

Appendix H. A Public Philosophy

In place of the old bourgeois society, with its classes and class antagonisms, we shall have an association, in which the free development of each is the condition for the free development of all.

– Karl Marx and Friedrich Engels, *The Communist Manifesto* (1848)

Men can know more than their ancestors did if they start with a knowledge of what their ancestors had already learned... That is why a society can be progressive only if it conserves its traditions.

– Walter Lippmann, *The Public Philosophy* (1955)

Throughout the 1900's, political commentators and philosophers called for a public philosophy in America. These recommendations, never implemented as government policies, remain valid today and are in accord with the underlying philosophy of A Civil Republic. Below are a few of the 20th century writers who developed these ideas.

The political commentator and journalist Walter Lippmann wrote The Public Philosophy (1955), in which he described the loss of a "tradition of civility" – a body of knowledge and understanding painfully arrived at over more than twenty centuries of Western thought. America today, he said, lacks a public philosophy based on that tradition, resulting in the loss of generally accepted moral standards in public life.¹

Twenty years ago, Benjamin Barber, the Gershon and Carol Kekst Professor of Civil Society and Distinguished University Professor at the

University of Maryland wrote Strong Democracy about the need for a public philosophy. He argued for the *participation of all people in some aspects of self-government* at least some of the time. Barber maintained that an excess of liberalism undermined democratic institutions. It brought about the set of crises American citizens found themselves struggling against then, problems which persist into the 21st century: cynicism about voting, alienation, privatization, and the growing paralysis of public institutions.²

In 1998 Michael J. Sandel, Professor of Government at Harvard University, wrote Democracy's Discontent: America in Search of a Public Philosophy. Sandel contended that until well into 20th century, the United States was a civic republic. The criteria for political action were defined in terms of traditional republican virtues. Important among them was *active citizen participation in associations*. Americans had once conceived themselves as "belonging" to a community or communities. They felt a connection to the "common good" in this old order. But politics in Sandel's view became divorced from moral purpose and this common good. Sandel was critical of the American public policies and proposed a new combination of *communitarian, republican, and federalist principles*. He was concerned about the vulnerability of the "centrally directed welfare state" in the absence of a national community.

We said in A Civil Republic that America still has the potential to replace today's "statism" with "federalism." By federalism, we mean more than its current popular definition as a constitutional doctrine in which conservatives shift power from the federal government to the states. Sandel argues that federalism is more than a theory of intergovernmental relations; it also represents a political vision offering an alternative to the sovereign state. He suggests that self-government works best when *sovereignty is dispersed* and citizenship forms across *multiple sites of civic engagement*.³ This kind of federalism, we said, should produce a civil republic.

This is where we begin this appendix.

In A Civil Republic we are interested in how a public philosophy brings about citizen participation in nongovernmental federations across society. The economy can become more self-governing and more accountable through them. Public policies would promote civic engagement and systems of accountability among all federations in the private sector. The government would provide incentives to do this with civic planning, emphasizing cooperation as well as competition among associations, and promoting laws to secure the change.⁴

Public accountability systems could develop in free markets with self-enforceable standards. This would make the economy more self-

reliant. Market standards would be guided by long standing principles, like truth, fairness, freedom, and justice. Government planners would encourage markets to develop society's core interests with these great principles in markets. The aim: develop a public domain inside a private domain.

But what does this mean?

Society-wide interests in this case become the basis for establishing a public domain in the private sector of business. The private sector is expected to be increasingly transparent. This is encouraged by associations in civil markets, local to global. The principle of transparency combines with the principle of accountability. A public philosophy in government then emphasizes "information intelligibility," a transparency that carries full access to the truth in transactions along with fair trade. The rationale for civil markets calls for consumers to have all relevant information open and before them in making their transactions.⁵

In this appendix we will look at a public philosophy that goes back to Aristotle in Greek philosophy and continues with Emile Durkheim in sociology. We will look at human associations in a nation

that models a civil republic. But first we note the danger of a society functioning without a public philosophy.⁶

The Danger

The danger is in crises from terrorist attacks and the creation of authoritarian governments.

Lawrence Britt warns of a future America dominated by right-wing extremists. He looks at the attributes of regimes we know so well: Nazi Germany, Fascist Italy, Franco's Spain, Salazar's Portugal, Papadopoulos's Greece, Pinochet's Chile, and Suharto's Indonesia. He describes them a mixed bag of national identities, cultures, and developmental levels that all followed a fascist or protofascist model. All these regimes have been overthrown and a picture of their characteristics is possible.

His analysis of these seven regimes results in fourteen common threads. These characteristics are more prevalent in some regimes than in others, but all of them exist in oppressive states.

1. Powerful and continuing nationalism employing constant use of patriotic slogans, symbols, songs, and flags.
2. Disdain for the recognition of human rights because security needs outweigh human rights, which can be ignored.
3. Using enemies as scapegoats for a unifying cause.
4. Supremacy of the military.
5. Rampant sexism including more rigid gender roles and anti-gay legislation.

6. Controlled mass media.
7. Obsession with national security driven by a politics of fear.
8. Religion and government are intertwined, especially in rhetoric employed by government leaders.
9. Corporate power is protected—industrial and business aristocracies put government leaders into power and keep them there, creating a mutually beneficial business/government relationship and power elite.
10. Labor power, which represents one of the few threats to fascism, is suppressed.
11. Disdain for intellectuals and the arts and hostility to higher education along with censorship of arts or refusal to support the arts.
12. Obsession with crime and punishment.
13. Rampant cronyism and corruption.
14. Fraudulent elections.⁷

The question in developing a public philosophy is how to prevent this from happening around the world.

While fascism glorifies one set of principles and denies the validity of any competing ideas, democratic societies have cultures that are filled with contradictory principles that can be integrated with one another in the interests of development. A public philosophy must bring these various principles into the market through the agencies of government, the Third Sector and business. Then, tri-sector planning can integrate opposing values to build a civil republic.⁸

We start with Aristotle's classic concept of the economy, which he thought to be compatible with a moral life, a place where people could cultivate virtue.

I The Good Life in the Economy

Every art and every investigation, and likewise every practical pursuit or undertaking, seems to aim at some good: hence it has been well said that the Good is That at which all things aim.

Aristotle, *Nicomachean Ethics*

In Appendix F we said that the idea of “economy” began with Aristotle (384-322 BCE). He called it oikonomia, which was seen as a family household. It was different from the external trade and commerce in his day. In Aristotle’s theory, the good life is advanced in this household economy and based on “principles of knowledge.” These principles of knowledge formed the basis of his public philosophy, which called for a mixing of principles that involve the household economy and external trade.⁹

In A Civil Republic we saw how “principles of knowledge” are generated. Universities examine great principles, generated in all civil orders of society, that shape the orders of modern nations. In political science, for example, faculties study the principles of state and government; in economics, the focus is on principles of business; schools of law study principles of jurisprudence; schools of management study principles of corporate life; medical schools study the principles of public health; and schools of architectures study the principles of design, art, and construction. And so on.¹⁰

We argue that the philosophy of a civil republic is advanced by the study of those high principles. They guide the development of a civil society. However, high principles are often in tension with one another. They are abstract and they need resolution in concrete instances, as when Aristotle's principles of a household economy (prudence) are integrated with the principles of trade.

We have noted the tension in principles that govern a civil republic: public vs. private; order vs. freedom; the individual vs. the community, etc. A public philosophy is about finding links between extremes and establishing some synthesis of their meaning in concrete instances. A social (dialectical) logic is needed, and an ability to bring these principles into play in the different orders of society. The process entails matching the ideal with the real.¹¹ How is this done?¹²

Aristotle's argument can serve as a guide. He saw arts and crafts (techne) as part of a natural order. Techne refers to a skill or an art based on principles of knowledge; it is an (eminently) reasoned activity that governs a craft or discipline, like medicine, law, or arithmetic. Techne demands training and a special teaching about universals and causes. It is an art, and like nature, it is directed toward an end. (Art, for Aristotle, completes the end that nature did not finish.) Techne puts

means and ends together to generate the good life. The Greek concept of techne then brings crafts (technology) together with those principles of the good life.

Aristotle saw retail trade to be an art of producing wealth “without limits.” There is no end to wealth-getting in trade, he said. We would argue that today capitalist markets have institutionalized Aristotle’s “wealth-getting without end.” But for Aristotle, principles of knowledge should put a limit on wealth getting.

As in the art of medicine there is no limit to the pursuit of health, and as in the other arts there is no limit to the pursuit of their several ends, for they aim at accomplishing their ends to the uttermost (but of the means there is a limit, for the end is always the limit), so, too, in this art of wealth-getting [as in trade] there is no limit of the end, which is riches of the spurious kind, and the acquisition of wealth. But the art of wealth getting which consists in household management, on the other hand, has a limit; the unlimited acquisition of wealth is not its business.¹³

For Aristotle, maximizing wealth for its own sake is not a virtue. What might he say to us today about trade?

The capitalist system is wealth-getting without end, the engine of nation building. It is based on freedom, not on justice. Here is

where a Golden Mean must be found. Without any sense of a principle of justice and the common good, capitalism exploits workers and consumers, destroys forests, and requires a large government to regulate it. How do we re-conceptualize the market?

We have proposed that a general economy is more than a capitalist economy. It is linked with principles in civil orders of society. The conflict between civil freedom and civil order is only one set of conflicting principles in this economy. Markets work in the context of many contrary principles. This is a challenge in the development of civil society.

How do Principles Shape the Economy?

A public philosophy based on core principles should be applied in markets. The groundwork for doing this has already been done in large measure.

In the field of education, for example, faculties demand the best scientific equipment in the market, not for profit but, ideally, to maximize principles of honesty and truth. Economists do not calculate these principles as part of the market, but they are there.

Artists in their field demand the best acrylics and oil paints to follow the principles of aesthetics, not efficiency; to fulfill a sense of beauty, not

productivity. These principles shape a market for art supplies. Great works of art are not driven by profits but rather by classic principles of aesthetics, such as symmetry and balance. These principles are then hidden in the process of buying and selling, helping to shape the market. The market is led in these cases by what CEOs call consumer demand, but the principles involved are not explained in an economic rationale. In fact, they are not in the vocabulary of economics.

What does this suggest for a public philosophy?

Mainstream economists consider scientists and artists as “individuals” with “consumer preferences.” This economic rationale is based on a philosophy of the individual rather than a philosophy of society. But people in reality are organized in civil orders of society. Each order follows its own principles (professions, religion, etc.) and its members shape markets as collective actors, as illustrated in our cases of scientists and artists in their search for truth and beauty.¹⁴

Markets are composed of more than individuals. They are composed of Third Sector federations as well as business corporations. The economy is guided by principles of knowledge in education, religion, science, and professions, not just finance. This is the rationale for building a civil republic.

Churches and universities shape markets by consolidated action. The movement for ethical investment had its origins in churches refusing collectively to invest in the tobacco industry. This and other religious concerns began to surface in the 19th century and eventually, led by collective action, evolved into a field of ethical finance. Over time, the collected endowments of an increasing number churches, universities, mutual funds, pension funds, banks, etc. have begun integrating social and economic considerations in market decisions.¹⁵

Most people do not think about it but many professions (e.g. engineering, law, accounting, medicine, architecture, and city planning) act collectively on principles of knowledge in the market. Physicians are committed to “do no harm” to patients when they practice medicine; they apply principles in the market based on the mission of medicine. The engineering profession is committed to protect the environment. The principled choices of nonprofit groups and professions already affect the market; with government support, they can help to establish a civil republic.

Linking Contrary Principles

The development of a civil republic is dependent upon the ability of planners to link (combine, synthesize, and optimize) contrary

principles. This means, for example, linking principles of public health with principles of finance. This is the way markets become civil.

The economist Robert Kuttner describes how nonprofit health maintenance organizations (HMOs) originally emphasized public health, not profit making. They charged subscribers a flat fee and emphasized prevention of disease, which made it possible for salaried doctors to follow optimum medical principles, neither to under-treat nor to over-treat. However, in less than two decades “managed care” changed and is now maximizing profits.

Kuttner documents how HMOs will subtract from physicians’ earnings if they refer too many patients to specialists. They do the same if physicians prescribe too many drugs, or have patients spend too many days in the hospital. The doctor who conscientiously treats seriously ill people is punished rather than rewarded. Is this a household economy?

Meanwhile, standard forms of health insurance like Medicare reward doctors for performing too many operations and, at the other extreme, economize by requiring patients to leave the hospital when they are barely able to walk.

Who’s looking for the Golden Mean?¹⁶

Political scientists have noted how the professions in business lose core principles. Lawyers and physicians draw unwarranted high salaries, and charge exorbitant fees to get rich. But in a public philosophy of the economy there would be limits on wealth making.

How could this happen?

Aristotle developed the idea of the middle path as a means for the individual to develop the good life. The concept of a public philosophy applies this idea to associations and federations that operate according to core values. These groups incorporate a social conscience with the profit motivation of their individual members, and this linking of contrary principles increases the likelihood of a good life for all.

For-profit HMOs lose their public purpose by accenting business principles. Nonprofit HMOs, on the other hand, lose budgetary constraint and prudent practice by emphasizing health principles. The solution is to find the Golden Mean that lies between the self-interest of business and high intent of nonprofits.

This Golden Mean is found in the details of decision-making. Physicians, for example, must choose between types of anesthesia. Certain anesthesia are very expensive, yet reduce pain for a patient undergoing a colonoscopy or minor surgery. Other anesthesia are less

expensive and do not reduce as much pain. A physician in the context of a public enterprise (not just a business) must make this type of decision.¹⁷

The Public Enterprise

A government following a public philosophy does not give support to capitalist enterprises in fields like medicine, law, education, health and science. It supports enterprises that operate in a Golden Mean, that combine the principles of business and government, efficiency and welfare, wealth making and the common good.

We would call this civic alternative a public enterprise.

A public enterprise by state charter would advance the principles of the profession it represents, such as science, medicine, education, law, etc. It would put those principles together with financial principles.

We are talking about a public establishment, like a hospital, with a health goal as well as a profit goal. Its administrators manage a “household budget” in the manner of Aristotle. The Golden Mean is found by integrating the principles of good medicine with the principles of good business. A state charter for this public enterprise would define its purpose for the common good.

When administrators and physicians manage a public hospital, they would blend contrary principles, professional and financial, trying to find a mix that will optimize both. They incorporate principles of medicine and health with efficiency and economic returns.

It is the same for other Third Sector corporations. A church must combine its creed with financial principles. A college must link the aims of learning with the aims of endowment. A sports league must link pure recreational goals with profit goals.¹⁸

A business firm by law does not have the charter to do this. It must first maximize income for its owners, not fulfill the needs of its patients, students, or clients. It is not designed to combine the goals of knowledge with the goals of finance. It is designed to be accountable to its stockholders, not stakeholders. In a public philosophy, on the other hand, corporations such as clinics, hospitals, colleges, universities, churches, community art centers, and museums should be designed for synthesis. They should not be purely businesses, focused solely on maximizing profits.

For profit universities today compete with nonprofit universities. They organize their own accreditors with their own standard making associations. In a public philosophy, the government would monitor

business development. If these universities are designed beyond a specialty skill and intend to compete with liberal colleges in a market, then nonprofit accreditors should evaluate their performance. They are not advancing a specialized career; rather, they are advancing the purposes of a liberal education. Governments must play a role here in writing public charters and corporate charters.

II Public Planning: Linking Competitors and Associations

French sociologist Emile Durkheim was concerned in 1893 that anomie (normlessness) was part of capitalist markets. The concept of anomie describes a lack of social regulation of the workplace as well as in the economy. Durkheim recognized that the wage contracts of modern economies did not provide for sufficient mutual bonds between worker and employer. To remedy the problem, he recommended joint worker-employer "occupational corporations," which would be responsible for establishing guidelines for industrial relations. In this way people would be committed to clear norms regulating work relationships and anomie could be avoided.¹⁹

We have discussed earlier the slow development of *self-management* in corporations but Durkheim also wrote about a "collective consciousness." He argued against an ideology of

individualism and saw the need to develop a broader sense of community through occupational corporations. A collective conscience, he said, derives not from individuals taken one by one, but from their combined interaction. People bring their individual share of value into a larger common condition. He said that private sentiments become public only by combining under the pressure of sui generis forces. For Durkheim, a collective conscience develops through the action of associations, not individuals.²⁰

Durkheim thought that corporations could develop around the new professions. At the end of the nineteenth century he hoped the professions might organize like artisan guilds. They would have the authority to exact the same kind of discipline, sacrifice, and concessions, and could impose civil order. They would be like a surrogate household or village community. Occupational corporations “must become a recognized organ of public life... above all, the occupational group must exercise a moral function.”²¹

At the same time that he was writing, politicians in the United States believed that state charters should mandate the public obligations and moral purpose of business firms. Like Durkheim, they believed that corporations should have a public purpose.²²

What does this mean for a public philosophy today?

It means that government should charter corporations for a public purpose today but also recognize the role of nonprofit associations in the professions, the sciences, the arts, and education. They should have a charter and a purpose in promoting the common good.

Physicians are organized in “occupational associations,” like the American Medical Association (AMA). The AMA is organized from local to state to national and global levels. Member physicians in this case have the potential to act collectively on principles of public health in the private sector. It is their public obligation to act with a moral purpose to advance national health. They have professional (individual and corporate) interests that can be narrow and money oriented, but they are also not strictly a business. They are chartered with core values that go beyond the market alone.²³

Major nonprofit associations in the United States today have a moral function. There are thousands of associations in this position, like the American Bar Association, American Accounting Association, National Association of Environmental Professionals, and the Association of Licensed Architects. They do not act perfectly on their mission and the bonds of purpose, but given government support, they

have by charter the responsibility to do so. They have the power, with government support, to move markets toward a principled order. They have standards that could countervail, compete, and combine when appropriate, with business.

In sum, nonprofit corporations are chartered with principles designed to advance the public good, and this is where a public philosophy for government should enter to encourage “occupational corporations” to place their principles into practice. The government can expect these corporations to fulfill the mandates in their charters and bylaws. They are part of the general economy with a moral function.

The General Economy: From Household to State to Society

Philosophers like Jean Jacques Rousseau in the 18th century expanded Aristotle's notion of the household economy to include government and encompass the grander idea of political economy. Rousseau was developing a public philosophy but he was thinking about a democratic *state*, not a democratic *society*.

What about a public philosophy for a democratic (civil) society? Could it bring about a civil republic? Could people organize through

nonprofit corporations and federations and create a public domain in a private economy?

If we look carefully at where people make their living in the nonprofit sector – like hospitals, unions, professions, church councils, learned societies, schools, temples or mosques, and civic organizations, we see a nonprofit charter. The government should call upon hospital associations to examine how a charter can be written for a public enterprise. It should call upon the American Bar Association to provide a rationale for public charters for business corporations.

Nonprofit associations like the American Bar Association, not just individuals, influence the economy. Collective actors determine supply and demand. The economy could be shaped more determinedly by principles in nonprofit (occupational) corporations for the common good.

III What is the Common Good? A Multi-Sector Economy

We are translating Aristotle’s “principles of knowledge” and the good life into organizing a just and free economy. It can be seen developing through what Max Weber called “economically related” organizations.²⁴

Aristotle offers a map to create the good life from an individual perspective, not a sociological perspective. From a sociological perspective,

economically related organizations operate with a principled order of core values along with business. Aristotle's map suggests that those principles should be applied in the economy to advance the good life.²⁵

Principles of knowledge and the search for a Golden Mean are developed through planning with civil (nonprofit) associations and federations. This public planning should be done legally in the public interest. To map a new path for the good life, we must move across the profit and nonprofit sectors.²⁶

Let's begin with economically related organizations in the nonprofit sector; they are part of the general economy.

What is the Nonprofit Sector?

The category of "nonprofit corporation" is like Durkheim's occupational corporation insofar as it is a cross between business and Third Sector corporations. Trade and professional federations, for example, are nonprofit corporations in both the Third Sector and business.

Some Third Sector corporations look like they are in business and some businesses look like they are in the Third Sector, but this is where a public philosophy for a new republic is applied.

Trade associations will fight against trade unions; they will lobby against environmental laws, and work against public causes. But some trade

associations emphasize public standards, agree to outside monitors on commercial practices, and establish self-enforcement mechanisms. When they do this, they develop the attributes of a civil corporation.

Some Third Sector corporations (e.g. universities, charitable foundations) have high principles but fail to follow them. They hire CEOs who make million-dollar salaries, maintain (proprietary) secrets, accent privacy, and do not promote civic standards. Some nonprofit corporations are fiercely competitive; some carry massive capital (endowments) that emphasizes “wealth getting” over other principles; some accent principles of efficiency and productivity to the detriment of professional principles. Some medical clinics, private schools, and legal partnerships serve rich clients and make big profits like a business. For this reason we need studies on Third Sector corporations and their relation to business corporations.

The Nonprofit Sector

Third Sector associations go beyond the common list of bowling leagues, and civic organizations. In the United States, the nonprofit sector is composed of 1.4 million organizations, as civil society advocates count them, ranging from the Lions Club to the Girl Scouts to the Catholic Church, all aiming to fulfill some common good by some measure. But sociologically speaking, these nonprofit corporations include a multi-varied

lot of federations in science, education, religion, recreation, healthcare and a multitude of professional organizations that are local to global.

The Independent Sector is a national organization working on behalf of the nonprofit sector. It encourages the development of not-for-profit initiatives that “help serve people and communities.” Below we read how this organization commits itself to operate with principles.

Commitment beyond self, Commitment beyond the law to the public good, Respect for the value, dignity and beliefs of the individual, Responsible citizenship, Openness, honesty and accountability, Prudent stewardship of resources, Obedience to the rule of laws, Embracing a wholeness that incorporates diversity, Open, constructive response to change, Appropriate risk-taking, Honoring the roots of philanthropy and voluntary action while building for the future. Excellence, Collaboration and inclusiveness, Commitment to social justice and to improving the quality of life in communities.

We noted in [A Civil Republic](#) that Jeremy Rifkin describes the nonprofit sector as an “outlaw subculture.” It should fill the vacuum between the market and the state. Rifkin claims that U.S. nonprofits employ 10 percent of this nation's workforce, and involve 90 million Americans as volunteers. He says that the U.S. nonprofit sector could be measured as the seventh-largest economy in the world.²⁷

Although it would seem that nonprofit organizations have a clear identity apart from markets, they also closely linked with them in various ways. Nonprofits must create net revenue over the costs to operate. The question is whether they pursue economic returns to excess and whether they convert themselves into a business.

But could the Third Sector influence the business sector toward a Golden Mean? Could Third Sector associations introduce social and cultural (non-economic) principles into the principles of business? We need to look at them more carefully.²⁸

The IRS Definition

According to the U.S. Congress, nonprofit and tax-exempt corporations exist in a variety of classifications. There are too many classes to list here, but the tax code includes:

Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition [under certain conditions]...civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular

municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes. ...Labor, agricultural, or horticultural organizations...Business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues.²⁹

As we can see in the above list, the nonprofit sector and profit sector are economically related. Trade associations are nonprofits but they operate inside the business sector. They are not chartered for profit making and have a larger purpose than their individual members. Trade associations like the Chamber of Commerce favor business and lobby governments at the same time they set public standards for the common good.

Could a nonprofit federation like the Chamber, so deeply inside the business sector, develop principles that work for a common good? The Chamber has sought to establish ethical principles and public standards, but critics describe the Chamber's efforts as "a small public relations tactic" and a "defensive strategy" to gain public favor. This is only partly true. There are, in fact, civic-minded leaders in business who want to do more.

These organizations could help business develop a public philosophy. Trade associations seek government favors but they are

also subject to government sanctions and rewards that give them incentives to change the market structure.

There are no solid studies on the nature of standard making in business associations. Trade groups are part of that constructive-and-destruction system. They can perpetuate the problems of alienation so well described by Walter Lippmann. The International Chamber of Commerce (ICC) is notable for blocking progressive legislation but it also supports the U.N.'s Global Compact on moral markets.³⁰

By agreement, the ICC posts on its website a list of reports each month on how some of the world's biggest companies are conducting themselves. The Chamber's "case reports" range from dissuading suppliers from employing child labor, to promoting adult literacy programs, all the way to the provision of health care for local communities.

When trade associations set public standards for the common good, they develop a public philosophy. Trade associations in this case assist members to enforce public standards. They help to organize systems of public accountability, and promote transparency in business transactions. The question is: How can the government encourage this process?³¹

Government Policy

Sociologist Richard Swedberg says that an economic sociology of politics should address three problems of the state:

1. How the state generates and spends its economic resources (fiscal sociology);
2. How the state attempts to direct the economy; and
3. How the state establishes and polices many of the basic rules of the economy, including legal rules.³²

We have argued that the state can encourage markets to advance public accountability systems in the interest of a civil society. This is done when associations (not just firms) establish codes of conduct and create compelling public standards with principles beyond profit making.

A Civil Republic describes (nonprofit) federations that combine scientific and professional principles with business principles. Governments today could encourage this collaboration.

Here is an example. Forest certification began in the 1980s in a confrontational atmosphere of eco-activism. There were timber boycotts, tree spiking, and copious litigation. For a decade, interest in forest conservation grew, and solutions were few. Proponents of forest protection focused on developing a voluntary market mechanism aimed at promoting improved forest management and rewarding change. It was initially led by environmental interests, but philanthropic organizations and businesses on

both sides of the Atlantic quickly became involved, and helped to forge a solution through a nonprofit federation called the Forest Stewardship Council. The Council needs the support of national governments. It is changing the character of the forest industry by creating enforceable standards, building civil markets.³³

This global forestry case is one example of many that could be cited, yet, still a tiny fraction of what is happening in the economy. The problems of capitalist markets live on with government support. But here we suggest how a public philosophy could develop in the spirit of Aristotle.

Techné, Technology and the Good Life

Most scholars agree that Aristotle's term *techne* means something like the "useful arts." Aristotle believed that *techne* should be directed to the good life. Without principled ends, *techne* would become mere rhetoric, as in sophistry. Technology would then be used merely to maximize wealth.

But could technology be designed in a public philosophy to advance a household-like economy and the good life? In Aristotelian terms, good "machines" have arete. A true economy is based on *arete*, a mark of excellence. *Arete* is translated as "virtue," but in classic Greek it has several meanings. Things as well as people, have a special *arete*. The *arete* of a chimney, Aristotle said, consists in the reliability of its draw in various

climatological conditions and in the efficiency of its shape, which reflects heat into the room and conducts smoke through the roof.

The arete of a chimney in our time should have an environmental virtue, according to professionals in occupational corporations. It should be constructed with “excellence” for the public good. Indeed, the U.S. government has evaluated what Aristotle calls the “virtue” of chimneys. Chimneys should be built to reduce pollution in the environment. Chimneys in the United States have a maximum allowable concentration of selected pollutant emissions, such as sulfur dioxide, carbon monoxide, nitrogen dioxides, lead, hydrocarbons, etc.

In order to implement this concentration requirement, the smokestack industry needs to express arete, as Aristotle would say. The U.S. government requires smokestacks to match engineering principles that are translated into standards that can be monitored. Could nonprofit federations advance this virtue? Could the professions advance this principle?

In a public philosophy, the useful art of any technology is not simply for individual engineers with expertise. It is for collective actors like unions, trade groups and federations of engineers. Professional engineers are a collective body that can by principle make technologies safe and

nonpolluting. It is part of their purpose as a profession. And the government plays its role.

The government could encourage federations in trade, architecture, and engineering to develop technologies that have their virtue. Each association and federation in the private sector has a civic responsibility to create excellence. This is not the task of one business firm that must compete to survive. *It is a task for federations to implement through public standards.*

For Aristotle, the arete of a sprinter is speed. For a long-distance runner, it is endurance. For a knight, it is horsemanship. For a foot soldier, it is courage. An instance of anything that possesses, exhibits, or exemplifies the arete of its type is agathos (“good”). In Aristotle’s thinking, techne is the art of the good. It rests behind “knowing for its own sake,” and is the non-utilitarian factor in the economy.

As politics is the art of administering and distributing power, the techne of politics is needed to bring out happiness (eudaimonia) and well-being for humankind. Social well-being is not realized by any king or ruler; it is realized only through the application of principles of a household economy.³⁴

A public philosophy advances a common good, a “civil polity.” A civil polity embodies the principles of a civil republic inside the economy. Great principles in the arts and the professions apply to the economic development of society.³⁵

Socioeconomic Development

In capitalist markets, economic action is the market. Karl Polanyi, however, wrote that economic action alone is destructive. Social institutions and authorities must be embedded in these actions. To avoid destructiveness, the economy should be embedded in social and cultural interests.³⁶

I have carried Polanyi’s argument further. His rationale for economic action focuses on the laws of demand, diminishing marginal productivity, and supply costs, and does not focus on the development of public standards. It does not encourage the study of social (non-economic) principles inside markets. I argue that the development of principles of knowledge inside business markets builds a civil (non-capitalist) market.

There is much more to be done in socioeconomics. Mainstream economists have formulated economic indicators to measure fair competition by “the degree of concentration,” “corporate assets,” and “market share,” but they do not measure “transparency,” fair markets,” and public accountability. Federal regulators, for example, can legally require

trade associations to be democratic in the public interest but they do not describe “types and degrees of democracy” in trade associations. Social economists can study these (latent) characteristics in the market.³⁷

Interdisciplinary Programs

The English philosopher Thomas Hobbes proposed the concept of a civil commonwealth in the 1600s, before universities became specialized, professionalized and departmentalized. Hobbes could think in broad terms in his search for a new order of governance in society. This type of broad-scale thinking in combination with the current knowledge of universities is what we need today.

Another general thinker, Jean Bodin (1530-1596) wrote in sixteenth-century France about systems of governance and civil order. His first book (Method for Easy Comprehension of History, 1566) dealt with the foundation of the French constitution. Bodin wanted to create a method for studying history that would at the same time become a way to analyze society. His broad analysis with its historical overview would also be useful today.

Bodin focused on the economic conditions in France, and his lengthy writings (Six Books of the Commonwealth, 1576, o.d. 1568) were written as the French monarchy was weakened by religious conflict between Catholics

and Huguenots. While Bodin defended the monarchy, he saw social life in the family as the first “natural” form of society and viewed the state as an association of families historically developing “sovereign power.” For Bodin, the state arose from conquest and became sovereign. Customary law became valid when sanctioned by the sovereign, and yet Bodin’s analysis revealed that natural law was conditioned by all human relations, not just the government. The division of natural law from human law, however, was not developed until the work of Hobbes in the next century.³⁸

The great theories of Bodin and Hobbes were followed by specialization in political science, economics, and sociology. While these specialists have developed important bodies of knowledge, their specialization is somewhat artificial since their fields *do*, in reality, overlap and connect, in ways that are vital to the culture. We should learn from writers like Bodin and Hobbes who were able to see the larger picture. The university should take steps to create interdisciplinary studies of the economy that involve *societal development*. Philosophers, political scientists, economists, and sociologists should work together on this project.³⁹

Conclusion: Optimizing Principles Together

A public philosophy should be defined in the context of a society, not by government alone. Aristotle said that the household economy (oikonomia) is a branch of knowledge designed to advance the good life. Jean Jacques Rousseau broadened this concept to define a political economy that included government, but he never developed Aristotle's notion of the good life. His concept referred to a state economy. Hence, we see the need to define the good life in the context of society.

Aristotle wrote about a branch of knowledge (chrematistics) designed to maximize wealth and short-term returns to the property owner. He argued that there is confusion between the means and the end in this activity; there is no end except more and more acquisition of wealth. This prophetically describes the commerce and trade of today. Aristotle argued that this is not the path to a good life.

These two branches of knowledge established by Aristotle have evolved in the modern period to represent, roughly, the Third Sector and business respectively. Aristotle could not have imagined this double-sector development, and there is no public philosophy today that includes them together as relevant to societal development. The question is whether they might work together toward the good life in society.

Aristotle spoke about the power of individuals to create a path a between extreme ways of life. We liken this path sociologically to a Golden Mean between the cultures of business and the Third Sector. The study of this battle for new ground for the economy should be the subject of university studies.

Aristotle thought psychologically. He said that individuals could achieve virtue through the Golden Mean. Durkheim thought sociologically. He said that society could develop the good life through occupational corporations. Aristotle and Durkheim provide us with insight about the direction of both individual and societal development.

There is a “logic to societal development” that should be seen between the (hopefully) oikonomia-like Third Sector and the chrematistics-like business. With government policies, the outcome should be a new social order between the extremes. This can happen slowly through the integration of conflicting core principles of knowledge.

No one knows how that might happen in its details, but in a public philosophy, the *principle of freedom* (market transparency, sovereignty, and open choice) should be optimized with *principle of justice* (market standards, accountability, and equity). The *principles of finance*

(economizing, savings, etc.) should be optimized with *the principles of democracy* (fair elections, judicial systems, etc.). This is a big order for the government, but business cannot do it alone. Government, the Third Sector, and business could do it together.⁴⁰

¹ Walter Lippmann, Essays in Public Philosophy (NY: Dover, 2003).

² Benjamin Barber, Strong Democracy (CA: University of California Press, 2004).

³ Michael Sandel, Democracy's Discontent: In Search of a Public Philosophy (Cambridge: Harvard University Press, 1998).

⁴ Philosophers have more to say about a public philosophy that is relevant here. For example, Jurgen Habermas hopes that a dialogue might be created in "a public sphere" outside of the realm of government and the economy. In this public sphere, Habermas says that a dialogue becomes democratic through a "non-coercively unifying, consensus building force of a discourse in which participants overcome their subjectively biased views in favor of a rationally motivated agreement." This is esoteric language, but Habermas hopes to produce democratic judgments that can "have universal application" while remaining anchored in a practical realm of discourse.

Jurgen Habermas, The Philosophical Discourse of Modernity, trans. Fredrick G. Lawrence (Cambridge: MIT Press, 1987).

⁵ There was much more to this public philosophy in A Civil Republic.

For example, public planners would combine the principle of free trade with fair trade. They would bring the core interests and values of a nation into the business sector. They would support a market based on the collaboration of competitors in civil federations. In these federations, competitors meet to agree on setting standards for the public good.

⁶ What is this danger? Some conservatives believe that American hegemony around the world is good and that such hegemony requires military dominance, diplomatic stonewalling and commitment to corporate principle. This will save civil society. Some liberals, on the other hand, believe that the United States is supporting authoritarian governments overseas and destroying the foundation of a civil society. They maintain that the U.S. Congress contributes to the problem by rejecting treaties that call for a world court system, a law for the seas, an end to land mines, etc. American citizens, these critics contend, are in a capitalist society, not a civil society. See Project for the American Empire on the Internet and a discussion by Sojourners Magazine, Sept.-October 2003.

Perhaps the most egregious example of the U.S. government's somewhat schizophrenic attitude toward civil society is the School of the Americas (SOA), our most infamous torture-teaching institution. While U.S. congressional leaders deplored the torture of prisoners at Abu Ghraib as "un-American," they renewed appropriation funds to keep open the SOA, where the illegal physical and psychological abuse of prisoners used at Abu Ghraib has been routinely taught for decades. The SOA was originally set up to train military, police and intelligence officers of governments in Latin and Central America. Its purpose was to help governments that allied with the U.S. fight against insurgencies that Washington labeled "Communist." These were authoritarian governments, allied with the U.S. to support America's big corporations in a global market, and SOA's graduates were the shock troops of political repression, propping up dictatorial and repressive regimes favored by the Pentagon.

The long history of torture by U.S.-trained militaries in authoritarian states of Latin and Central America under the command of SOA graduates has been documented by human-rights organizations like Amnesty International (in its 2002 report titled "Unmatched Power, Unmet Principles") and in books like A.J. Langguth's Hidden Terrors, William Blum's Rogue State and Lawrence Weschler's A Miracle, a Universe. In

virtually every report on human-rights abuses from Latin America, SOA graduates are prominent. A U.N. Truth Commission report said that over two-thirds of the Salvadoran officers it cites for abuses are SOA graduates. Forty percent of the Cabinet members under three sanguinary Guatemalan dictatorships were SOA graduates. (Doug Ireland, "Teaching Torture: Congress Quietly Keeps School of the Americas Alive," LA Weekly, 23 – 29, July issue.)

The interrogation manuals used at the SOA were made public in May 2004 by the National Security Archive, an independent research group, and posted on its Web site after they were declassified following Freedom of Information Act requests. In releasing the manuals, the NSA noted that they "describe 'coercive techniques' such as those used to mistreat the detainees at Abu Ghraib." The Abu Ghraib torture techniques have been field-tested by SOA graduates – seven of the U.S. Army interrogation manuals translated into Spanish, used at the SOA's trainings and distributed to U.S. allies, offered instruction on torture, beatings and assassination. Dr. Miles Schuman, a physician with the Canadian Centre for Victims of Torture, has documented torture cases and counseled their victims He wrote in the May 14 *Toronto Globe and Mail* under the headline "Abu Ghraib: The Rule, Not the Exception".

⁷ Lawrence Britt, "Fascism Anyone?" Free Inquiry, Volume 23, Number 2.

⁸ Exchange value and use value appear to be in opposition. Adam Smith distinguished between use value and exchange value but there is much more to the definition of value than these two terms can represent. There are religious, aesthetic, and political values that enter the market. Alfred Marshall sought to transcend the utilitarian values upon which economics was founded, but was never able to complete the project in his lifetime. The development of economic theory from Marshall to Pareto, to Hicks, to Samuelson today, has included the progressive abandonment of Marshall's assumptions about human welfare, which went beyond the empirical explanations of prices. Marshall wanted a system using prices, which would be able to produce scientific answers to normative questions, like how to improve the human condition. Marshall's goal transcended the concept of marginal utility and the explanation of prices. Neva Goodwin, a contextual economist at Tufts University, develops Marshall's perspective on economics today. Neva Goodwin, Social Economics: An Alternative Theory, Vol. 1 (NY: St. Martin's Press, 1991) p. 280 ff.

⁹ For Aristotle there were two branches of knowledge concerned with "wealth getting." One was oikonomia, which was making an income for the family and budgeting expenditures. The other was chrematistics,

which was applicable to trade outside the household. He thought that the good life could be found in the household, not in commerce. The differences between these two types of economy remain with us today. Let's take this definition one step further.

Chrematistics is a branch of knowledge designed to gain property, wealth and money; its purpose is to maximize wealth and short-term returns to the property owner. (This branch of knowledge is akin to what we call the profit sector today.) Aristotle argued that chrematistics confuses the means for an end and is a special form of material acquisition. There is no limit, he argued, to "the mere acquisition of money." This is not a path to the good life.

Oikonomia, on the other hand, is a limited form of material acquisition. Household management can advance the good life. It means budgeting for long-term maintenance of a household, establishing the welfare for family members. This form of material acquisition is limited to the amount of property required to sustain happiness.

¹⁰ See Irene van Staveren, Caring for Economics: An Aristotelian Perspective (Netherlands: Eburon Publishers, 1999). This book discusses how freedom, justice and care have been considered in

economics. Concerns about justice and care have not been absent even in its neo-classical phase. Van Staveren provides an alternative history of economics, describing the way the value domains of freedom, justice and care work.

¹¹ Aristotle's aim was to avoid extremes, which requires some interpretation for our current circumstances. For instance, this means that individualism is to be avoided because it represents a singular emphasis on the person without a sense of the larger community, while communism should be avoided because it represents a singular emphasis on the community without fully acknowledging the importance of the individual person. In a public philosophy, the middle path is created between these extremes. The life of the individual should be enhanced in the context of a community.

We argue that the quest for individual happiness is found in the context of a community. Philosophically, the task is to optimize the principle of the individual (an inestimable value placed on each person) while at the same time optimizing the principle of community (an inestimable value placed on the common good). People think of community in a variety of contexts: in localities, corporations, and religious groups. The idea of community within a corporation means

that managers have the purpose of enhancing individuality of their employees in a way that optimizes the good of the company. But philosophically, the meaning of community is broader; it refers to the human community, the whole of humanity.

We have pointed out some of these problems in A Civil Republic. A public philosophy begins by thinking about how economic order is created within a condition of economic freedom. It continues to develop by discovering how people cooperate when they are in competition. It moves on to describe how advancing self-interest can work for the common good of all. This is a philosophy that goes beyond modern thought based on both liberal and conservative traditions, and will not be easy to implement.

¹² Public planners should read Aristotle. Nicomachean Ethics (written about 330 B.C.E) contains Aristotle's strongest statement about the "good life" (first described in Appendix E). The good life refers to eudaimonia (i.e. "happiness" or "living well"), and to achieve this end, one has to develop a life based on practical and moral virtue. Living the good life requires contemplation and practice. Reason and ethics should lead to a "middle path" between life's extremes..

¹³ Aristotle, Politics, edited by E. Barker, (Oxford: Oxford University Press, 1948).

Aristotle, Politics, online,

<http://classics.mit.edu/Aristotle/politics.1.one.html>. On techne, see

Metaphysics. Aristotle was concerned about the type of individual character that may be produced by "wealth-getting." He wrote, "wealth becomes a sort of standard or value for everything else...[wealthy people] think that other people's idea of happiness is the same as their own." Aristotle, The Rhetoric & the Poetics of Aristotle, Rhetoric, trans. by W. Rhys Roberts, and Poetics, transl. by Ingram Bywater, (NY: The Modern Library, 1954) p. 126-127.

Aristotle, Politics, edited by E. Barker (Oxford: Oxford University Press, 1948).

¹⁴ Economic textbooks usually make this assumption about individual choice. For example, one text explains how to formulate "a model of consumer choice." To do this, "Economic theory [makes] certain assumptions about how individuals weigh alternatives to reach desired objectives. Individuals are assumed to be rational and to act in a manner consistent with deriving the greatest level of satisfaction from their activities." Stephen Casler, Introduction to Economics (NY: HarperPerennial, 1992) p. 249

¹⁵ According to a study by the nonprofit Social Investment Forum in 2001, more than \$2 trillion was invested in the United States based on ethical principles, up a strong 82 percent from 1997 levels. The \$2.16 trillion includes all segments of social investing – screened portfolios, shareholder advocacy and community investing – and accounts for roughly 13 percent of the \$16.3 trillion under professional management in the U.S., as reported by The 1999 Nelson’s Directory of Investment Managers. See the Social Investment Forum News, <http://www.socialinvest.org/areas/news/1999-trends.htm>. The National Council of Churches, which helped initiate this movement, is an organization of mainly Protestant denominations in the United States. For details, see Severyn T. Bruyn, The Field of Social Investment (NY: Cambridge University Press, 1987).

¹⁶ Kuttner describes how biomedical research is rife with conflicts of interest. Researchers on contract to drug companies can make financial windfalls if they judge new drugs to be effective. A researcher who finds a drug worthless, or who calls attention to its side effects, may not be invited back. Today a physician can sign a contract with a company that markets worthless nutritional supplements and recommends its products to his patients in exchange for lucrative commissions. Or s/he becomes a consultant to pharmaceutical companies and sings their praises in articles

and at conferences. Robert Kuttner, “What would Shaw make of managed care?” in Boston Sunday Globe, January 21, 2001, C1, C7.

¹⁷ In organizing any HMO or a medical clinic, the question is how professionals can advance professional and economic principles together. How can the principles of medicine be integrated with the principles of sound finance? This is not a decision for physicians alone but a collective action. By maximizing the principle of public health and service to patients, an HMO may need to file civil suits against pharmaceutical companies, for instance for charging unfair prices on the market. A public enterprise should be dedicated to maximizing health and economic returns together for the common good.

¹⁸ From a legal standpoint, there’s an interesting wrinkle here in sports. In 1922, the Supreme Court ruled that baseball is not a business, making it exempt from antitrust laws, but this ruling has not extended to other sports. So major league baseball has enjoyed a business advantage, so to speak, and other sports “industries” are jealous. Under more recent interpretations of the U.S. Constitution’s commerce clause, their lawyers argue, this decision was wrong and should be reversed. Nonetheless, professional baseball stays tax-exempt while other sports teams do without that advantage. But could sports teams become public enterprises? The U.S. Supreme Court held that

professional baseball was not within the reach of federal antitrust laws because it was not “interstate commerce.” (Federal Baseball Club of Baltimore, Inc. v. National League of Professional Baseball Clubs, 1922.)

¹⁹ Emile Durkheim introduced the concept of anomie in his book The Division of Labour in Society, published in 1893. Anomie described a condition of deregulation, which meant that rules on how people ought to behave with each other were breaking down and thus people did not know what to expect from one another. Anomie is a state where norms are confused, unclear, or nonexistent. This normlessness can lead to deviant behavior. In 1897, Durkheim used the term again in his study on Suicide, a morally deregulated condition.

²⁰ Durkheim contended that collective representations exist outside of individual consciences. See Emile Durkheim, The Division of Labour in Society (Free Press, 1964); The Rules of Sociological Method (Free Press 1968), The Elementary Forms of the Religious Life (Allen & Unwin).

²¹ To explain his case, Durkheim created a metaphor. He noted that a chemical synthesis occurs in nature, which concentrates and unites the synthesized elements and, by this very process, transforms them. This synthesis is the work of the whole and the result extends beyond each individual, just like the whole extends beyond the part. In this sense, the

collective conscience is beyond particular individuals. To really understand it, Durkheim wrote, we have to take into consideration “the aggregate in its totality.” That is how we should see that the phenomenon of society. It is not dependent on the personal nature of individuals, but on their interactions and the results of those interactions.

In public philosophy we bring Durkheim up to date. We see nonprofit accreditors linked with Durkheim’s concept of higher association. Durkheim says by looking carefully at these “individual combinations” and the “mutual alterations that result from them,” we see how the collective action could become different. Sociologie et Philosophie (Presses Universitaires de France, 1963) p. 35-36.

Translated by Martin Masse, “Durkheim’s Collective Conscience,” posted in the Ludwig Mises Institute, March 31, 2004, <http://www.mises.org/fullstory.asp?control=656>.

²² Aristotle had individuals and a household in mind when speaking of the good life but Durkheim was looking at society and “social facts.” Durkheim was dealing with corporations as real (sui generis) in the economy.

For a review of how 19th century state charters exercised moral principles for corporations see Citizens over Corporations: A Brief History of Democracy in Ohio and Challenges to Freedom in the Future (the Ohio Committee on Corporations, Law & Democracy c/o Northeast Ohio American Friends Service Committee [AFSC]). Emile Durkheim explained that corporations should have the rights and duties of all “men.” Each has duties depending on qualities peculiar to its occupation, he proposed. The number of duties increases in importance as occupational activity develops and diversifies. For each of these special disciplines, he concluded, an “equally special organ is needed, to apply and maintain it.” Robert Alun Jones. Emile Durkheim: An Introduction to Four Major Works (Beverly Hills, CA: Sage Publications, Inc., 1986) pp 82-114.

²³ Physicians are a collective body who at best maximize public health for people around the world in clinics, hospitals, and university teaching and research organizations. In this public position, they seek to eliminate disease for the common good. But the good life for nonprofit medical organizations requires transforming capitalist enterprises into public health enterprises. The physician’s basis for diagnosis, prescription, and treatment has its aim to maximize the well being of patients. This aim is tested constantly against

scarcity and the financial requirements of hospital operations. Physicians thus bring together their principles of health care revenue returns. The middle path is to find that synthesis, or a “proportionate balance” between extremes.

Guaranteed universal health coverage, for example, is caught between the principles of economics and the principles in other orders of society. Question 5 on the ballot in Massachusetts for the November 2000 elections, would have restructured the state’s health care system, and it spawned a well-funded opposition campaign by Health Maintenance Organizations (HMOs). A YES vote on the ballot would have required health insurance carriers to guarantee certain rights to their patients and providers. It would also have prohibited the conversion of non-profit hospitals, HMOs, and health insurers into for-profit entities until a system could be created to provide comprehensive health care coverage for all Massachusetts residents. The proposal was defeated but this issue of guaranteed health care remains an issue that tests the principles expressed within the state sector, the business sector, and the Third Sector. It’s a classic example of the quest in public philosophy, to learn how the economy can be organized for the common good.

²⁴ Max Weber saw economic action in the rationale of economists. It was a choice between means and ends in a situation of scarcity. It was “a satisfaction for a desire for utilities.” The desire for utilities comes from want satisfaction and the wish to make profits. At the same time, paradoxically, economic action may be affectual (inspired by loyalty), traditional, or rational. Economically oriented action, on the other hand, can be primarily oriented to non-economic goals, as we suggest is represented in many Third Sector corporations. See Max Weber, Essays in Economic Sociology, edited by Richard Swedberg (Princeton, NJ: Princeton University Press, 1999) p. 269.

²⁵ Let's put it another way. Going for the common good is, like the Golden Fleece, a story with an ideal. In the old Greek story, the Argonauts faced the Sirens and moved through dangerous waters and hazardous passages like the clashing rocks of Scylla and Charybdis, hunting for the Golden Fleece. Similarly, the Golden Mean established by Aristotle is not a clear cut formula or map but rather an attempt to avoid excess and extremes in the concrete details of every day life. The attempt to find this balanced path is a slow process.

²⁶ The common good is for our purposes in those principles of knowledge that exist in the core canons of government and the Third Sector. The

purpose is to develop associations where the well being for individuals joins in the larger community. This is not exactly as Aristotle saw the pursuit of happiness, but his dialectical reasoning is a guide. Civil planners seek to combine (link, integrate, and synthesize) different principles.

²⁷ Rifkin argues that the nonprofit sector is developing a new power around the world. In Germany the nonprofit sector is growing at a rate faster than either business or government. It had more than 300,000 voluntary organizations operating during the 1980s.

In Japan, the nonprofit sector has grown dramatically, with thousands of nonprofit organization now attending to the social and cultural needs of millions of people, and addressing social issues. Some 23,000 charitable organizations, called koeki hojin, operate in Japan. After the war, neighborhood groups resurfaced as self-governing associations without legal ties to the government. Known as jichikai, these organizations now exist in more than 270,000 neighborhoods. A local jichikai generally consists of between 180 and 400 households. Its leaders are elected and usually serve two-year terms. Jeremy Rifkin, The End of Work (N.Y. G.P. Putnam's Sons, 1995) p. 277.

²⁸ Most public and civic oriented corporations have “contingency funds,” which represent income acquired annually over the costs of

operation, not called a “profit.” It is a capital reserve spent in a future year to advance a civic purpose. It is not given to stockholders as would be the case for a business enterprise. Churches, temples, and mosques obtain this operating income typically through donations and returns on endowment investments. Schools and universities obtain income through tuition and endowments. Professionals make income by charging fees to clients.

²⁹ This list is illustrative as it is drawn from the Internal Revenue Code listed on the Worldwide Web. It goes on:

Clubs organized for pleasure, recreation, and other non-profit purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder...Fraternal beneficiary societies, orders, or associations...Voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the members of such...Teachers' retirement fund associations of a purely local character...Benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative Telephone companies, or like organizations...mutual or cooperative electric company...Cemetery companies owned and operated exclusively for the benefit of their members or which are not

operated for profit...Credit unions without capital stock organized and operated for mutual purposes and without profit...Corporations or associations without capital stock organized before September 1, 1957, and operated for mutual purposes...domestic building and loan associations...cooperative banks without capital stock organized and operated for mutual purposes and without profit...mutual savings banks not having capital stock represented by shares..." (See Internal Revenue Service, online.)

³⁰ All UN agencies are in collaborative projects with business, like the International Chambers of Commerce's joint project with the UN Conference on Trade and Development to help some of the world's poorest countries to attract foreign direct investment. The World Health Organization, as another example, received extensive corporate backing for its successful polio eradication program. One company, WebMD, is supplying medical know-how free over the Internet to some of the least developed countries. And another, Ericsson, provides technical and hardware support for disaster relief by the UN and other agencies. Case reports include Akzo, Aventis, Coca-Cola, De Beers, DHL, McDonald's, Nobel, BP Amoco, Ericsson, Fiat, GlaxoWellcome, Royal Dutch/Shell, TEPCO, Unilever and many others.

³¹ The nonprofit sector includes business (trade) associations, which cannot make profits for shareholders or immoderately accumulate wealth. If these trade associations maximized profits, they would lose their charter. They would also lose legitimacy in the public mind. They are not businesses. They maintain an income by fees and contributions to fulfill a purpose higher than the aims of their individual members. Some trade associations show a mix of social and economic goals. This mix of business and core values engenders projects like the promotion of adult literacy programs in developing countries, and brings these organizations toward a middle path.

³² Richard Swedberg, Principles of Economic Sociology (Princeton, NJ: Princeton University Press, 2003) p. 160.

³³ This nonprofit global Forest Stewardship Council was mentioned in A Civil Republic. Today, the Global Forest & Trade Network (GFTN) is made up of 14 member associations representing 18 countries on five continents. More than 600 business corporations are committed to working with GFTN to source their timber and paper from independently certified forests. After a protest campaign by environmentalists, the most significant development in 1999 was the announcement by Arthur Blank, former CEO of The Home Depot, that the largest wood retailer in the world was adopting a forest products policy, that is, incorporating a preference for wood originating in

certified well-managed forests. Then in March 2000, two of the largest homebuilders in the U.S. Kaufman and Broade and Cetex Homes, each of whom build approximately 20,000 homes annually, announced that they would give preference to certified wood and eliminate the use of wood from endangered forests. Today, development of forestry standards is occurring in 25 countries around the world. David Ford, "Certified Wood: State of the Marketplace," Environmental Design + Construction, July/August 2000, p. 46.

³⁴ Immanuel Kant was an important opponent of eudaimonism. He rejected the view that happiness is the highest good, and insisted that happiness can be an ingredient of the highest good only if it is deserved.

³⁵ Aristotle wanted to match the ends and means of the good life. If a people make nourishment their final end, he said, they are fulfilling the potential they share with a slug in nature. (Nourishment and exercise are the ends of good bodily health.) He defined "right functioning" as an active life based on moral virtue. "Human good turns out to be an activity of soul in accordance with virtue," but there is more than one virtue, he said, in accordance with the best and most complete way of life. A complete way of life means finding that "middle path." How would a modernized Aristotle look at markets today?

Aristotle was scientifically and empirically minded. He might say that “wealth getting” in markets may look good in the short term for the good life but not in the long term. For example, since 1995, the U.S. market economy grew rapidly, 4.4% unemployment fell to near 4%, and inflation outside of food and energy, declined. Productivity rose at an annual rate of 2.8%, a golden development for markets. The New Economy has been a vast application of techne, generating a long, low-inflation boom with mountainous tech spending,

But a scientific Aristotle in modern form would likely say that this economic growth took place in face of declining conditions in the earth’s environment, continued global warming, the accumulation of toxic chemicals in the environment, forest depletion, and a growing gap between the rich and poor worldwide. The loss behind this has been in the decline of core values, and an increasing commercialization of the Third Sector. The issue is how to eliminate those conditions that lead to excess and away from the common good.

³⁶ Karl Polanyi, The Great Transformation (Boston: Beacon Press, 1947); “Our Obsolete Market Mentality,” in Primitive, Archaic, and Modern Economies, edited by George Dalton (Boston: Beacon Press, 1971).

³⁷ I discuss “social indicators” for the development of public standards in trade associations in other publications. Social indicators should be balanced and combined with economic indicators to cultivate a civil market. See A Future for the American Economy (Stanford: Stanford University, 1991).

³⁸ The global economy is like nature insofar as it is composed of networks, links, and self-reinforcing feedback systems. Every new enterprise is like a new species, creating a niche in association with other species. Each additional “organism” then offers an opportunity for new ones to grow, but it also may destroy or consume them. While a long range of social and organic evolution looks good, the short-range future can be catastrophic. In physical evolution when the rule of the reptiles ended some 65 million years ago – possibly by the collision of a huge meteor with the Earth that would have caused great climatic change – mammals gradually came into their own position of power. The early mammals were small, shrewlike creatures; in a “long run” of time the group diversified to include the animals we know today, including hoofed mammals and the primates. Only in the “short run,” about 4 million years ago, did the first human ancestors walk on Earth. Colan A. Ronan, The Natural History of the Universe (NY: Macmillan Publishing Co., 1991) pp. 164ff.

³⁹ The Institute for Advanced Studies in Culture at the University of Virginia has been examining “unprecedented cultural transformation” due to commercialization. The Institute also describes a change in universities that makes them ill equipped to combat this cultural decline.

Perhaps the darkest aspect of this increased commercialization is its recent focus on children. Juliet Schor (Born to Buy: The Commercialized Child and the New Consumer Culture, Scribner 2004)) reports that advertising agencies now follow a cradle-to-grave strategy for cultivating brand loyalty in children as young as twelve months old and keeping them for life. One marketer observes that children are born to be consumers, and that in them the consumer embryo begins to develop in the first year of existence.

But this simply culminates a long existing trend, since there are now few commercial-free zones in life. Sports arenas, once named after legends of the game, geographical sites or political heroes, are now identified with corporate sponsors. School districts sign contracts with soft drink companies offering exclusive vending privileges, while basic educational and business communications are interrupted with banner ads and pop-up sponsor windows.

The Institute indicates that universities, which might have resisted this trend, have lost the moral certainty which would enable them to do so:

...the cultural logic of late modernity allows no place in the culture for God or God's substitutes, be they named Nature, Essence, Humanity, Reason, Democracy, or the Self. It is hardly surprising, therefore, that the animating moral visions at the heart of Western civilization are increasingly characterized by an exhaustion, or that contemporary cultural discourse -- academic and otherwise -- increasingly reflects controversies that cannot be resolved and an absence or void that cannot be filled. (<http://www.virginia.edu/iasc/introduction.html>)

On the purposes of the Institute for Advanced Studies in Culture, see <http://www.virginia.edu/iasc/home.html>.

⁴⁰ The capitalist market is not developed around a nation's core principles and interests, not designed to advance human rights, human respect and personal caring, or environmental protection in the economy. It is not organized to advance professional principles and the core values of society. But could the government encourage such core values? Could we see market mechanisms develop with substantive values?

What happens in reality will depend upon the direction taken by government leaders and civic leaders, but it will also depend on the

organization of a public media. This is what we discuss in the next appendix.