

## **Glossary**

### **Capitalist markets**

Capitalist markets are systems of exchange that emphasize economic values. An ideal type that explains them would include certain attributes such as efficiency, productivity, profit making, competition, freedom, and self-interest. These markets never fully realize their ideals. For example, markets are never totally free and it seems that there is always room for more efficiency. Economists explain them today by concepts of scarcity and calculable utilities, but this is not the whole story. They are also bound up quietly with the social and cultural values of society.

### **Capitalist Trade**

Capitalist trade in its ideal is based on the core value of freedom, but in reality it is organized on the basis of corporate power and oligarchy. This type of trade has no framework of thought that suggests that other core values should exist in the economy. International agreements on trade are beginning to develop norms that are shared between nations, revealing the potential for civil development. Some international leaders, for example, have called for trade rules that require safety and health standards in the workplace and options for union organizing.

### **Civil association**

A civil association is a prototype nonprofit corporation that states in its constitution or bylaws how it proposes to advance certain core values of society. For example, the American Medical Association (AMA) would promote public health and the American Bar Association (ABA) would promote public justice. But every association fails to fulfill its core ideals by some measure. Thus, civil-market leaders would encourage all major associations to work toward fulfilling their ideals and develop others in their fields of activity. Other ideals include transparency, fairness, democracy, cooperation, equity, self-management, and self-financing.

**Civil commission**

A civil commission is a nonprofit corporation of stakeholders. In our model, the government, sensitive to market problems, would appoint members to a commission to recommend solutions. A commission can recommend changing the organization of markets in the public interest. It would study a market to determine how to develop civility in that competitive sector. It encourages market participants to bring substantive values into contracts. If a commission's recommendations on "market re-structuring" cannot be accomplished with third parties on a voluntary basis, commissioners might then propose corrective legislation for Congress.

**Civil development**

Civil development occurs when people accent the core values of society in markets, not just profits, productivity, and efficiency. It is about how Third Sector core values are integrated into business systems, not the other way around. It is exemplified when business leaders set up accountability systems for stakeholders. It occurs when economic values, such as profits, competition, productivity, and efficiency, are integrated with social values such as fairness, cooperation, and transparency.

**Civil economy**

A civil economy is a market system that develops standards with systems of public accountability. People in government and other civil orders of society, not just business, push markets to develop stakeholder contracts that are fair, competitive, and transparent for the common good.

**Civil federation**

A civil federation is composed of people who elect representatives to a general assembly and make decisions on a democratic basis. It has a constitution and/or bylaws that express some of the core values of society. It may be decentralized, like a Community Chest Council and a professional association like the American Bar Association, or it may be centralized, like the AFL/CIO and the Episcopal church. This prototype has core values

and ideals that unify its member associations. It becomes more civil when it advances greater degrees of democracy, equity, honesty, and transparency in its own organization.

### **Civil governance**

Civil governance is a type of management that has democratic and justice-oriented goals. It is a management ideal that is becoming apparent for many businesses and Third Sector associations. Associations in this case work intentionally on being fair to stakeholders, and more transparent and democratic in their policies.

### **Civil investment**

Civil investment is a practice evolving in the midst of social investment. Civil investors work at the level of both national and international development. They support civil development in domestic markets and civil regimes in world markets. They match and integrate opposing criteria for the larger common good. This includes not only matching "social benefits vs. economic benefits," and "beneficiary interests vs. the public interest," but also "the common good for a nation vs. the common good for all nations." Civil investment develops as a profession through nonprofit corporations designed for that purpose.

### **Civil markets**

Civil markets are also proposed as an ideal type. They are systems of exchange that develop the social and cultural values of society. They are "economically oriented" (prudent) but not "economically determined" (profit-driven). Their basic values are in the larger society and notably advanced through government and the Third Sector. They develop within capitalist markets and cultivate what we call "substantive rationality" in the midst of formal rationality. They are characterized by cooperation as well as by competition.

A civil market develops by planning and by natural processes. It develops by planning as business leaders promote social and cultural values in systems of exchange, augment the level of democracy within their corporate oligarchies, and strengthen trade associations to establish public standards and work for the common good. It develops also by

government's broadening the concept of fair trade within markets and by increasing transparency. It develops equally through public accountability systems. In this process of building accountability and transparency, the market becomes a public (non-governmental) domain that develops inside a private domain.

### **Civil orders**

Civil orders are the different realms of activity that people pursue within society. They develop in religion, government, business, art, science, and the professions. Each basic order has its own associations and a culture that emphasizes specific core values and norms. Civic leaders in these orders can be agents for change when they take their values and norms into the marketplace.

### **Civil republic**

A civil republic is a society of federations that bring people's core values into the economy. It is equally a nation in which political and economic interests are not the main forces driving public policy. Economic interests in this new republic would still drive the market, but they would not be its chief characteristic or constitute the main character of society. They would not be the prime determinant of national policy.

A civil republic is a vision and a proposed goal for national planning. National planners develop it as they change capitalist markets into civil markets. The plan outlined in this book calls for "civic engagement" in the private sector, through which a nation becomes a stronger society that is composed non-governmental federations, a new civil order supported by government. The national community is then not interpreted and shaped by business or government alone.

This type of republic builds toward the common good for a nation but also for a world of nations. Leaders from all civil orders of society develop international associations to provide greater balance of power in world politics and markets. They join with individual citizens to debate and shape national policies in the context of a world economy.

### **Civil trade**

Civil trade is a type of exchange that combines principles of cooperation, equity, and fairness with principles of competition, efficiency, and freedom. It develops through the work of international non-governmental associations and intergovernmental agreements. Nations who engage in civil trade emphasize safety, health, probity, transparency, competition, cooperation, and arbitration in world markets. Certain Third Sector associations (e.g., United for a Fair Economy) and business groups (e.g., the Fair Trade Federation) support this kind of trade.

### **The common good**

The “common good” has different meanings for people within various levels of social organization, but at the national level it is akin to "the public interest," a legal concept. It develops its meaning still more broadly in global markets through international agreements. In a civil market plan, stakeholders keep their own self-interest in mind when they define the common good, but they also think of it in terms of the larger society.

### **Core values**

A core value is an ideal of high importance to people in their everyday family, social, and spiritual lives. It can be a broadly agreed concept, such as "human safety for all. " It can include great ideas, like justice, or refer to abstract principles, like truth, or encompass grand ideals, like freedom. Core values are not all rooted simply in rational principles and ideals but also in human feelings like “compassion,” “understanding,” and “beauty,” which are not calculable. Nevertheless, such values inspire people to improve the world and we propose that they could generate public standards that can be developed in the market system. Core values can be translated into standards in market sectors and measured to a high degree (e.g., safety in the workplace.) The government translates its core values into markets through regulations. For example, it measures one attribute of justice called "fair competition" and expects it to be followed by all corporations.

### **Economic development**

Economic development involves raising the gross domestic product and income per capita in a nation. Economists see capital investment as a significant factor in this development because it enlarges the economy's capacity to produce goods and services. It raises the productivity of resources, creates multiplier effects, and increases aggregate demand as well as the national income. An increase in the national income in theory raises the level of savings and provides financing for more capital accumulation. Economic development means advancing the material output of society and profits for the business order.

**Economic values**

Economic values focus on the advance of material wealth, productivity, efficiency, competition, and profit making.

**Global Civil Regimes**

A civil regime is a system of authority based on public norms to which actors give consent. It is founded on common law and inter-governmental agreements. It develops through arrangements made by international bodies of authority. Examples are the Forestry Stewardship Council, the International Standards Organization (ISO), and the Law of the Sea. Stakeholders develop a public domain in world markets through uniform standards and accountability systems. This is accomplished with the cooperation of international business organizations (IBOs), international governmental organizations (IGOs), and non-governmental organizations (NGOs).

**Markets**

Markets are systems of exchange in which people trade things that have value to them. Economists today see markets based on scarcity, i.e., where there is a demand for goods in limited supply. Modern markets are institutional arrangements for trading goods, services, and rights that are based on the common measure of money. Prices allow people to weigh the importance of things traded, to assess how something that is gained is worth more than what is being given up. The character of market systems, however, changes and evolves over time.

### **Political investment**

Political investment is based mainly on the interest of a specific organization, such as a trade union, a bank, or a government. It takes economic interests into account, but it is based in the strategic interests of one association. The World Bank, for example, invested in post-Allende Chile for political reasons, not for purely economic reasons. State pension fund managers, profit sector managers, and Third Sector managers of endowments often give priority to their organization's self-interest and norms, even as ethical and economic principles may be part of the equation.

### **Polity**

A polity refers to the ruling structure of an organization. It is the way people distribute power and authority. A "polity" in markets refers to the organization of partnerships, proprietorships, and corporations through which people compete for control and money. Every market is a political field of activity where influence and power is exercised, not just a profit-making system.

Two types of market polity are relevant here. **A capitalist market polity** is found in the business sector where corporations use their power to influence government, customers, communities, and the public. Corporate power is expressed through trade associations where oligarchy is prevalent. The powerful position of business competitors and their influence on government and among themselves expresses the reality of these markets. It is not just a system designed to create wealth.

**A civil market polity** is where democratic associations develop public standards. The ideal in this case is to create a (relatively) self-regulating trade group of competitors who cooperate and agree on standards for the common good. A civil polity also develops when local, regional, and national associations introduce non-commercial values—like transparency, fairness, and equity—into the market. It operates by design to resolve stakeholder conflicts, as in the cases of JCAHO and the Forestry Stewardship Council, but it can also form with government support in the public interest. Associations in other civil orders (e.g., those in education) have developed a civil polity in their markets to a greater degree than has so far been done in the business sector.

**A public domain**

A public domain is a system of exchange where people seek to reconcile society's core values with market values. It is where stakeholders translate substantive values into public standards and organize associations for the common good. Civil polities can then develop in market sectors and the private economy evolves toward being a public (non-governmental) domain.

**A public media**

A public media is different from a mass media owned by business. It is proposed here as a media in which the general populace participates through major associations in society. It is where people cooperate for their common good as well as compete to advance their special interests. It develops through civil orders and sectors of society and is governed by a board of directors that represents its constituencies.

**A public standard**

A public standard is a rule or norm designed for the common good, generated from a core value in society and put into place in the economic sphere. The core value of truth, for example, is translated into standards for bookkeeping on keeping "honesty and consistency in records." A core value like human health spawns public standards and rules for cleanliness, notably in hospitals and restaurants.

**Rationality**

Rationality is a type of thinking that balances the means and ends of actions based on mutually agreed-upon rules. It is thinking in a logical manner where decisions are grounded in reality, different from decisions made purely from feelings alone or from absolute (unquestionable) principles that do not permit thoughtful reflection.

**Formal rationality** is based on calculations that increase the chance of success in reaching a goal. It is not based on high principles or values that are non-technical and not measurable. It requires the application of technical criteria (like measuring degrees of profit) to judge the achievement of a goal. Max Weber argued that formal rationality is

replacing substantive rationality in society because modern bureaucracy—so prevalent today—stresses a technical orientation to match means to ends.

**Substantive rationality** is based on core values that generate ethical norms. Core values for our purposes in discussing the economy include freedom, justice, democracy, and truth, but their associated (ethical) norms—like sovereign choice, fair competition, social accountability, and personal honesty—are capable of a fair degree of quantification. Thus, core values can become public standards in the market that can be measured with some objectivity. Substantive rationality is different from pragmatism insofar as it does not need take into account the outcome of a decision.

### **Social investment**

Social investment is a strategy for allocating capital based on a combination (at best a synthesis) of financial and ethical principles. It contrasts with capitalist investment, which is designed to increase financial returns alone. Its purpose is to blend social-cultural values with economic-financial values for the sake of stakeholders and the common good. Social investment aims to encourage greater corporate responsibility in markets.

### **Societal development**

Societal development is different from business development and economic development. It is about the cultivation of core values in civil orders of society. It refers to a creative mix of values drawn from different social institutions. For example, it happens when government officials develop efficiency and productivity (normally in the business sector) to reduce state bureaucracy. It happens when business leaders see “justice” and “democracy” (normally in the government sector) as important to markets and their business.

Societal development happens through the deep web of civil orders as they extend through the economy. It includes new combinations of economic, political, governmental, educational, artistic, recreational, religious, scientific, and professional values, a synthesis of contrary values. It takes place through a mutual influence among people working in

different sectors of society, for example, when a concept of justice is linked to the allocation of capital and a new field of business develops called social investment.

### **Stakeholders**

Stakeholders are people who are affected by corporations and markets. They include owners, employees, competitors, investors, customers, buyers, suppliers, and communities. In a civil market plan, stakeholders would specify the meaning of public standards for them. For example, “transparency” is a standard that has a broad commonsense meaning, but stakeholders must define it precisely in market sectors by public agreements.

### **Systems of public accountability**

Stakeholders create a system of public accountability by: 1) *agreements* (contracts, deals, covenants, compacts, pacts, and documents), 2) *standards* (norms, rules, principles, criteria, measures, guidelines, codes, and regulations), 3) *monitors* (observers, witnesses, critics, advisors, directors, counselors, informants, and "whistleblowers") and 4) *authorities* (judges, courts, tribunals, enforcers, arbiters, adjudicators, and mediators).

### **Third sector values**

Third Sector values are mainly social and cultural as distinguished from purely financial and economic. They are created through ideals embodied in the civil (non-business) orders and their associations in society. For example, Third Sector values are constructed through the professions in medicine (e.g., public health and personal well-being) and law (e.g., justice and fairness), in religious life (e.g.. compassion and kindness), family life (e.g.. caring and nurturing), and education (e.g.. truth and reasoning).

The fact that Third Sector organizations carry non-market ideals does not eliminate its organizations from criticism when problems arise that can be as serious and problematic as any in the business sector. For our purposes, the Third Sector is notable for its countervailing position in the economy and its potential power in markets. It becomes part of the development of the economy in society.