buyer lists.

[76] Cover Story, "It's Time for Rules in Wonderland," BusinessWeek (March 20, 2000) p. 83.

[77] The term common good is close to the legal term "public interest." When people have differences about what is in their common good they go to a court of law to determine whether it is in the public interest. On the terms of public interest law, see Carl Friedrich, ed. Nomos V: The Public Interest (NY: Atherton Press, 1962).

[78] For more information about employee ownership in steel and other market sectors, see the National Center for Employee Ownership, at http://www.nceo.org/index.html and http://www.nceo.org/columns/cr8.html.

[79] OSHA Trade Release, August 20, 2004, Contact: Bill Wright, Phone: (202) 693-1999.

[80] David Hollenbach, S.J. "The Common Good Revisited," Theological Studies (1989) 50.

[81] This perspective on the common good fits into virtually every discipline of the university. The theologian Max Stackhouse, for example, envisions a "public theology." In this theological sense, it is possible to assume a public discourse about the economy in regard to people's ultimate concerns. In this special sense, theology is not just "private," but becomes part of a public commons. Stackhouse contends "the English word ‘stewardship’ is a translation of the biblical Greek word oikonomia," from which we derive our modern understanding of "ecumenical life in its broadest and deepest meanings." The term oikonomia is linked with the

discipline of economics, but the extension of this meaning of stewardship is much broader in scope. Max Stackhouse, Public Theology and Political Economy (Grand Rapids, MI.: Wm. B. Eerdmans Publishing Co. National Council of Churches, 1987) p. xii ff.

[82] We said in A CIVIL REPUBLIC that each market that would develop a common good requires systems of public accountability where differences are settled through associations. (The American Arbitration Association, for example, is organized today for this purpose.) This accountability system could be seen as a social mechanism in the market. In sociology, "social mechanism" is in fashion as a middle range theory. But a singular focus on "social mechanisms" as linked to capitalist markets could obscure the substantive principles in those systems of economic exchange. The great principles that we have alluded to – individual/community, private/public, ideal/real, and subject/object – are irreducible pairs, ever present, waiting for their meaning to be interpreted and practiced in a market. Hence, the authors in the following book should be commended as long as the accent on "mechanism" does not represent return to utilitarian thought. Peter Hedström and Richard Swedberg, Social Mechanisms (Cambridge: Cambridge University Press, 1998).

[83] With the increase in e-commerce, companies snatch data from places on computers previously considered secret. Software engineers constantly break code, devising schemes to move into protected servers and web pages. This power of experts in big companies on the Internet is outrageous to customers, yet that technical power in the future can also work in reverse. As access to computers spreads more widely throughout the world, the Internet

becomes a new source of power for people who have low-incomes and no political authority. For these people, the availability of proprietary information secreted through digital systems can also be their tool of power. New technologies like radios and TVs were once for the rich, but today they are now accessible to virtually everyone. When the Internet technology becomes available across the world, low-income buyers, grass-roots protesters, and people in less-rich nations can obtain information and act in ways that they have never before experienced. The Internet could give them unexpected power on a worldwide scale. Once buyers and protesters obtain the technology, they will have an opportunity to change the balance of power. Some readers may recall the power of social investors who called for the withdrawal of global firms from South Africa during Apartheid. Historians have documented grassroots power throughout history. To see thousands of cases, see Gene Sharp, The Politics of Nonviolent Action, Vols. I-III (Boston: Porter Sargent, 1974). For articles on the subject, see Severyn T. Bruyn and Paula Rayman, eds., Nonviolent Action and Social Change (NY: Irvington Publishers, 1981).

[84] In e-commerce the cultural factors of "trust," "transparency," and "equity" are all present. For instance, companies like AOL originally wanted to sell downloadable technical information and diagnostics about their products, created at great expense by in-house professionals. But these software companies discovered that customers were independently posting the same information for free, and the companies adapted by simply creating sites to host the communications of customers who behave like employees. This illustrates how the relationship between employees-and-employers and producers-and-consumers is changing. These two sets

of economic groups are getting closer while the distance in geography is getting greater. The Internet is revolutionizing the economy on all levels.

[85] Social theorists like Charles Taylor, Alistair MacIntyre and Michael Walzer are depicted as communitarians. The most well known advocate is Amitai Etzioni, The Spirit of Community: Rights responsibilities and the communitarian agenda (London: Fontana Press, 1995). Etzioni argues for balancing individualism with social responsibility. Also, Amitai Etzioni, The New Golden Rule. Community and morality in a democratic society (London: Profile Books, 1997).

[86] Anyone can go into e-commerce at a low cost. Anyone can give away information and secrets. So, market rules have changed. To become attractive, enterprises give away useful information, in order to move into a competitive position. The idea of the producer as powerful and the consumer as weak could lose something of its former meaning.

People in poor neighborhoods and citizens in undeveloped nations may begin to develop more power as this technology develops in nations around the world.

Some of the context issues between the private vs. public are discussed in Amitai Etzioni, "Identification Cards in America," in Society, Vol. 36, No. 5, July/August 1999.

[87] Note the positive spin Kelly puts on this scenario.

> Take the trust many people feel in a small town. The interesting thing about a small town is that the old lady who lived across the street from you knew every move you made. She knew who came to visit you and what time they left. From your routine she knew where you went, and why you were late. Two things kept this knowledge from being offensive: 1) When you were out, she kept an eye on your place, and 2) you knew everything about her. You knew who came to visit her and where she went (and while she was gone you kept an eye on her place). More important, you knew that she knew. You were aware that she kept an eye on you ,

> and she knew that you watched her. There was a symmetry to your joint knowledge…the watchers are watched. Kevin Kelly, New Rules for the New Economy (NY.: Viking, 1998) p. 134.

But the Internet is more like a metropolis than a small town, with the downside-and-upside of both types of aggregations. The small town has its "localism" – its vicious gossip and its narrow beliefs, its subtle control of neighbor over neighbor by rumor, its power to ruin a friend's reputation by sharing the knowledge of an unexpected sexual intimacy, and the lack of freedom and innovation. In turn, the metropolis has its downside called "urbanism" – anarchism, impersonality, rudeness, indifference, and crime rates. The Internet has its own downside. The rules of any association can repress or liberate.

[88] A market is always based on rules. It becomes unstable when people break them. The Internet is one example of this freedom to break the rules, destabilizing old businesses and creating new ones. For example, the chemical industry has a new breed of information companies, such as ChemConnect. ChemConnect is building virtual markets for consolidating and trading on transactions that were once the private dealings of one buyer and one seller. These brokers, who have no fixed assets, can collect price and inventory information over the global information network and use it to coordinate the buying and selling of bulk and specialty chemicals, activities they perform over the Internet. They are using the new technology to reduce transaction costs as a new, information intensive intermediary. This kind of Internet development threatens the old market customs, endangering the profit-capacity of

manufacturers. Yet, it also challenges manufacturers to respond by reallocating their own assets toward Internet resources.

[89] The Internet system has a capacity to establish "links" between groups more rapidly than ever before in history. "Links" bring people together who live far apart without cost. "Creating links" is the popular phrase for Internet marketing that begins with virtually no rules. When reliable information is linked as part of a public commons, nothing can stop others from joining the game through links. New links and transactions are developing communities of interest and a kind of transparency never before imagined. The new sociality and transparency was not planned, but has immeasurable consequences. Enterprises must first give away proprietary information, before they can advertise and move into a competitive position. Furthermore, more people can go into commerce without cost. Anyone can give away information that was previously secret. The rules have changed. The stereotype of the "powerful producer" and the "weak consumer" could change. Consumers and producers may begin to alternate in power as the technology changes.

[90] See Severyn T. Bruyn, A Civil Economy (Ann Arbor, University of Michigan Press, 2000). These attributes can be found in all institutional orders and at all market levels: local, state, regional, national, and global.

[91] These structures are not just one system of accountability in a specific firm or industry. Standards for the grading of thousands of consumer goods, like shoes and circular saws, are

maintained through the cooperation of competitors in many trade and professional associations at national and global levels.

[92] Civil structures are produced through the pressures of competition; solutions to market problems that rise within them are privately negotiated. Civil-market structures are organized to solve problems, not with an intention to fulfill civil-society values. They are only trade-oriented concepts of justice and freedom for the participants. But the presence of these arrangements can express a common good. Indeed, new accountability systems for the common good continually develop without public attention. (Social audits, for example, are now included with financial audits among some global corporations.) In other words, competing corporations become relatively civil through their associations; firms can operate collectively in the public interest as well as in their own self-interest. Social and financial auditors could help construct a corporate market that functions more like a commonwealth, integrating social goals (e.g. fairness) with economic goals (e.g. efficiency) for the public good.