

## **Appendix P. Societal Development**

### ***Civilizations die by suicide, not by murder.***

**Arnold J. Toynbee**

Modern nations and markets represent the latest stage of civilization - but not the last stage. Civilizations began with clans and tribes in Africa, Australia, India, China, and the Americas. They evolved as city-states in the Middle East and as great empires in China, Egypt and Mexico, and as monarchies and feudal orders in Europe before the development of the modern array of nations that we know today.

The world historian Arnold Toynbee theorized about how civilizations are born and pass away. Toynbee argued that civilizations “commit suicide” because of their failure to respond to moral and religious challenges, not because of physical and environmental challenges. Modern civilization is in decline, he said, facing those challenges. It is a matter of meeting the challenge: suicide or survival.<sup>1</sup>

In modern republics there is more freedom, justice, and democracy than in the old city-states and empires. But there is also a greater challenge. Weapons of mass destruction (WMDs) pose a greater danger to nations than any other type of weapon in history. At this stage, nations can quite literally commit suicide. They have the power to destroy all of human culture and perhaps all life on earth. The question is whether national leaders understand the danger, the challenge, and the alternatives.<sup>2</sup>

In this appendix we argue that a new set of republics – taking the form of a “post-modern civilization” -- is possible. This possibility of a new system of governance, and the prevention of a worldwide catastrophe, needs to be taken up by universities as a central theme of human survival.

Is it possible to avoid what lies ahead?

All signs point to a dark future – disastrous terrorist acts, a devastating nuclear war, ecosystem failures, and a global financial collapse. Any worldwide crisis of this kind will almost certainly lead to the creation of stronger authoritarian governments, the decline of civil society, repression, and further environmental destruction.

What can be done? Is there hope for a “post-modern republic”?<sup>3</sup>

In this appendix, we will look at the basis for developing this republic. We begin with the argument that a civil republic needs to link democracy with the private sector. The question for us is how can universities advance this study.<sup>4</sup>

We start with the meaning of societal development, and then we examine the idea of a republic, the notion of civil democracy, and some strategies of change that could lead toward new civilization.

### **Societal Development**

“Societal development” is different from “human development” as defined by the United Nations. The UN defines human development as cultivating a “social environment” in which people “develop their human potential and lead productive, creative lives in accord with their needs and interests.” This type of development is about “expanding the choices people have to lead lives that they value.” The UN assumes that “The most basic capabilities for human development are to lead long and healthy lives, to be knowledgeable, to have access to the resources needed for a decent standard of living and to be able to participate in the life of the community.” These goals for development are important, but they are not exactly what we are talking about.<sup>5</sup>

Societal development, as we see it, takes place through the interaction of people in business, the Third Sector, and the state. It happens as the civil orders of society

(religion, education, science, business, professions) strengthen their standards in the economy. This type of development requires a different order of thinking and planning.

Societal development is not a subject studied by a research foundation or a university department today. The subject is allied with the social sciences but it can be advanced only through interdisciplinary studies that include the physical sciences and the humanities as well.

What is societal development? In some ways, it is akin to social evolution. Let's illustrate how it took place at a time when the idea of society was not even in the language. Then we can look at some of the strategies and principles explaining the process today.

### **The Historical Process**

In late feudalism the structure of society began to change with disputes over the purpose of monarchies and religious practices. It began in history with the appearance of markets and protest movements in the Catholic Church. (We discussed this process in Appendix A). Markets in the 1600s were local and were not considered important, yet they eventually developed to become a whole new order in society. Local medieval shops and markets developed to become a different economic order. Trade associations, unions, and manufacturing companies – so well known in modern society - developed from those small shops, markets, and guilds. It took centuries for this change to take place, but this change illustrates what we are talking about.

The manufacturing organization in feudal times was the shop - a master and wife, a couple of employees, and a couple of children learning the trade. The master bought his raw materials, fabricated his product, and then sold it “retail.” The shop usually

functioned as a residence, dormitory, workshop, warehouse, and retail store. The masters of a given trade were in a particular location and they united into a guild. The guild established and enforced minimum educational standards for apprentices. Masters were expected to teach their apprentices how to read and write, how to do enough arithmetic to keep books, and to provide decent religious instruction, all in addition to teaching them the rudiments of their profession. Representatives of the guild inspected the conditions under which apprentices and journeymen worked.

Today's trade associations and trade unions trace their origins to these early guilds. The history of these associations and unions is found in the development from the shops to the big manufacturing facilities and from the guilds to trade associations and trade unions. These are fundamental changes in the development of society.

Societal development is a change in basic institutions and ways of life. Nineteenth century sociologists like Auguste Comte and Herbert Spencer, and 20<sup>th</sup> century sociologists like Robert MacIver identified the characteristics of this type of change as they wrote about social evolution. These writers took some clues from biology and evolution – the way organisms and new species develop from earlier forms of life. Instead of organisms and species, they talked about changes and evolutions in organizations and institutions.

We see societal development in a similar way. Our term “development,” however, carries the idea of intention and planning as part of the change, not just as an accident of history, rather the cultivation of social inventions. We acknowledge the factor of chance (like evolutionists), but we are also talking about the nurturing of principles and values hidden within the cultures of modern nations.

If we follow the theory of those 19th century sociologists, we would say that societal development (read: evolution) involves the *differentiation* of associations and the creation of new institutions. It involves an *individuation* of new ways of life and their *integration* into society. Comte and Spencer in the 19<sup>th</sup> century, for example, described the differentiation of government from religion and industry from science. MacIver in the 20<sup>th</sup> century described how modern society evolved; business differentiated from government; a religious order separated and set its own course; education organized its self-governing associations; and the professions unfolded, gaining strength and legitimacy in society.

New civil orders evolved and people in them had to adjust to these orders, as well as to each other. A religious order in western civilization developed from the medieval Catholic Church to represent many religions: Christians, Jews, Moslems, Buddhists, Hindus, and more. Christians developed into different denominations, sects, cults, and churches – all part of the religious order in western nations. Education developed into different schemes – compulsory education, trade schools and universities. The professions developed into different fields like medicine, law, social work, city planning, architecture, and more. The sciences developed into different subjects like physics, chemistry, biology, and more. And so we see the historic development of modern society.

Each civil order (like religion, education, the sciences, arts, and professions) became independent with people acquiring special skills and building different fields of knowledge. As these civil orders emerged, people acquired new values and purposes and adjusted them (through conflict and negotiation)) with people in other orders. The members of each new order had to connect their purposes with the higher order of

society. Business organizations accommodated and built relationships with the religious order. Government encouraged or even took a vested interest in education.

Auguste Comte said that, at each new successive stage in societal development, people must find some overall *consensus* to sustain a society. Each new order developed from some potential that was hidden in a past order of society. (We discuss the concept of “potential” and “hidden” later in this appendix.) The best minds, Comte said, could not discern all the features of the new order until they were close upon it. It would be a mistake to expect a new society (read: civilization) to emerge without trouble from “the dying gasps of the old one.” The passage from one societal order (civilization) to another is difficult and, for Comte, represents a different way of life that is “profoundly unsettling to people.”<sup>6</sup>

We are in such unsettling times.

### **The Idea of a Republic: Ideal vs. Real**

Let’s be clear on terms. The development of all past republics is about *political democracy*, but the development of a “post-modern” republic is about *civil democracy*. Civil democracy refers to the nongovernmental sector. (The idea of *societal democracy* includes both private and public sectors.) We are thus stepping beyond the idea of political democracy and talking about the development of a new type of democracy, in a new type of republic, never seen before. We are close upon it and it is hard to see.

We begin with the standard definition of a republic. A *republic is a sovereign state ruled by representatives of a widely inclusive electorate*. It is a state that is *free from hereditary or monarchical rule*, that is, *members of a general populace rule it*. Today we think of a republic as a nation in which all people are enfranchised and in which the

government's power is constitutionally limited. But there are many types of republics, and in all of these the ideal republic is still unfolding. In all republics past and present there has always been a gap between the ideal and the real, the latent and the manifest.

What kinds of republics have developed in history? This history should tell us about the nature of a republic that goes with societal development today.<sup>7</sup>

### A Short History

Many types of republics have been created in history. They have been “experiments” in political democracy. Historians include Crete (3rd Millennium BCE), Sparta (late 7th Century BCE - 146 BCE), Athens (early 6th Century BCE - mid 4th Century BCE), The Roman Republic (509 BCE - 44 BCE), Carthage (308 BCE - 146 BCE), The Republic of Venice (9th Century-1797), The French Republic (1792-1804), the Commonwealth of England (1649-1660), and The Republic of the Seven United Netherlands (1581-1795). And today there are so many countries that describe themselves as a “republic” that we will not list them.<sup>8</sup>

The United States is a republic in which the powers of a central government are limited and its component parts (e.g. states and cities) exercise a limited sovereignty or home rule. France is a more centralized republic; its component parts have more limited powers than the United States. The USSR was in theory a grouping of federal republics and autonomous regions, as opposed to it being a centralized republic, before its breakup in 1991.<sup>9</sup>

The best-known republic of ancient times is the Roman Republic. Its story will tell us about how a republic develops democratic attributes. It can also tell us how a republic is destroyed. This Republic lasted from 509 BCE until about 44 BCE.<sup>10</sup> It was

not the type of democratic republic we think about today, but it was the ideal of a “republic” for its time. Power resided in the hands of an aristocracy called patricians. The commoners (called plebeians) had no real power, or so it seemed. Yet this issue of power among the commoners is what we want to examine briefly for its relevance to current republics.<sup>11</sup>

The Plebes were oppressed. They did not know their own power because it was hidden from their mind, at first. They were not conscious of their power with its potential to change the system. But at some point they faced so much oppression and arbitrary rule that they became restless. They talked among themselves and organized to gain their rights, as we say. Their power was hidden, *latent*, but they began to discover it. Their power stemmed from the need of patricians for plebeians to serve as workers and as soldiers for war.

Political scientist Gene Sharp describes how the Plebes had *latent* power, which rests in every population. Sharp describes how the plebeian protest and secession from patrician rule is an example of nonviolent (civil) action. He shows how civil actions of oppressed groups have taken place throughout history by, for example, a “withdrawal of cooperation.” Historians too often overlook these nonviolent events, Sharp argues; they do not write about the nonviolent wars, rather, the violent wars.

This was a “class action” by the Plebes, not an individual action. It was not an act of nonviolence accomplished by a great religious figure like Gautama Buddha or Jesus. It was not a legislative action accomplished by a parliament. It was a civil action taken by a group of people upon whom the patrician government depended. Their (latent) power became real (manifest) when the Plebes talked about their plight among themselves and

finally withdrew to a hill three miles north east of Rome, the Mons Sacer. Some five secessions are recorded between 494 and 287 BCE, each of them advancing anew democratic reform in the Roman Republic.<sup>12</sup>

The patricians were forced to recognize the right of the plebes to hold meetings and the right to elect officers in tribunes. The tribunes represented plebeian grievances to the consuls and the senate. When these tribunes did not achieve their desired ends, the Plebes demanded more changes by threatening secession. For example, new rules had been established by oral agreements, but now this underclass demanded *written rules* to take away the arbitrariness of punishment. Without written rules, the Plebes were at the mercy of the patrician consuls who decided on how a rule was defined. Because of secession threats, the patricians were forced to write down the law on paper.

The Roman form of government (from the passage of the lex Hortensia in 287 BCE) became a model for centuries to come. The development of more democratic attributes in a republican form of government came about through civil (nonviolent) action.

The United States is a republican form of government and also developed more democratic attributes by civil actions. States in the early republic excluded blacks, women and poor people from the right to vote. The inclusion of blacks (African-Americans) came about after a violent civil war but the inclusion of women came after a nonviolent war. And grassroots leaders today see such civil actions and nonviolent wars on the horizon.<sup>13</sup>

A nonviolent war refers to successive civil actions taken by the oppressed. We argue that this type of action needs to be studied as part of the unrecorded or under-

represented processes of history. It advances the larger process of societal development. Today civil-action protests are taking place against big corporations and oligarchic parties. Big business and political parties have the manifest (financial and political) power. But if history would tell us anything, this system of power will not last forever. University studies should focus on how the forces of civil action and democracy lead to a new republic.<sup>14</sup>

### **Civil Democracy**

The idea of "democracy" began with the Greeks in the sixth century BC. It combines two words: *demos*, meaning "the people," and *kratein*, meaning "to rule," or "rule by the people." The combination of these ideas is expressed in a *political democracy*. This idea refers to how a general populace controls the state, different from what we are describing as *civil democracy*. Civil democracy develops in the non-state sector; it represents the notion of governance in the larger society by stakeholders and members of federations.<sup>15</sup>

It has taken thousands years for political democracy to develop to the point it has reached today. Leaders in the Greek city-state expressed this ideal of political democracy while over 50% of the population (women and slaves) was not allowed to vote. In the Roman Empire there were representatives from the nobility in the Senate, and representatives from commoners in the Assembly, but not all people voted. In modern nations we see still more people able to vote, but the story of development is ongoing. New forms of governance are developing as civil democracy is beginning a new form of rule. People in ancient times could not think of "democracy" outside the state; there was

no sense of a “society” in their minds until the end of the feudal era. The Greco-Roman ideal was political democracy not civil democracy.<sup>16</sup>

What is this idea of civil democracy?

In A CIVIL REPUBLIC we discussed a type of social governance based on federations in the private sector. A civil republic, we said, develops through private (nongovernmental) associations such as religious organizations, business organizations and non-profit organizations that are linked with government and its divisions into states and cities. We described a system of federations both separate from and interdependent with the federal government.

We recognize that this growth in civil democracy has its dangers as well as its promises. The idea of a political democracy was dangerous (as well as promising) in the minds of Aristotle, Montesquieu, De Tocqueville, Edmund Burke, James Madison (Federalist Papers # 10) and recent writers like Francis Fukuyama. A common theme in all of these writers is their concern that democracy could degenerate quickly into either anarchy or a “tyranny of the masses” ” (The masses do not necessarily rule with wisdom.) They were concerned about the dangers of political democracy, and we need to voice similar concern about “civil democracy,” even as we speak of its positive future. But first let us say that civil democracy is not the same as “social democracy” as it has been defined in the last century.

### **Social Democracy**

The idea of social democracy became popular in the 19th century and advanced into the 20th century. Marxists of similar mind believed that the transition to a socialist state could be – and should be - achieved by legal means, not by violent revolution.

During the 20th century, and continuing through today, many social democrats have worked for stronger labor laws and for the nationalization of critical industries. Many support the idea of a “social-welfare” state. Some distanced themselves from Marxism and the class struggle. Many social democrats do not see any inherent conflict between a capitalist economy and the development of a socialist society. They want to make capitalist markets more equitable through the agency of the state. But this is not what we are talking about.<sup>17</sup>

Rather, we see democracy developing through the private sector with government support. This invokes a different public policy.

#### Accountability in the Private Sector

Religious leaders and nobles in medieval times lived under the sovereignty of monarchs. The Roman Catholic Church stood in tension with kings, barons and lords of manors. It developed its own courts, which we can call a “nongovernmental system of accountability.” People could seek a trial in a Church court, along with the clergy, accused of breaking the rules. This private court could impose different penalties.<sup>18</sup>

Although we are not arguing in favor of “church courts,” these courts provide an example of the possibility for justice and accountability outside of state governments, administered by people more closely associated with the offense.

The idea of a new court system in the private sector and in market sectors is in accord with the idea of civil democracy. The idea is full of promise for reducing an overloaded government court system but it also has the same dangers of a government court: collusion, bribery, and injustice. So, this feature of civil democracy requires study.

Government courts developed in the West as societies began to move beyond feudalism. These courts became a seeding place for the development of political democracy. A big step in this development occurred in 1215 with the Magna Carta. The English nobles forced King John to sign a "Charter" that opened the door to more fairness for them. This agreement was a step toward political democracy inside England's monarchy. From this "noble revolt," a Parliament was formed with laws written for a power higher than the king. This democratic power developed to define *citizens of a state*, which replaced the idea of *subjects of a king*. Now the question facing us some eight hundred years later is whether *stakeholders of federations* may develop a similar power within the private sector.<sup>19</sup>

The development of democratic power in the private sector follows a similar pattern. The growth of civil democracy parallels the development of political democracy, which we discussed in Appendix A. Political development took place through a lengthy debate about the nature of a new republic. In the case of the United States, Jefferson drew ideas from John Locke like the notion that "all men are created equal." He altered Locke's "right to life, liberty and property" to "the right to life, liberty and the pursuit of happiness." Jefferson drew from Jean Jacques Rousseau the idea that if government did not respect the rights of the people, the people have the right to take up arms against it.<sup>20</sup>

The Magna Carta was a major step toward political democracy in England, but it is also a background for civil democracy. There is a parallel story here insofar as civil democracy is a system of popular representation in the private sector. Court systems have developed in churches, universities, and the professions. These courts enforce rules for members, but importantly they also protect their members from arbitrary authority. So,

civil democracy is about popular representation in nongovernmental associations. This form of democracy goes deep into the organization of society, including churches, universities and the professions, but also trade associations that cover large portions of the business sector. These attributes of democracy – constitutions, elections, and courts - are developing within and between these different organizations of society.

We have discussed how civil federations develop as nonprofit (corporate) democracies. (See appendices J and K). Now below we add more attributes to describe this nonprofit system of democracy as a strategy for development. Democratic organizations in the professional order, the religious order, the business order, the educational order, the sciences, the arts, etc. are all developing in the private sector. Their organizations show the following attributes of democracy (see Appendix J):

1. A constitution (or bylaws) that limits the powers of higher authorities
2. An election of officials that is conducted in a free and just manner
3. The right for all members to vote and to stand for election
4. Freedom of expression (speech, assembly, etc.)
5. Freedom of press with access to all information sources
6. Freedom of association promoted inside the organization
7. Equality and adjudication procedures (due process)

We have argued that the development of civil democratic procedures should be studied and advanced in universities. It should be a part of the curriculum of different schools (such as law, business, education, medicine, architecture, nursing, social work, etc.) and departments (such as sociology, psychology, anthropology, political science, and economics.) How then can universities study this type of development in the private sector? This is the subject of interdisciplinary research.

## **Interdisciplinary Research: Latent/Manifest Powers**

Sigmund Freud wrote about the hidden life of individuals. He said it was revealed in dreams and slips of the tongue. Human beings have powers in their subconscious, he said, unknown to them, waiting to become conscious, wanting to be understood. Carl Jung, on the other hand, wrote about archetypes hidden in each person; archetypes had a latent power in what he called the “collective unconscious.” Jung saw it as a cumulative memory with great (latent) power. So, psychologists are exploring the unconscious of individuals but not the “unconscious” of society. Here is where an interdepartmental dialogue begins.

Sociologists have considered the idea of an “unconscious” in society. Karl Marx wrote about an economic base in society that was not conscious to intellectuals or to the general populace. For Marx, the economic “base” of a society stood in dialectical contrast to a superstructure (i.e. politics, law, religion and culture). Marx proposed that ideas, usually considered an independent source of knowledge in their own right, are really rooted in the material (economic) base of society. There is still a truth in this assertion.

Other sociologists have explored this subject as well. Emile Durkheim described the genesis of ideas concealed in the structure of groups. Karl Mannheim explored how different groups shaped perspectives *without people being aware of it*. Robert Merton looked at the manifest (conscious) and latent (unconscious) consequences of social action. For Merton, manifest functions are the objective consequences of social action, which are *intended and recognized*, while latent functions are neither intended nor recognized.

So, sociologists have looked at certain of aspects of society that are hidden from public view. But there is no dialogue about this “group unconscious” with legal scholars, economists, and political scientists and physical scientists.

We are proposing that the future of society is written in these hidden powers, in the out-of-sight resources and structures concealed from view. The challenge is to discover what lies beyond the public eye and beyond the vision of national leaders.

Ten to twenty thousand warheads, remnants of the Cold War, are stockpiled in the US and in Russia today. They are “out of sight.” There are 6,000-7,000 nuclear warheads, far more powerful than Hiroshima bombs, on hair trigger alert that are not in the headlines of newspapers. There are 12 Cruise Missiles on nuclear-power submarines rotating around the world that people cannot see. There is scientific research on biological weapons that are not seen by the public.

In this kind of world, university studies need to focus more on these things that remain hidden. Such studies and revelations are connected with human survival.

#### The Hidden Resources: Latent vs. Manifest

Much remains to be studied about the hidden resources that are a basis for societal development and we need a framework to study them. Analytically we will speak in terms *latent* versus *manifest* resources (or assets) in society. By latent we mean, roughly, resources that *exist* but are hidden from public view. These resources might be developed with proper guidance, but right now they are *concealed* from the public eye. They are *present* but not reported by the media.

This concept of *latent* has a variety of referents. It can refer to *undeveloped ideas*. It can refer to an *embryonic social structure*. It can refer to *dormant powers*, not yet

utilized. It can refer to *obscure images*, not made clear to government leaders. It can refer to a *nascent feeling* in people that develops only under the right conditions. It can refer to hidden *weapons of mass destruction*. It can be a phenomenon *invisible* to people who think in prescribed categories. The latent is a resource that is present, but has only a “potential” to become manifest and real to people.

This is not a utopian picture. What is present and hidden can be positive or negative, functional or dysfunctional. An organization may state its ideals but conceal the dysfunctional facts. In business, for example, the public was not conscious of the recent appalling accounting practices in corporations. This criminal and unethical activity, as well as the lack of transparency on the part of these corporations, cost stockholders millions of dollars, and cost tens of thousands of workers their jobs and pensions. In religious organizations, the public was not aware of the sexual misconduct of clergy, all hidden from view. In government, the cost of war is hidden, as are the weapons and activities of secret agents. Greater transparency therefore must be on the list for study in this process of societal development.

To discover what is “hidden” is the problem. What is its methodology we should use to discover what is hidden? How do we discover it, validate it, legitimize it, and make it public and real? This is not just a problem for investigative journalists, as important as they are in the news world. It is a problem for universities, and it requires civic imagination and innovative research. There are buried resources and alternative structures hidden in the alcoves of modern culture. The research may be arduous and the facts unsettling, but this work could prevent the “suicide” spoken of by Toynbee.

## **Hidden From University Faculties: Examples**

Some things are hidden from university faculties because of the “prescribed categories” that prevail in departments. A university’s “categories for understanding” can filter out what should be seen.

Karl Marx argued, for example, that historians interpret the past selectively; they tell mostly a story of the elite. In Marx’s day, historians wrote extensively about T emperors, kings, and presidents, and ignored the lives of commoners and the poor. They closed their eyes to the “under life of society.” While today, some historians have adopted a “history from below” approach, many historians still focus only on what is seen. Political scientist Gene Sharp has said that historians too often ignore the nonviolent actions and movements that produce the real changes in society. Historians report in detail on the violent wars and ignore the reality of nonviolent action in history.

In *A CIVIL REPUBLIC* we said that economics and the field of political economy ignore the concept of *society*. Their vocabularies (prescribed categories for understanding) screen out this concept. This concept is larger than nations and their markets.

Indeed, this problem of “filters” through select categories is true for all disciplines. Sociology has its problems here too. As much as sociologists write about “society,” they cannot understand the real meaning of *love*, *wisdom*, and *beauty*. Sociological categories and rationality do not bring members of this respected field to feel the emotions of life, or to understand the spiritual depth in the lives of people in society. It is a by nature a secular discipline and so the sacred or the spiritual often remain hidden from sociologists.

Physicists, in their turn, cannot see all the art in the construction of this universe; they cannot hear the music in galaxies. This is not in the language of their discipline. The biochemist cannot see art in the structure of a cell. And if *individual* biologists and chemists *do* see art in nature, they would *not define it as reality*, but rather as a “metaphor.” The reality of the universe for them is based in matter and energy not art. And so the problem of “the hidden” goes around to every department in the university.

The schools and departments of universities cannot see the larger picture. There are powers and resources in modern culture for which there are no witnesses. Society’s resources are unseen, yet, present. Some resources (powers, assets, ideas, images) are outside the screen of a discipline and that is part of the problem. This is part of what can lead to “suicide.”

Cross-disciplinary studies, then, would look for the forbidden, the concealed life, the out of sight. Some of what is hidden in culture is told by parable and myth, but is lost to the scientist. Other hidden aspects of our culture remain more deliberately hidden by governments or corporations. These studies need to link the visible with the invisible. And the notion of civil democracy is part of the invisible.

### **More on Civil Democracy: Latent and Manifest**

We have said that history continues to reveal new resources hidden in society. Societies have developed from primitive tribes, to city-states, and to feudal orders and capitalist states. Nobody at each stage really knew what was coming next. What is next for us? What is not seen?

One development that remains unseen is how nations are developing associations and federations. Civil associations and federations are part of a nation’s latent powers and

related to societal development. Yet these developments are largely ignored as having little significance, much less for their role in building a new civilization.

We know that civilizations (read: societies) keep changing. The market system began in the Middle Ages as small fairs and marketplaces and at the time these gatherings could not be understood for their role in future developments. . Some lords (the manifest powers) did not even permit market fairs. Some monarchs saw markets as threatening; none had any idea where they might lead. These local markets were latent structures growing in the midst of the estate system; and this change kept growing to become a force. The force worked against the whole governing system, allowing people to buy and sell without restraint. Markets kept developing until scholars like Adam Smith described how they signaled a new (non-feudal) society.

Smith emphasized the positive side of markets. He said that local markets were liberating. But Smith also saw the potential dark side of markets, the destructive power of big corporations on the horizon. Smith paid attention to both sides of this unknown future, positive and negative, bringing societies into a new way of life.<sup>21</sup>

The market system did develop those dangerous corporations with all their destructive powers and dysfunctions, but it also developed certain attributes of democracy. These attributes appeared in trade associations, and equally in union associations, church associations, professional associations, science associations, and more. They began also inside corporations through new modes of democratic self-management.

The emergence of the market system is a complex and uneven process of development. Labor leaders have developed dictatorships in trade unions as well as

democracy. Business leaders have developed monopolies through trade associations, not just democracies. But the democratic features in markets have yet to be seen for their potential. They appear to be the basis for civil development.<sup>22</sup>

So, let us look at these markets in terms of their associations. Business associations initially evolved from guilds to break the bonds of feudalism. Now they can help break the bonds of nationalism. Trade associations are developing beyond the control of national governments. The market has its freedom, but also its *nascent* democratic functions. It has its potential for destruction but also its *latent* power to build civil regimes. Markets have a long way to go to develop real democracy at the global level but let us start looking at the potential.

### **The Market System: The Latent (Undeveloped) Democracy**

Markets develop when people trade things that have value to them. In this sense, markets have existed since the beginning of civilization, but the idea of a “market system” was not formalized until the eighteenth century. That’s when economists began to see them for the first time and theorized about them. They theorized that markets were networks working in accord with nature.<sup>23</sup>

Classical economists pictured the market as private and self-regulating, separate from the state. But markets were never fully “private” or “self-regulating.” They were cultivated by legislation and then regulated. The words private and self-regulating are fictions, even as they carry truth.<sup>24</sup>

Early economists did not recognize the importance of developing associations as essential to market self-regulation. A theory of self-regulation requires a theory of associations and federations. Advisors today shape national policies in the United States

and global policies in the International Monetary Fund and the World Bank without those theories. The advising is done on economic models and theories, not social models and theories. Social scientists need to explain how markets can be both civil and self-regulating.

This is the reason for interdisciplinary university dialogue. The social (human) factor is missing. Economists have developed a rationale about an abstracted realm of market activity and ignored the real assets in it: people and their associations. They have missed seeing people with their human resources because the “associated life” is lost in mathematical formulas.<sup>25</sup>

Some sociologists are casting light into this concealment, this shadow created by abstractions. They are revealing the latent and the potential. Markets for them are an expression of people in organizations, not a system governed by natural laws. They see markets as institutions with *human meaning* and *non-market values*.

In this sociological perspective, markets are rituals created by people. People create rituals by *plan* and not by *chance* alone. Markets are organized through *cooperation*, not just through *competition*. They are motivated by *status* and *power* not just by *profits* and *productivity*. This sociological perspective views the market as *a social order inside the economic order*.

Max Weber saw capitalist markets in terms of changes in the whole society. For Weber, this new order of societal change was based on money and bookkeeping (“rational accounting”), motivated by the rise of the Protestant ethic, and advanced through government laws. He looked at the growth of a new “rationality” in the entire society, not just in markets. Weber saw the market as pattern of *social relations*

interlocked with *economic* relations. Capitalist markets were based on social action and on legal institutions, not just on the economics of exchange.

In Weber's analysis, social relations were the *bottom line* because markets could not exist without them. Weber brought to light what the economics did not. People create markets; they are not just "natural forces." This kind of insight means that *people change the order of markets*. If people create markets, they can also change them. Markets might even be, as I propose in part, a process of social (self-) development. The market-system might become a system working partly by intention, for the common good.

When sociologists study markets as a pattern of social relations, they reveal what is going on in human terms not just economic terms. Harrison White studied "production markets" and found that calculating "revenue" and "volume" is more effective in predicting outcomes than the "demand-supply" analysis of economists. Ronald Burt studied the relationships between firms and their competitors, their suppliers, and their customers; he saw that "corporate autonomy" develops in a market due to specific human patterns, and that these patterns explained varying degrees of profitability.<sup>26</sup>

Neil Fligstein has analyzed markets as "a social structure and a meaning system." As social structures, markets consist of dominant and subordinate members. Large firms want to keep their controlling position while small firms challenge them. Money alone, however, is not the goal. *Survival, stability, status, and predictability* are goals in this market along with profit. The dominant firms need things like property rights, governance structures, rules of exchange; they need to know how to control their field of competition.

From this perspective, markets are a social order where people define public standards and rights. Markets are not a “government,” in the traditional sense of the term, but they are capable of developing a governing system based on civility, equity, fairness, and democracy. They are not, and need not be, just a system of profit, exploitation and oppression.<sup>27</sup>

Sociologists can look to the work of deconstructionists and ask, what remains hidden in the “text” of society. Just as deconstructionist literary theory seeks to uncover the invisible language and the hidden order of texts, sociologists can inquire into the invisible language and hidden order of the market. Buried within this financial, legal, and monetary system are the interpersonal relations of a vast inter-organizational and political structure. .

So, “the market” is a *social* and *political* order of exchange operating in the shadow of this *economic* and *financial* order. When one realizes that the market is grounded in a social and political order, a different outlook opens for academic studies. A different framework opens for public policy. This is the starting point for studies that lead toward a civil republic.<sup>28</sup>

### **The Changing Market: Embedded in Society**

We have said that there is a manifest and a latent side to the market. The manifest side is the well-known and traditionally defined relation of competing business corporations. The latent (unseen) side is the market’s associated system. The market is “associated” when competing corporations cooperate through the nonprofit sector. By associated I mean that the profit and nonprofit sectors are intricately linked and the corporations in them are intractably linked in ways yet to be seen.

The “economy” that we speak about then includes all nonprofit corporations – trade groups, unions, colleges, churches, synagogues, professions, schools, and all their organizations. The “market economy” is where people make a living and profit/nonprofit corporations produce an income.

The core values of society are hidden in the market economy—*love, caring, faith, truth, justice, beauty, honesty, and compassion*. Economists do not see them. Public planners do not see them. Core values are buried in the social life of the market. They are the subjects of other disciplines not economics. But when seen in the market by anthropologists, theologians, and political scientists, these values gain significance. When research is done about them, they gain power in the eye of the economist, public planners and the public.

In sum, this link of the market to core values is hidden from the public, but university studies must work to reveal it. We will digress for a moment and look at this academic question: What is the difference between an *economic value* and a *non-economic value*? This point should help university faculties understand the meaning of societal development.

### The Hidden Values in Markets

We said in Appendices F and G that there is a social logic to markets that needs to be seen through university studies. An economic logic ignores core values and the common good. We start that with economic logic.

Economic values are anything traded - like “rights” to airspace, or “access” to property. But we have argued that all traded “things” are connected to public interests and core values. They are linked to democracy, human rights, trust, and faith, and to

honesty, integrity, and accuracy. Every economic exchange that is made between human beings is linked to these substantive values.

Economic values are measured in market prices. Non-economic (core) values cannot be so easily measured. They are subjective and subtle. The study of the subjective side of traded things is done through field studies and methods of participant observation, not through large spreadsheets of economic indicators. The "full worth" of something, like a family heirloom, a flag, a "right" to a given property, airspace, or a great painting, cannot be seen in the price of an economic transaction. Nonetheless, its worth and value can be described by observers who are there. Observers, who can research this type of worth and value through close and extended contact with buyers, sellers, and stakeholders, can understand the subtle and deeper value of these things beyond their "fair market value."

Economists should be interested. In my talks with stakeholders, I find that there is much behind a transaction that is understated, unspoken and not calculable, and that this type of value bears on market behavior. A non-economic value—such as "a democratic practice," a "human right" or the quality of a "service" —affects market prices. Thus, an understanding of non-economic (human) values in the market is essential to understand the economy in *real terms*.<sup>29</sup>

Everything that goes on in the economy is connected with core values, as they are in the cultures of business, government, and the nonprofit sector. But the future of the economy is in the nonprofit sector, which rises quietly not unlike those small fairs at the time of monarchies. Here is where we search for the non-economic values hidden from view.

## **The Nonprofit Sector**

Businesses take advantage of the collective membership of associations to promote and sell their products. Members in nonprofit corporations like the American Sociological Association (ASA) buy goods in bulk and get discounts. They get this discount when they contract to buy magazines, purchase insurance, and contract with rental car companies. The ASA, like other nongovernmental corporations, is a collective buyer of business products and services. Most members do not think of their organization as supporting a capitalist market, but they buy right into it and support it.

So, nongovernmental corporations support markets no less than other for-profit corporations or individuals. Yet their collective power is important in that, if they wished, these nonprofit corporations could, like those plebeians in the Roman Republic, change their market sector. They could alter the direction of firms associated with them.

In the case of the ASA, members are buyers. They could insist on buying only those magazines that have a public purpose, not just the popular ones in the mass market. They could become civically engaged. They could, along with other learned societies, demand the purchase and development of periodicals that have a common cause with them for the advancement of knowledge. They could select international newspapers (not only the commonly read in the United States) that counterbalance the viewpoints of American newspapers. They could insist on environmental and health magazines, not just the Wall Street Journal and BusinessWeek that are now on their list with a discount. They could select journals for their subscription list that they see contribute to the well being of both their organization and society in general.

Civil society scholars would call this “civic engagement,” but economists call it a buyer-seller relationship. Economists say that it involves pressure from buyers to get what they want through negotiation. And we have said that effective action along these lines depends upon “member awareness” and persuasion. Members must become aware of their interests and values in their profession and relate this to their power in the market. They cannot remain unconscious of their connection to the market and at the same time be powerful in promoting civic interests.

Could this latent power of the nonprofit sector become real? Yes. We can illustrate it with the way scientists are organizing today.

Professional chemists are organizing to protect the environment. There are now a hundred “green” chemistry organizations (e.g. the Alliance for Global Sustainability and Earth Vision) that act to change the market, pressuring businesses to alter their policies. For example, Office Depot agreed to offer customers who return eligible used ink and toner cartridges to any of its U.S. stores the choice of a free ream of 35% post-consumer recycled content paper or a reduction on their next purchase of any ink, toner, or fax product. This change occurred through negotiations with these green organizations. Businesses in Maryland, Virginia, and the District of Columbia launched the “Clean Energy Partnership,” which is a regional coalition to promote solutions to global warming and air pollution.<sup>30</sup>

Third Sector organizations (professions, churches, colleges) are buyers with goals that transcend business goals and commercial values. Business goals are aligned with profit making, not environmental protection. Commercial values are not the same as the pursuit of truth, knowledge, objectivity, health, and beauty. But professionals and

scientists (artists, chemists, physicists, biologists) have “learned societies” that have these values and goals. They have latent power that could alter market sectors significantly.

Notice a shift in consciousness today on the nature of capital. Churches and universities at one time were not aware that they were supporting apartheid in South Africa. These facts were hidden, often buried in the fine print of financial documents. As church and university leaders began to realize that their endowments were supporting firms in the South African regime, these leaders began to disinvest their holdings in these companies, or to use their power as shareholders to change corporate involvement in South Africa. Their actions helped to transform the political system in South Africa, and contributed to the eventual release of political prisoners (including Nelson Mandela) and the overturning of apartheid.

Professional (learned) associations like the ASA, political science associations, bar associations, medical associations, library associations, architect associations, science associations, city planning associations, recreational associations, art associations, university associations, hospital associations, social work associations, ad infinitum, have this power.

Professional organizations can insist that their allied business corporations (property-management, health insurance, banks, lenders, etc.) should become self-disclosing and fair to buyers. They could document cases in which these companies are not acting in concordance with the principals of the organization. They could threaten and bargain, which is normal to a process of buying and selling. If businesses do not become transparent in their accounting, and equitable in business practices, these Third Sector groups could stop patronizing these companies. They could call for a public

boycott. They could threaten to lobby Congress; they might document the case for Senators, showing how certain businesses lack civic responsibility.

This is a free market that, for all of its faults, shows the potential for civic engagement. Learned associations (like the biologists, physicists and sociologists) could demand that rental cars *use only automobiles that reduce gas mileage and conserve energy*. They are in the market and their aim would be to *reduce pollution*. If rental car companies do not comply with their customer's wishes, they lose their contract. The mass media could pick up the story.

This power is latent, not unlike the power of the plebes in ancient Rome. It is similar to the latent power of entrepreneurs in early markets before the destruction of feudalism. This power is today largely invisible to the public, but it could become real and visible through university studies, the action of organizations and media. (See Appendix I on the Public Media.)

Professional, science, and learned associations are becoming aware of their connection to markets. Returning for a moment to chemists, many chemists and chemical engineers are now awakening to a vision for how business should be green. They say

Green chemistry is the design and implementation of processes and products that minimize or eliminate the use and generation of hazardous chemicals and solvents and other substances which may have an adverse effect on the environment and on human health.<sup>31</sup>

Green chemistry applies to the manufacture and use of chemical products - solvents, raw materials, and intermediates - and also to the manufacture and use of pharmaceutical and biotech products, consumer and household products, and to just about any imaginable article of manufacture or manufacturing process you can name.

Many universities, churches, and professional federations are beginning to change their priorities for purchasing. Universities and churches have stressed the need for the “sweat-free” production of clothing and textiles. This change fits standard market theory that *buyers* demand that *sellers* give them what they want. At the same time in another language, it is also civil action. (See university buyers in chapter 8, A Civil Republic).

At some point in civil action these buyers could write a new Magna Carta. That is, members of the Third Sector – including bar associations, church associations, college associations, library associations, medical groups, professional organizations, etc. – are all collective buyers. Certain associations (legal, medical, environmental) are concerned about corporate fraud; others are concerned about environmental damages; others are distressed about medical malpractice, workplace injuries, etc. It is through these associations (not just as individuals) that members can bring attention to and resolve these problems. Professional associations can demand environmental conservation, public accountability, honesty and transparency for the public good. When they engage in social movements (like the green chemists) they set standards and become monitors.

Science associations are deeply concerned about the way things are going in government. An unprecedented number of scientists banded together to oppose the 2004 election of George W. Bush because they charged his administration “systematically abused” and “manipulated scientific information.” The Union of Concerned Scientists accused the Bush administration of distorting technical information on issues ranging from mercury pollution to global climate change. It protested the “ideological stacking” of government advisory committees and the use of political litmus tests to determine their

membership. More than 5,000 scientists around the world signed a statement about government abuse of their standards and *core values*.<sup>32</sup>

The government's Department of Health and Human Services, for example, had banned government scientists from consulting with international organizations like the World Health Organization without prior government approval. The National Academy of Sciences was deeply concerned about these matters. The core interests and values of science are not nationalistic.

Our point is that the nonprofit sector should be studied for its latent power. The Third Sector becomes real (a force) when members feel that their values are violated and their mission betrayed in the economy. The market is an associated system that can be more powerful in many ways than big corporations.<sup>33</sup>

Nonprofit associations and federations are part of the future, part of a civil development in the market. They go unnoticed in departmental studies and public planning. Private associations (professional associations, religious federations, science organizations, and learned societies) have interests that compete, contradict and diverge from business interests. They have social (non-economic) goals that change business priorities. They have a latent power.

Sociologist Robert Bierstedt says that "power" is not based on the amount of money people possess or the size of an organization. It is based on the degree to which people are conscious of a problem affecting them. And then it is based on how they organize to defend their interests. In ancient Rome, a few Plebeians became conscious and powerfully organized. They made a difference.

In 1960, four poor Black college students organized the first “sit-in” in Greensboro, North Carolina. One student had been reading a comic book about the Montgomery campaign issued by the Fellowship of Reconciliation. They decided to fight the refusal of service at a local lunch counter. Their action spurred a wave of actions across the country in other places of public accommodation. They became powerful. How?

Under the pressure of small groups of NGO activists - whose demands were seen as fair and just - court decisions began to legitimize the changes wanted by these black students. As campaigns continued, loosely coordinated by small groups like the Southern Christian Leadership Conference (SCLC) and the Student Nonviolent Coordinating Committee (SNCC), resources were shifted to cities that became focal points, such as Birmingham in 1963 and Selma, Alabama, in 1965. Martin Luther King's famed role as a spokesperson of the struggle underemphasizes the grassroots, decentralized nature of the movement in which thousands of people risked their lives in this cause.<sup>34</sup>

Like the plebeians who were thought to have little power, these small groups of protesters - suddenly felt indignant. Through collective organization they become powerful. Now we are talking about professional associations, and learned, educational, and religious societies with latent power. Scientists could act like those nobles in 1215, demanding a Magna Carta from big government. How could this happen? One way this happens today is through civil action.

### Civil Action

Civil action refers to any lawsuit that is not in a criminal court. It could be an adversary proceeding for the protection of a legal right. It can happen as a small protest

against corporations made by stakeholders who are injured by a business. When a civil action takes place repeatedly it becomes a movement. A movement may then alter a market practice and eventually alter a whole institution.<sup>35</sup>

The term “civil action” became popular in the United States through the publication of a book by that title and the subsequent production of a popular movie. This protest started with a legal complaint filed by eight families in east Woburn, Massachusetts. It was taken against three local industries for improper handling and disposal of toxic chemicals and it had a ripple effect that stimulated other civil actions across the United States.<sup>36</sup>

Civil development occurs when people bring their own core values into the market. At the philosophical level, we have said: people bring contradictory ideas together, like *order vs. freedom, private vs. public, individual vs. community*. A local action does this, if viewed philosophically, but it takes time for isolated ideas to be brought together in a new way. The core values of religion and business, for instance, are isolated in different civil orders but they come together through civil action.

The ideas of *love* and *compassion*, for example, are not written into business textbooks. They are not a priority of commerce, not in the normal business practices of CEOs who are in competition. But those ideas of love and compassion are a high priority in the religious order. They are written into religious textbooks. When members in a religious (nonprofit) organization speak to CEOs about their feelings of compassion for the oppressed there is a conflict of interests. Here’s where the action begins.

We are often taught that compassion and competition do not go together. . Rather, they are interests purportedly best represented by different institutions, given priorities in

different orders, as in religion and business. In a civil action suit or a stockholder proposal, however, church leaders talk about their feelings. At some point, this difference can be resolved. Compassion can mix with competition in specific cases. People shuffle ideas and shift priorities and rationalize their differences together.

Yet, civil action is a micro-development. CEOs and top management running corporations in South Africa, for example, did not feel compassion for blacks under apartheid system. A priority for compassion does not make for high profits and is not a market value. Church leaders asked corporations to withdraw their subsidiaries. They promoted shareholder resolutions and divested stock from companies supporting apartheid.

Taking everyone by surprise, CEOs started to withdraw their subsidiaries. It was a business decision as it began to affect the bottom line, but this action also created a new mix of interests and values in the market. The anti-apartheid movement became debated in Congress. The debate gave power to the (latent) idea of social investment. National leaders began to work towards a common cause of ending apartheid. They began to support (differentiate) a new system of finance called “socially responsible investment,” or SRI. Now this innovative allocation of capital is growing in popularity. It is becoming a force, like the little changes in feudalism that kept growing into a system of markets.

#### Social Investment: A Non-Capitalist Institution

The practice of social investment was *present* in the United States but was *invisible* to the public until 1969. It became publicly visible at the height of protests against the Vietnam War. A Third Sector group called the Medical Committee on Human Rights proposed a shareholder resolution to Dow Chemical asking it to stop making

napalm used in the war. When the SEC permitted Dow Chemical to omit the proposal from its proxy statement, the committee took the SEC to court. In July 1970, an appeals court said Dow would have to put the resolution to a shareholder vote. Its decision included a strong endorsement of the idea that shareholders have the right to review corporate decisions that have political implications.<sup>37</sup>

Today social investors are moving from being a latent power to a visible power. They are forging a different value orientation for the stock market. It is one tiny piece in a big puzzle game for changing capitalist markets into civil markets. Yet today, one out of every eight dollars invested in the stock market is screened by social (non-financial) criteria. Major investment houses such as Smith Barney and large pension funds like TIAA-CREF have social-investment funds. The Social Forum is a trade association whose purpose is to integrate “personal values and societal concerns with investment decisions.” Many consulting firms are now hiring social investors.<sup>38</sup>

This is not a traditional capitalist system of investment.

Conventional (Wall Street) investors build capitalist markets, but social investors hope to build post-capitalist markets. Social investment is a civic action that allocates social capital not financial capital. This social practice has problems but it strikes at the heart of capitalism.

How is this so? Social investors study the latent (unexamined) consequences of genetic technologies, for example. They looked at the “breakthrough” techniques advertised by the Monsanto Corporation in a way the Wall Street investors would never do. They looked at a Monsanto seed technology designed to genetically switch off a plant's ability to germinate a second time. Social investors saw how this seed forced

farmers to buy a fresh supply of seeds each year - many of whom are in the developing world and cannot afford to do it. The fight around genetic technologies goes on in this growing field of social (civic-minded) investment.<sup>39</sup>

Social investment may become (differentiate as) a profession like accounting or city planning. Brokerages and security analysts need technicians who can prioritize differently. They need to see what is invisible to conventional investors. Customers are calling.

What is invisible?

The capitalist investor does not look for a corporation's *hidden subsidiaries* and *judge malfeasance*. It requires a specialist in this new field to determine whether *business practices are legal* or not. It is not easy to discover where *global firms have established tax havens*. It requires a special professional to determine whether *corporations are engaged in money laundering*. It requires expertise to judge *the quality of labor practices* among corporations. It is a special skill to assess whether *a corporation is polluting the environment* or not. These are the skills of a new profession.<sup>40</sup>

William Greider, a long time critic of capitalism takes note of this change in the financial markets:

Politicians with real muscle are now pursuing far-ranging possibilities for reforming the economic system. Their potential for driving important change is not widely recognized, perhaps because the reformers are drawn from unglamorous benches of state government – treasurers, comptrollers, and pension-fund trustees. Yet these state officials, unlike the minority of Democrats in Congress, have decision-making power and control over enormous pools of investment capital.<sup>41</sup>

Here Greider is talking about socially oriented fiduciaries managing a vast wealth in public funds invested on behalf of working people. These fiduciaries are working in the spirit of the social investment movement. They felt rage after the Enron-style corporate

scandals and for good reason. Their own pension funds lost more than \$300 billion.

Social (ethical) and economic (financial) interests began to come together big time in their minds.

The California employee pension funds (CalPERS) holds \$180 billion. Pension managers are not working with small change when they talk about “social responsibility” with CEOs and their company boards. They are talking about *excessive CEO salaries*, about *redeploying capital to poor city neighborhoods for development*, about making sure that *international labor standards are followed* by global firms, about how *new environmental technologies are advanced*. They are talking about corporate conduct. They are the majority owners of the 1,000 largest US companies and Wall Street’s largest customer. This is an institutional change in-the-making right now.<sup>42</sup>

Greider says that “progressive funds” have brought together as much as \$700 billion to institute new types of corporate governance. Other state pension funds are joining the cause for changing the system of “corporate governance.” Nationwide, public funds hold about \$2.7 trillion and union-managed funds have another \$400 billion.

This is a quiet revolution not readily seen or written about for its significance. It is the result of hundreds or thousands of civil actions, which suggest how a mode of (non-capitalist) development is underway. It has a ripple effect, like the civil rights movement after a few courageous blacks staged a “sit-in” at a lunch counter. The sit-in practice spread like wild fire across the country.

A ripple effect was seen in this case when New York State Attorney Eliot Spitzer demanded reform in the operating rules of Merrill Lynch. Other pension-fund leaders embraced those same rules and applied them in their own cases. Spitzer’s civil action

modeled a change in rules that others picked up and applied broadly. Socially minded fiduciaries are modeling this civil market change, step by step.

There are more cases that speak to our notion of a “post-modern” democracy. Four pension funds, led by the American Federation of State, County, and Municipal Employees (AFSCME), nominated an independent director for the board of Marsh & McLennan and *the firm accepted him*. The new director is a former federal prosecutor now collaborating the Spitzer on reforms. Other pension funds are following suit, following the same model. The owners are the employees whose representatives are taking over.

The Investor Network on Climate Risk is modeling another piece of the puzzle for a new market. The Network filed petitions with 25 corporations in big oil, autos, and electric utilities, asking them to disclose their risk exposure to global warming, and asking how they intended to avoid potential losses. In earlier times in the 20<sup>th</sup> century, there would have been no answer from these firms. But American Electric Power, the largest coal-burning utility and the largest US generator of carbon emissions shocked everyone by responding to “the social question.” It acknowledged the risk of global warming, which is a major step for the utility.<sup>43</sup>

The importance of protecting the environment, when talked about publicly, changes the climate of thinking for fiduciaries. The global reinsurance firm Swiss Re, for example, warned its corporate clients to come up with strategies to deal with global warming or *risk losing their liability coverage*. The Association of British Insurers has warned businesses responsible for high emissions of greenhouse gases that they could be held liable for the damage that is caused by climate change.

Civil development combines (integrates, synthesizes) corporate interests with environmental and social interests. We see government, business, and Third Sector groups (like labor and environmental federations) each taking part in the change. Civil development takes place through actions that set up a different set of skills and habit of work in finance and business in general <sup>44</sup>

Whether this development leads to societal development will depend on whether the movement changes the mainline institution of finance. Could it?

This is a complex question that can be answered only by university studies. Universities can start this project by studying the criteria that define *societal development*. Societal development is not government development; it is not about building new state agencies and market regulations. Rather, it is about how government can be proactive in creating civil (self-regulating) markets. Governments can call upon associations in the private sector to solve their own problems.

Universities in this case can measure the degree to which social investment is developing and where it is happening. They can propose social indicators to calculate where the change is occurring in pension funds, insurance companies, mutual funds, banks, etc. They can evaluate the effectiveness of this development. How does it work, or not work? How is it changing? How does it work for the common good?

Societal development is not a full-blown theory. However, I argue that it would be based in part on the type of high principles expressed in university studies. Societal development means institutional changes that include a new mix of principles studied by learned societies: *educational, artistic, recreational, religious, scientific, religious, civic,*

and *professional*. Building a civil society requires a new mix of high principles in the economy.<sup>45</sup>

This new mix should lead economists to study public goods. We said that stakeholders such as employees, consumers, suppliers, buyers, stockholders, and local communities negotiate with business to exchange private goods. But what are public goods?<sup>46</sup>

### **The Study of Private and Public Goods**

Economists say that *private goods* are traded in markets. Buyers and sellers meet through the price mechanism so that the ownership or use of the good (or service) can be transferred from one to another. These private goods are “excludable,” i.e. available only to their owners. But “public goods” are non-excludable and non-competitive in consumption. A privately owned lighthouse is a public good that is available to everyone with no cost. Clean air is another example of a public good.<sup>47</sup>

Public goods are properties held in common, that is, products and facilities that are available to everyone without charge. Their use by one person does not exclude use by others. Public goods include *highways, schools, rest rooms, hospitals, streetlights, city parks*, etc. Since there is no profit motive to produce public goods, seemingly, like schools and streetlights, economists recommend that government should supply them. But we look to the private sector to develop them for the common good.

Notice how some economists are defining the term “public goods” today. The economist Robert Kuttner describes public goods as standards, principles and attitudes associated with government. He says that government should create public goods and make up for the failure of markets that cannot produce them. Economists have accepted

the proposition that public goods, which are “nonrival and nonexcludable,” must be provided by the state. He goes on:

... the conviction that unleashed market forces can accomplish almost anything, has led to a trivialization of the significance of public goods...the quality of political life is itself a public good – perhaps the most fundamental public good. A public good ... is something that markets are not capable of valuing correctly. Trust, civility, long-term commitment, and the art of consensual deliberation are the antithesis of pure markets, and the essence of effective politics.<sup>48</sup>

Kuttner broadens the concept of “public goods” to include core standards and values such as “trust and civility.” He associates them with government, but these core standards and values are present in the private sector, not just with government.<sup>49</sup> Trust and civility are public goods that develop through the general economy. To create them requires the collaboration of associations and federations in their respective markets.<sup>50</sup>

In other words, the meaning of market goods includes material things, but also non-material (human) things like equity and trust. A new double meaning (material and human) is developing like the way a double meaning of “wealth” took place when the term came to include educational and social services not just money and property.

The economist Gary S. Becker inaugurated this change in the language of economics and in its popular usage. He says that for most people “capital” means material goods (bank account, a hundred shares of IBM stock, assembly lines, or steel plants) but these tangible forms of capital are not the only types of wealth or value. . . . Schooling, a computer-training course, expenditures of medical care, and lectures on the virtues of punctuality and honesty are also capital. This is because they raise earnings, improve health, or add to a person's good habits that allow for a better income. Therefore, economists should regard expenditures on education, training, medical care, and so on as

investments in human capital. They are human capital because people cannot be separated from their knowledge, skills, health, or values in the way they can be separated from their financial and physical assets.<sup>51</sup>

A consciousness about human capital, once invisible, is now visible. We have said that core values in a market are mostly invisible to economists working with mathematical models. Core values translate into standards to become public goods, from human rights to public norms for safety. Put another way, markets cannot function without public goods. People need property rights, legal institutions, nomenclature, peace and security. Societal development involves all these things.

Now finally, public goods are needed in the global market. And universities need to study this global problem of societal development.

### **Global Public Goods**

Nations are moving into a multi-billion dollar contest for the property rights to space. The European Union (EU) is seeking to win control of airspace from a near-monopoly by the United States.

What is at stake?

Survival.

The United States is now preparing weapons to destroy enemy satellites. Government leaders are not talking about equity and trust in this space race. They do not think about space as a public (shared) good. Each nation would like to control all the satellites in space.

Societal development at this level means establishing international law and world contracts based on trust. It means building a globally shared airspace. Satellites are

linked with global markets and guide cars, trains and planes, and help reduce traffic jams. They allow companies to contact their customers, help people manage bank accounts, monitor the environment, and have a host of other applications.

The mass media corporations are developing technology through satellites (see A CIVIL REPUBLIC, Chapter 7 and Appendix I) while governments also use this space through satellites. Indeed, in its campaign in Iraq, US smart bombs and cruise missiles were directed towards targets by signals from U.S. satellites.<sup>52</sup>

Any nation that wants to be a major player in space communications in the 21st century (e.g. China, India, Brazil, Pakistan) needs access to a system of satellites. This technology is now provided by the US through its global positioning system satellites (GPS) but the EU, which is developing a competing system called Galileo, will challenge America's dominant position in satellite access. A constellation of 30 satellites is expected to be fully operational by 2008. Brussels has handed China a 20% stake in Galileo, and Chinese officials will be working in Brussels on the project. Space is a resource where shared use must develop.<sup>53</sup>

Nations should prevent space warfare for the sake of humanity.

University studies are needed to track this development and propose solutions. The solution to the space problem means strengthening international law around the premise of a "public good." Global law in space, however, would require study. It is (in my opinion) essential to building a global society. The competition between nations without law means more terrorism and war.

All these issues are not headlined in the news media. But the use of space will require a system of mutual-governance. Solving this problem goes with building a new civilization.

### **Conclusion**

Mainstream planners define the market with economic logic. We define it with social logic. A social logic assumes that the values of society are in markets, embedded and hidden. They are waiting to be revealed and made real. Core (substantive) values are not visible in mainline economics but they are in social scientific and cultural studies.

What are these core (substantive) values? A core value can be a human need—like *respect*. It can be a philosophical concept—like *justice*. It can be a principle guiding human activity—like *truth*. It can be a high ideal like *freedom*. It can be a political concept like *democracy*. It can be *public safety for all*. These values are all hidden in the social life of markets, not developed and not studied in economics.

The government has translated its core values into market standards. The Antitrust Division of the Justice Department insists on “fairness” (justice) and calculates it by counting the competitors and their proportionate power in a market. It insists on a philosophical value like freedom and translates it into standards like “free entry” and “free trade.” The Environmental Protection Agency advances the values of public safety by gathering statistics on the levels of pollution in the air and water. So certain standards and values are already in the market through government imposition and regulation. But we are talking about their development from within market structures, and enforced there as well.<sup>54</sup>

Universities should study how governments can advance accountability systems through associations in business and the Third Sector. Governments can insist that business develop core values and standards through trade associations with professional monitors. Governments would then bring civil federations into a place of authority. This is how a market becomes civil and humane as well as efficient and profitable.<sup>55</sup>

Societal development at the global level requires international law. In global planning, this means that nations around the world would organize conferences on the use of airspace, not secretly but openly for debate. Nations need to build civil regimes and a new polity for world commerce. Nations in the UN can advance a civil polity with the aid of responsible investors and study world law through treaties and nongovernmental courts.<sup>56</sup>

Civil development introduces public goods into the economy. Public goods include truth, justice, cooperation, trust, and mutual respect, all the basic values of civil society. If they became a part of the market system, Aristotle might say that he sees a household economy developing in society. Then it becomes possible for people to live the good life. Could universities study the good life in a political economy?<sup>57</sup>

This is the moral challenge.

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<sup>1</sup> Arnold Toynbee saw the French Revolution as the historic time in modern civilization when it stopped growing. He wrote many books including the 12-volume series A Study of History (1934-1961), which was influential not only in history, but in international affairs. It is a comparative study of 26 civilizations in world history, analyzing their genesis, growth, and disintegration. Societies do not stand still, said Toynbee. Cultures keep evolving new structures. Toynbee was criticized for his generalizations and his thesis on the regenerative force of religion.

Samuel P. Huntington takes a different view of civilization. He proposes that the fundamental source of conflict in the 21<sup>st</sup> century will *not* be ideological or primarily economic. Rather, the great divisions among humankind and the dominating source of conflict will be cultural. Nation states will remain the most powerful actors, but the

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principal conflicts of global politics will occur between nations and groups of different civilizations. The fault lines between civilizations will be the battle lines of the future. Samuel P. Huntington, The Clash of Civilizations (NY: Simon and Schuster, 1998).

My argument differs from both Toynbee and Huntington. I think that the shifting and competing “cultural identities” of people in collective groupings (e.g. nations, religions, and world regions) are critical to judge the future. These different cultural identities will play a key role in the 21<sup>st</sup> century, but it is the destructive technologies that make *survival* the issue. A new system of local-to-global governance must be developed in this century and the challenge is tantamount to creating a new civilization.

<sup>2</sup> The history of civilizations and empires in the ancient world can be studied not only in the works of Arnold J. Toynbee but others like Oswald Spengler, The Decline of the West, 2 vol., 1926-28), and S.N. Eisenstadt, The Political Systems of Empires (1963).

<sup>3</sup> We have said that the question of a post-modern republic is about how nongovernmental associations and intergovernmental associations develop and find consensus. Nongovernmental associations are not the answer to the problem of survival, but they do carry core values inside capitalist markets and nations that can make difference. Universities need to study a new system of civil governance able to help nations move beyond excesses in nationalism and capitalism.

I think the principles of societal development reflect those of physical evolution in certain ways. *The basic forms of the past are preserved in each future stage* in physical evolution (particles in atoms and atoms in molecules) and this same principle applies to society. The *principles of combination and synthesis* take place in the creation of each new thing. The development of society is like the development of organic life selective ways; it preserves and recombines past elements. In the evolution of galaxies and the earth all earlier elements were preserved in the synthesis of higher elements.

<sup>4</sup> For example, university administrators could encourage faculties to image the future and plan strategies to advance their professional ideals. I mean radical imagery, like thinking about *a world without war*. How could a world that exhibits peace-with-justice be organized? Faculties should boldly imagine the conditions in which *an eco-system failure could not happen*. They should theorize how *a worldwide economic depression would not be possible*. (Proposing this audacious exercise should bring forth all sorts of pessimism that hides clear thinking, which is good, but should result ultimately in a new way of faculty thinking.) When faculties reach a conclusion as to the best of all possible worlds in their disciplines, they must ask, how could planners fashion this world, starting today?

<sup>5</sup> This UN definition goes on. “... human development shares a common vision with human rights. The goal is human freedom. And in pursuing capabilities and realizing rights, this freedom is vital. People must be free to exercise their choices and to participate in decision-making that affects their lives. Human development and human rights are mutually reinforcing, helping to secure the well-being and dignity of all people, building self-respect and the respect of others.” See Human Development Reports,

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<http://hdr.undp.org/hd>. In other settings, human development may refer to measuring the levels of literacy, education, gender equity, health, etc.

<sup>6</sup> Comte said that human history is marked by alternative "organic" and "critical" periods. In organic periods, social stability and intellectual harmony prevail, and the various parts of society are in equilibrium. In critical periods, old certainties are upset, traditions are undermined, and society is in disequilibrium. Auguste Comte and Positivism: The Essential Writings (NJ: Transaction Publishers, 1998); Auguste Comte, Introduction to Positive Philosophy (NY: Hackett pbls. ` 1988.

<sup>7</sup> The idea of a republic was created from two Latin words *res* (thing) and *publica* (public); it means literally "the public thing(s)." It refers to "affairs affecting the state," "the state' itself," and "the constitution' of the state." The Latin word republic is similar in meaning to the Greek word *politeia*. Both words constitute the meaning of state; the state that is made up of different classes of people that are all involved in governing under a constitution. Some scholars would say: a republic is a "mixed constitutional government." A republic is a mixture of elements drawn from other types of government, like monarchy, aristocracy, and democracy. For example, there is a Spartan model, a tri-political government of kings, aristocracy and Ephors (*elected magistrates to supervise the king*). There is the Roman model that has a civilian head, and an aristocratic body, which is the Senate, with a bicameral legislative body (the upper house being aristocratic) and by a written constitution that defines the duties and responsibilities of the different bodies. See Oxford Companion to Classical Literature, section "republic, Roman," p. 485. From Wikipedia, the free encyclopedia.  
[http://en.wikipedia.org/wiki/Classical\\_definition\\_of\\_republic](http://en.wikipedia.org/wiki/Classical_definition_of_republic).

<sup>8</sup> For example, among them are the Czech Republic, The Republic of Ireland, the Dominican Republic, the Republic of the Congo, the Republic of China, and others.

<sup>9</sup> The USSR was politically divided (from 1940 to 1991) into 15 constituent or union republics—Armenia, Azerbaijan, Belorussia (see Belarus), Estonia, Georgia, Kazakhstan, Kirghizia, Latvia, Lithuania, Moldavia, Russia, Tadzhikistan, Turkmenistan, Ukraine, and Uzbekistan — supposedly joined in a federal union, but until the final year of the USSR's existence the republics had little power.

Let me say that a *republic* is often distinguished from a *democracy* in that a republic has a representative assembly chosen by the citizenry, while in a democracy the populace participates directly in government. In this sense, governments are republics with certain attributes of democracy.

<sup>10</sup> The date of the end of the Roman Republic is listed by historians alternately as 44 BCE, the date that Julius Caesar was named dictator for life, or 27 BCE, the year that Octavian took power and was granted the title "Augustus."

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<sup>11</sup> Athens has a mixed history. It started out as a monarchy, and then it moved to the reforms of Solon, then to greater democracy. During the lifetime of Socrates, this democracy turned into a tyranny and then moved to civil war. Aristotle said that this history of government is cyclical: a constitutional government shifts to democracy and an aristocracy to oligarchy, or to the opposite extremes, that is, aristocracy to democracy. He saw the state moving through political sequences. He argued that the final form of democracy was tyranny.

<sup>12</sup> Nonviolent action strategies like that taken by the plebeians can be found in Gene Sharp, The Politics of Nonviolent Action, Porter Sargent Publishers, 1973. This 3-volume series carries illustrations of secular nonviolence in which people overthrew institutions and created a new order.

<sup>13</sup> Before the end of the 19th century, almost all Western European monarchies had adopted a constitution limiting the power of the monarchy; parliamentary legislatures were developed. By the middle of the 20<sup>th</sup> century, almost every independent country around the world had a government that embodied the notion of political democracy. See “A More Perfect Union” by Eric Barr, Taylor Rankin, and John Baird, 1999 ThinkQuest Team 26466.

<sup>14</sup> Sociologist C. Wright Mills said at mid-twentieth century that the power elite is composed of people whose positions enable them to transcend the “ordinary environments of ordinary men and women; they are in positions to make decisions having major consequences.” They are in command of the major hierarchies and organizations of modern society. “They rule the big corporations. They run the machinery of the state and claim its prerogatives. They direct the military establishment.” C. Wright Mills, The Power Elite (Oxford: Oxford University Press, 1956).

<sup>15</sup> If we were to look at the axioms of democracy we would go back to the theorists of the Enlightenment—Bacon, Locke, Jefferson—and move on to Veblen, Dewey, and theories of the liberal corporate state. See Ralph Ketchum, The Idea of Democracy in the Modern Era (University Press of Kansas, 2004).

<sup>16</sup> One person -- like a president -- usually heads modern republics. There are exceptions such as Switzerland, which has a seven-member council. The presidents of republics are usually elected for a limited term, and the body that elected them chooses their successors. There are over 100 countries governed through a universal adult franchise many of which are called a republic. Republics in the Soviet Union were member states which had to meet certain criteria, like serving on the periphery of the Soviet Union to take advantage of their right to secede, i.e. be economically strong enough to be self sufficient upon secession; they had to represent at least one million people of the ethnic group which made up the majority population of this republic.

<sup>17</sup> For more, see Minqui Li, “After Neoliberalism: Empire, Social Democracy, or Socialism?” Monthly Review, Vol. 55, No. 8, January 2004.

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<sup>18</sup> Choosing a church court in the 13<sup>th</sup> century could be to an offender's advantage because it might not impose punishments involving violence such as execution or mutilation. Clergy found guilty of murder or robbery only received "spiritual" punishments, such as suspension from office or banishment from the altar.

<sup>19</sup> Later, the Petition of Right (1628) stipulated that the King could no longer tax without parliament's permission. The Bill of Rights (1689) provided freedom of speech and banned cruel or unusual punishment. These ideas were passed on to other nations. The laws strengthened the Parliament further and gave people more right to express themselves in ways that would later be used to form the U.S. government. The judicial branch of the American government developed from an image of such courts. With this concept of courts there began to appear also concepts like "representative councils," "assemblies," and parliamentary systems.

<sup>20</sup> The ideas of John Locke and Jean Jacques Rousseau were central to this development. Locke's book, Two Treatises (published in 1690), stated that under a "social contract," the government's job was to protect "natural rights," which included "the right to life, liberty, and the ownership of property." Rousseau expanded on this idea with the book The Social Contract in 1762. In essence, Locke and Rousseau said that the people should have a vote on how their government is put together.

Other philosophers like Montesquieu, Voltaire, and Rousseau inspired people by insisting that freedom comes only after the legislative, judicial and executive branches of the government are separated. The people of France overthrew the king, then set forth the "Declaration of the Rights of Man," which changed Locke's right to life, liberty and property to the right to "liberty, property, security, and resistance to oppression." These ideas, like the ones in the American Declaration of Independence, argued for a system where people have more say in government. See appendix A.

<sup>21</sup> John McMillan, Reinventing the Bazaar: A Natural History of Markets, New York: W.W. Norton 2002. See also Economic History: Markets and Fairs. [www.netserf.org/History/Economic/Markets](http://www.netserf.org/History/Economic/Markets). The feudal structures of the past developed in markets with corporate barons and "the lords of industry." They were progressive and regressive at the same time. Great money lords and corporate kings battled for supremacy in the 19<sup>th</sup> century. So we could say that the market developed with functional and dysfunctional features. A dysfunctional feature was in the new forms of dominance exercised by the corporate barons, but a functional feature was in the catharsis it provided. Markets were like as a substitute for war. People could express their raw (conflicting) drives in markets without physical violence. So markets became a nonviolent institution to some measure, a higher order of war let us say that occurs on peaceful (legal) grounds. This was a functional and liberating development for society. Corporations became (relatively) civil by cooperating through their associations.

<sup>22</sup> The gradual separation of these institutions of church, state, and markets can be found in Robert M. MacIver, The Web of Government (NY: Free Press, 1947).

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<sup>23</sup> Today economists have different definitions of markets but many would accept the formulations of Jerome Rothenberg, of the Department of Economics at the Massachusetts Institute of Technology. “Markets are institutional arrangements for trading objects, services, and rights.” Markets have “prices” to enable judgments on the “value equivalence” of the things traded. The traders believe that “what each is getting from the other is worth more than what is being given up.” A market *system* develops when a large percentage of people trade goods, services, and rights as commodities. The “terms” upon which “these commodities are traded are translatable in common units, such as money prices.” This means that every potential trader can calculate the terms of trade between any two commodities in their respective markets. Rothenberg argues that there must be rules of trade concerning information about the things traded, about the character of ownership by the traders, and what will occur if either trader is dissatisfied. Only legal commodities can be traded. Where future behavior is involved in the trade (e.g., future delivery) or in the sale of rights in the future, there must be an understanding of how compliance and non-compliance will be handled. Money is not necessary. The purposes of the traders are not relevant to whether or not there is a market. Rothenberg also says that *if* the markets are spatially separated, price ratios may not be the same for any two commodities, but they must be exactly calculable. This exact comparability means that people can calculate whatever assets, services, and possessed rights can be traded for, and so can decide consistently which trades are worth making. So all goods are linked together in terms of potential trades, and “all prospective services are linked together and to all such goods.” So an economic exchange system develops with autonomy when “the markets in which these possessions and prospective services trade are consistently linked together.” Thus, decisions concerning the use of different goods, services, and rights are linked in terms of potential trades in other markets. “When most goods are so linked,” and most people trade in these markets, “the market” has become a system, “the central coordinator of the behavior of the population.” Since among the “commodities” dealt with are productive resources, the “behaviors” linked in this way involve “producing distribution and consuming goods and services, i.e., the demand and supply of all traded goods.” In other words, “the central feature of a market system is the comprehensive linking together of producing, distributing, and consuming of the preponderant possessions in a mutually consistent way by the preponderance of the population.” This statement is based on notes drawn from personal interviews with Rothenberg , November 10 and 11, 2002.

<sup>24</sup> It is not clear exactly when markets became viewed as self-regulating, but some historians say it took place between seventeenth and eighteenth centuries. The Physiocrats wrote about the political and economic issues that came to the fore in France in the second half of the eighteenth century. They attacked monopolies, exclusive corporations, vexing taxes, and other abuses in the mercantile system. By the late nineteenth century, the term “market” for economists had gone beyond the idea of a single “marketplace,” and had come to mean any system where buyers and sellers of goods could be located in a consistent fashion. See Winifred Rothenberg, [From Market-Places to a Market Economy: The Transformation of Rural Massachusetts 1750-1850](#) (Chicago: University of Chicago Press, 1992). The economic historian Karl Polanyi ([The Great Transformation](#), 1944) argued that capitalist markets evolved when people began to

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view land and labor as “commodities,” i.e., when land, labor, and producible things became “goods” to be put on sale. Markets today are commodifying societal “goods” in education, health, and the care of children.

<sup>25</sup> Economists see the “the market” as an exchange based on scarcity, focusing on a demand for goods in limited supply. Some stretch the concept of market abstractions into every field of activity (e.g., marriage) as “calculations of cost and efficiency;” others see markets only where there are property rights and prices. Markets are studied as “price making mechanisms,” but the sociological factor (e.g. the human organization of markets in the profit/nonprofit sector) is not explained. See Stephen Casler, Introduction to Economics (New York: HarperPerennial, 1992), p. 3. Lionel Robbins says economics is “the science which studies human behavior as a relationship between ends and scarce means which have alternative uses.” Lionel Robbins, An Essay on the Nature and Significance of Economic Science (London: Macmillan, 1935), p. 16. The “ends” are defined by society, not by economists. Ronald Coase argues this case in saying that the definition of “markets” is more difficult than a concept of “enterprise.” For a review of market theories by economists, see Eckehard F. Rosenbaum, “What Is a Market? On the Methodology of a Contested Concept,” in Review of Social Economy, vol. 57, no. 4, (December 2000), pp. 455-482. State policies can shape costs and profitability, investment and growth, but markets are composed of actors that organize them for their own benefit. Governments define “property rights” and people define the boundaries of the markets they create.

<sup>26</sup> Ronald Burt, Toward a Structural Theory of Action (New York: Academic Press, 1982); see also Corporate Profits and Cooptation (New York: Academic Press, 1983). A sociological perspective can also be seen in the work of Alfred Marshall at the turn of the twentieth century. Marshall made a distinction between different types of exchange, as in finance, credit, and foreign trade, acknowledging the role of trade unions and trade associations. He saw markets as groups of people who want things that other groups can supply. See Alfred Marshall, Industry and Trade (London: Macmillan & Co., 1919); Money, Credit and Commerce (London: Macmillan & Co. 1923).

<sup>27</sup> Neil Fligstein, The Architecture of Markets (Princeton, N.J.: Princeton University Press, 2001).

<sup>28</sup> One purpose of economic sociology is to make connections (conceptually) to economics in terms of market institutions and the meanings they carry. Sociologists in this tradition see classical economists like Adam Smith (1776) describing markets based on utilitarian values and self-regulation while classical philosophers like Karl Marx described markets as based on egoism and material self-interest. The economist Antoine Cournot (1838) saw the market as a place where people were engaged as buyers and sellers of commodities. Carl Menger (1883) saw “the market” as a spontaneous creation, an unintended result of people interacting in society. Alfred Marshall (1890) saw it as an autonomous economic system with its own laws, but was aware of its context in society. Ludwig von Mises (1920) looked at the market as an unrehearsed interplay among individuals in a growing “division of labor.” Léon Walras (1926) saw the market as a system composed of many special markets where people bought and sold things. John Maynard Keynes saw markets with disturbing imbalances, requiring periodic intervention

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by the state (1936). Economists developed sophisticated tools to assess changes in markets. See Antoine Cournot, Researches into the Mathematical Principles of the Theory of Wealth (New York: Macmillan, 1927); Alfred Marshall, Principles of Economics (C. W. Guillebaud. 2 vols. London: Macmillan and Co., 1920); Léon Walras, Elements of Pure Economics ((Homewood, Ill.: Richard D. Irwin, 1954); Carl Menger, Investigations into the Methods of the Social Sciences with Special Reference to Economics (New York: New York University Press, 1985); Ludwig von Mises, Human Action: A Treatise on Human Action (London: William Hodge, 1949); John Maynard Keynes, The General Theory of Employment, Interest and Money (London: Macmillan & Co., 1936). See Richard Swedberg, “Markets as Social Structures,” in The Handbook of Economic Sociology, Eds. Neil Smelser and Richard Swedberg (New York: Russell Sage Foundation, 1994). If all the patterns of human relations in the organization of markets were examined we would soon see how “social factors” are as powerful as “economic factors” shaping business and market outcomes.

<sup>29</sup> Economists usually define an economic value in terms of the monetary worth of an asset or product. Classical economists like Adam Smith and David Ricardo said that the exchange value of an asset or product could be measured by the amount of labor needed to produce it. Later, Alfred Marshall and William Jevons emphasized that the “utility” of a product to a consumer must also be considered in its value. Modern economists consider supply and demand factors as both important in determining the value of a product.

<sup>30</sup> See Earth Vision at [www.earthvision.net](http://www.earthvision.net).

<sup>31</sup> Green chemistry is an “eco-friendly alternative” to conventional chemistry. The green chemistry movement is part of a larger movement leading toward sustainable development, and sustainable business and sustainable living practices. Visit the MVS Solutions webpage Green Chemistry Resources for more information concerning green chemistry and its application. See <http://www.mvssolutions.com/green.html> - [WhatisGreenChemistry](#)

<sup>32</sup> Scientists helped the state of California to advance stem cell research. They backed a ballot initiative to invest \$3 billion of public funding in the field for the next 10 years. Chris Mooney, “Science Wars,” The Boston Globe, November 21, 2004, pp. K1, K5.

<sup>33</sup> Associations might seem weak while corporations appear to be strong. But this tendency to define associations in the market as weak hides their latent power. When small businesses were threatened and were destroyed by big business, they organized the National Small Business Association (federation) to battle the National Association (federation) of Manufacturers. There are many cases like this in which the apparent weak groups become strong by association. For example, the American Chiropractic Association organized to defend its interests and fight the powerful American Medical Association. See the American Chiropractic Association (ACA), on January 28, 2005. The ACA made a big win on Capitol Hill. The Medicare Chiropractic Demonstration Project was announced. The Project will test expanded access to chiropractic services for senior citizens in a two-year, four-site demonstration for April.

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<sup>34</sup> My reference to Robert Bierstedt is made on the basis of my discussions with him many decades ago. Sociologists were caught flatfooted by the civil rights movement, totally unconscious of the (latent) power that existed in the black community. My reference to the civil rights movement is drawn from accounts in Liberation magazine. A. J. Muste founded Liberation in 1956 with the aid of the War Resisters League under the editorial care of Dave Dellinger, Barbara Deming, Sidney Lens, and Staughton Lynd. Muste and later Dellinger were able to play key roles in the coalitions of pacifist elements coordinating mass actions against the Vietnam War from 1965 onward.

<sup>35</sup> New words are signs of a change in these times. Terms like “societal development” and “civil action” did not exist at one time. The term “society” did not appear in the English language until the 16<sup>th</sup> century. The term “civil action” refers to cases in which stakeholders protest while the term “civil development” refers to the accumulation of change caused by such actions. The accumulation becomes the basis for institutional changes in the market. Societal development is then evident when core values in the different orders of society (religion, government, business, science, art, etc.) combine to create new institutional orders in the economy.

<sup>36</sup> The facts in this case are still contested but it is a story about how people who have little power come to address their grievances in the market. Civil action (legal or non-legal) is a small part, let us say, of this larger analytical pattern of civil development. The Woburn complaint alleged that toxic chemicals entered the groundwater flow system; they were pumped by two municipal wells that supplied water to a local neighborhood, and that the consumption of the contaminated water caused leukemia, liver disease, central nervous system disorders, and other unknown illness and disease. The book A CIVIL ACTION, by Jonathan Harr, won the 1996 National Book Critics Circle Award for nonfiction and was a finalist for the nonfiction Book of the Year Award. By February 1999, it had sold 1.5 million copies and had been on the New York Times Best Sellers List for 114 weeks. My own observation of this legal suit suggests to me that it had an impact on the business community (increased watchfulness of polluting activity), the educational community (students sensitized to the case), churches (group discussions about the ethics), etc.

<sup>37</sup> Various universities and other Third Sector organizations began to examine social investment strategies. This raised the visibility of this method of allocating capital. In 1972, Yale published a report titled “The Ethical Investor,” which concluded that the university should support reasonable shareholder resolutions. (The Ford Foundation became uncomfortable about whether there was a contradiction between funding social programs in South Africa and holding stock in U.S. companies that were perpetuating the apartheid system; it commissioned a report on “how better to harmonize its investment and charitable purposes.) One of the 1972 resolutions by Harvard asked Gulf Oil to report on its relations with the Portuguese colonial government that was then still ruling Angola. This proposal helped make Harvard’s 700,000 shares of Gulf stock a hot topic on campus, where student activists maintained that Gulf’s presence in Angola was

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supporting a repressive government and that, as a shareholder, Harvard was implicated in the process. Soon after this event, the Investor Responsibility Research Center (IRRC) was formed, based on the idea that it would be far more efficient for institutional investors to have access to an independent organization for information on issues raised in social policy shareholder resolutions, rather than having to conduct their own research. See the Investor Responsibility Research Center, <http://www.irrc.org/subnav/about.html>. See also, <http://www.socialinvest.org/areas/news/2001-trends.htm>. See Good Money, <http://www.goodmoney.com/latenews.htm>.

<sup>38</sup> For example, the SRI World Group, Inc., is a financial services business that promotes corporate social responsibility. David A. Sauer, “The Impact of Social-Responsibility Screens on Investment Performance: Evidence from the Domini 400 Social Index and Domini Equity Mutual Fund,” *Review of Financial Economics* 6, no. 2 (1997), 137-149; J. David Diltz, “The Private Cost of Socially Responsible Investing,” *Applied Financial Economics* 5, no. 2 (April 1995), 69-78; Irene M. Herremans, Parporn Akathaporn, and Morris McInnes, “An Investigation of Corporate Social Responsibility Reputation and Economic Performance,” *Accounting, Organizations, and Society* 18, nos. 7, 8 (October/November 1993), 587-605; and Robert Heinkel, Alan Kraus, and Josef Zechner, “The Effect of Green Investment on Corporate Behavior,” *Journal of Financial and Quantitative Analysis* 36, no. 4 (December 2001), 431-438. Social investors choose their targets for what they see to be the common good.

<sup>39</sup> The Monsanto Corporation created seeds for farmers that it called “breakthrough technology” but farmers had to keep buying new seeds from the corporation. Critics dubbed this breakthrough the “Terminator” Seed. In August 2001, the USDA legalized the technology—which included three patents to its seed-industry partner, D&PL. Now farmers who would want to grow these high-yield crops must keep buying new seed from Monsanto or other large companies. But this terminator technology was stopped by social investor criticism. The U.S. Department of Agriculture (USDA) and Delta & Pine Land (a company acquired by Monsanto) were initially granted U.S. patent #5,723,765. See Organic Consumers Association, at <http://www.organicconsumers.org/Patent/usdaTerminator.cfm>.

Social researchers are Third Sector organizations like the Consultative Group on International Agricultural Research (CGIAR). CGIAR is a global network of sixteen international agricultural research centers. CGIAR is the world’s largest plant breeding organization for resource-poor farmers. In October 1998, the CGIAR, which was meeting at the World Bank in Washington, D.C., banned the Terminator and genetic seed sterilization technology from their crop breeding programs. This was done because of its negative impact on food security, genetic diversity, sustainable agriculture, and plant breeding. The Rural Advancement Foundation International (RAFI), working with NGOs and peoples’ organizations worldwide, continued to pursue strategies aimed at “terminating the Terminator.” RAFI and partners approached governments to exercise their right, under the Trade Related Intellectual Property Rights agreement (part of GATT), to ban the Terminator patent and Terminator seeds, on the grounds of “public morality.” In May of 1999, New Hampshire became the first state to consider legislation

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banning the use of terminator technology. Martin Tietel and Kimberly Wilson, Genetically Engineered Food: Changing the Nature of Nature (Rochester, Vermont: Park Street Press, 1999), 32.

<sup>40</sup> Social investment is not a capitalist practice. The shift away from conventional (capitalist) practices through the practice of integrating social and economic criteria in decision-making became notable when mutual funds and banks began to train staff in this type of (ethical) investment. They wanted to reach more customers, a business interest, but they also had a new sense of purpose. Faculties in schools of management began to develop statistical data that compared social vs. economic returns. A new vocabulary for defining social capital emerged; a new system of finance began with these civil actions. This is like a small institutional change becoming a big change.

The Social Forum is now the main trade association of ethical investors. The purpose of the forum is to integrate “personal values and societal concerns with investment decisions,” considering “both the investor's financial needs and an investment's impact on society.” <http://www.socialinvest.org/areas/news/2001-trends.htm>. See also Good Money, <http://www.goodmoney.com/latenews.htm>. There are many consulting firms now developing around the principle of social investment.

<sup>41</sup> William Greider, “The New Colossus,” The Nation, February 28, 2005, p. 13.

42. The board of CalPERS voted on April 11, 2005, to intensify its efforts to nudge carmakers to adopt California's strict tailpipe emission standards and vowed to make environmentalism a top investment priority. The teachers, municipal employees, sanitation and other state and local government workers and retirees who are members of the California Public Employees' Retirement System (CalPERS) won a landmark victory as they voted on November 13, 2004 in the fight for global fairness, to ensure that their retirement savings reflected their union values. The CalPERS board voted to require portfolio managers for the huge pension fund to consider workers' rights as a condition for new global investments. The fund is serving 1 million California workers and retirees, and is the second-largest pension fund in the world.

<sup>43</sup> American Electric Power also predicted future government controls on emissions, a rationale for their taking appropriate action, i.e. protecting their industry from regulation. But most significant, they proposed to avoid losses. This is putting together social and financial interests and values.

<sup>44</sup> We have proposed mechanisms in the market that should serve the common good. For public planners it means creating systems of accountability with a creative blend of values in profit and nonprofit sectors. These systems require government support.

<sup>45</sup> The executive branch of the American government could, by illustration, call upon the sections of the American Bar Association to write legal models for a system of world governance. The United States could call upon the United Nations to undertake studies for its revision, take the lead in asking for a commissioned study. It could ask business federations like the International Chamber of Commerce to work with Third Sector

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federations and establish self-enforceable rules of fairness in world trade. It could encourage trade agreements for more civil commerce.

<sup>46</sup> Systems of accountability have developed from civic involvement by organizations outside the business sector. For example, by the pressure of trade unions, *employers* became (relatively) accountable to *employees* through negotiated contracts. By the pressure of consumer groups, business became (relatively) accountable to *customers* through warranties and lemon laws. By the pressure of city *governments*, business firms became (relatively) accountable to local *communities*. And so on. For a discussion of these systems of accountability, see Severyn T. Bruyn, *A Civil Economy* (Ann Arbor, Michigan: University of Michigan Press, 2000), Chapter 2 and pp. 209-210. Here is a quick summary. Stakeholders create *agreements* (contracts, deals, covenants, compacts, pacts, and documents), *standards* (norms, rules, principles, criteria, measures, guidelines, codes, and regulations), *monitors* (observers, witnesses, critics, advisors, directors, counselors, informants, and "whistleblowers"), and *authorities* (judges, courts, tribunals, enforcers, arbiters, adjudicators, and mediators). This is what the development of a non-capitalist market is all about. What is not in the prescribed categories of university research?

<sup>47</sup> Some economists call television and radio "public goods" because once a program has been made, people are free to make a copy and use it. By making public access free at the point of use, the audience increases without increasing costs. So, everyone pays a relatively small amount through (radio/TV) advertising that maximizes the public value rather than charging a subscription that would restrict access to the good.

<sup>48</sup> Robert Kuttner, *Everything for Sale* ((NY: Knopf, 1998), p. 200, 330.

<sup>49</sup> For more on the meaning of public goods, see Herman E. Daly and John B. Cobb, Jr. *For the Common Good* (Boston: Beacon Press, 1989), p. 51. Many "professionals," as individuals (e.g. accountants, educators, scientists, and artists), have gone into business and then forget about their values. As individuals, they follow the rules set by their enterprise in a competitive market. We are saying that core professions in the Third Sector (e.g. nonprofit corporations in education, accounting, medicine, law, engineering, and science) should demand that their values be defended in business. The market "develops," not by profits alone, but by people inspired by the values of their professions.

This means that medical associations (e.g. the American Medical Association) should monitor medical standards in the market. Standards in medicine should not decline with the advance of profit-based clinics and business-chartered hospitals. Scientific associations (e.g. the American Association for the Advancement of Science) should monitor scientific standards in the market. The prestigious associations of the sciences in physics, chemistry, and biology should demand that member scientists not hide data or misrepresent empirical findings. If members violate the code, they suffer a penalty, like the loss of memberships.

<sup>50</sup> Inge Kaul, writing in *Le Monde Diplomatique*, says that "equity" is a public good. He calls it a "non-rival" in the sense that if one person is being treated equitably that does not

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diminish the chance of another person also being treated in the same way. Indeed, the more accepted the practice of equity is, the more trust people will have that they will also benefit from it. And once accepted as a norm like other global norms such as human rights, equity is non-excludable. It must by definition apply to all peoples in all places. Therefore, equity is best, and most predictably, ensured globally, as a universal principle in the economy. Inge Kaul, "What is a Public Good?" Le Monde Diplomatique, June, 2000.

<sup>51</sup> Gary Becker, Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education (Chicago: University of Chicago Press, 1994).

<sup>52</sup> The United Nations is searching for Third Sector organizations that could link with business without losing their core values. It would hope to bring about a diffusion of values between sectors. But building a global republic involves more. National leaders need to study the United Nations itself. The UN needs to become more effective as a political body. It needs the power to give world organizations the strength to build world peace with justice.

<sup>53</sup> At this moment, the US controls private access to its GPS system. It can jam or turn off parts of it and disable military receivers that fall into the wrong hands. But with Galileo in a competitive market the situation changes. The EU's system will be available to enemies of the US, and outside its control. In 2003, the EU agreed to move its encrypted signal off the frequency band that will be occupied by a new GPS military signal. In theory, this means that the US could jam all satellite navigation signals including Galileo's. But to do so would require investing in very expensive equipment. And even if this money were invested, the EU could foil jamming attempts by rotating frequencies and by other means.

Without "space" seen as a public good, nations will move into a telecommunications war. Governments are in the first battles now. A space war then destroys (or affects) all the links to the terrestrial systems we mentioned above (directional systems for autos, planes, bank accounts, etc.) These facts are hidden from the public. There is no Congressional debate, and the danger is not discussed in national newspapers. Realists say that nothing can be done to stop the new race. Galileo will proceed as planned, as will China's involvement, and the US will gradually develop a new space arsenal. But these policies are private. There is no public deliberation. "US Threatens to Take Space War to a Third Dimension," Red Nova, November 1, 2004, n.a.

<sup>54</sup> Economic sociologists should study how core values (like truth and freedom) "conflict, and converge, and connect" in markets. When abstract values like truth and freedom are particularized (as philosophers say, or "standardized" as market analysts say), they apply equally to all market participants. They are measured and monitored as common standards. Economic sociologists need a new vocabulary to explain what is going on here.

Analytically, people who operate in a tri-sector economy appear in "conflict" by their value orientations. Or, they may be "associating" and "dissociating." Or, they could

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be “merging” or “integrating” their value orientations. They could be “blending” or contrarily “separating” their value positions. Some conceptualization is needed here. According to sociologists, people do not buy and sell only on price assessments. They buy and sell based on the *meaning* that things have for them. Economic action is rooted in symbolic interaction. This is where a link between economic logic and social logic is made.

Sociologists like Herbert Blumer define social (symbolic) interaction to include economic interaction. He assumes that human beings act towards things on the basis of the meanings they have. These meanings arise as people use an interpretive process in each situation. These “situations” include the interaction of people in markets. An economic interaction is always influenced by meanings that cannot be explained by a business orientation alone. It is in this *symbolic interaction* that core values in civil orders come into play.

<sup>55</sup> Third Sector federations have introduced core values and standards in the past. For example, when business corporations did not respect labor, the workers organized trade unions. Unions then demanded that the core values of fairness, respect and justice be introduced through contracts. Because of that union presence core standards in the workplace has become (relatively) self-generating, not monitored by government alone. In capitalist markets, the government sets standards and it monitors compliance but in civil markets it is done in the private sector. It is because of unions and Third Sector action that business developed in a civil fashion with pension funds, fair wages, and social benefits. In a civil market plan the government encourages the Third Sector and nonprofit corporations to engage more effectively in this process.

<sup>56</sup> Third Sector theorists have spoken of cultivating substantive values, such as *reciprocity, gifting, friendship, sharing, and community life*. Our question is how to introduce these values into the market. The Centre for Democracy and Development (CDD) is one instrument to advance this purpose. It is a non-profit, non-governmental, research, information, and training institution dedicated to policy-oriented scholarship on questions of *democratic development and peace building*. Its members define CDD with a commitment to core values and principles. See the Centre for Democracy and Development, <http://www.cdd.org.uk/history.htm>.

<sup>57</sup> The concept of “economy” began with Aristotle (384-322 BCE). He made a distinction between *oikonomia* and *chrematistics* as two branches of “wealth getting.” *Oikonomia* is that branch designed to advance the good life, while *chrematistics* is concerned with the manipulation of property, wealth, and currency, where the purpose is to maximize wealth and short-term returns to the property owner, a concept that is indeed very close to what we would call today the for-profit sector. *Chrematistics*, Aristotle argued, confuses the means for an end. Aristotle argues that material acquisition characterizes this form of economy and that there is no limit to “the mere acquisition of money.” But he says this is not the path to a good life. *Oikonomia*, on the other hand, is a more limited form of acquisition, the managing of a household to advance the good life. It is geared toward the

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long-term maintenance of welfare for all household members. This form of acquisition is limited to the amount of property required to sustain a good life.