



PROMOTING LEADERSHIP IN THOUGHT
THAT LEADS TO ACTION

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In Search of a New Paradigm for Global Development

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Abstract

The World Academy has recently launched an initiative to bring together like-minded organizations and individuals to examine the root causes of the multiple challenges confronting humanity today and formulate a comprehensive strategy for addressing them. Its central premise is that viable, effective solutions can be found to meet the entire spectrum of economic, ecological, political and social challenges by formulation of an integrated perspective, comprehensive strategy and detailed policy framework attuned to the realities, needs and emerging opportunities of the 21st century. This article is intended to serve as an initial discussion paper for a WAAS e-seminar, an international conference at UNO in Geneva and a workshop at the Library of Alexandria in May-June, 2013.

The world faces unprecedented challenges. Expanding opportunities are emerging side by side with intensifying problems. A proliferation of money, technology, education, trade and communication links is fueling ever more rapid global development. The growing global capacity to meet human needs has come face to face with insurmountable difficulties. Persistent poverty co-exists side by side with unprecedented prosperity. Rising levels of inequality and unemployment are spreading discontent and social unrest at a time when social welfare nets are overstrained by an aging population. Economic growth is depleting the world's natural resource base at an alarming rate, while threatening long term catastrophic changes in climate. The competition for scarce resources is aggravating nationalist competition at a time when international cooperation is essential for coping with common global challenges. Globalization is breaking down the barriers insulating national economies, making states increasingly vulnerable to destabilizing impacts from beyond national borders. Proliferation of nuclear and other weapons poses new threats to national and regional security. Humanity seems driven by mutually exclusive, contradictory goals leading to apparently insoluble problems.

These multiple challenges share common attributes: They all transcend narrow disciplinary boundaries. They are interrelated and interdependent and defy solution by partial, sectoral approaches. They are all global in nature and cannot be fully addressed without coordinated actions by the international community. Approaches to resolving these challenges

are subject to conflicting claims, priorities and interests. Viewed as a whole and in relation to one another, they present to humanity a nexus of interconnected problems of unparalleled complexity.

1. Quest for New Paradigm

Each of these global issues is a subject of on-going analysis by leading organizations around the world. Many strategies have been formulated and projected for dealing with each of them individually in a piecemeal manner, often at the expense of the others. Solutions to ecological problems usually involve economic tradeoffs that neglect the irrepressible rising aspirations and expectations of developing societies and are also unacceptable to most prosperous nations. Efforts to balance budget deficits and control inflation appear to be in conflict with efforts to stimulate growth and generate sufficient employment opportunities for all job seekers. Investments in security typically neglect the destabilizing impact of rising levels of unemployment and inequality on social stability. Managing ever growing global financial flows, arms trade and other essential aspects of global rule of law is undermined by the reluctance of national governments to cede authority to international institutions.

"Is there any way in which apparently mutually contradictory goals of prosperity, security, sustainability and social justice can all be realized? If so, what is lacking?"

The lack of significant progress on addressing these issues in recent years has seriously raised doubts about the collective capacity of the human community to effectively address them. There is presently no consensus as to whether real, effective solutions are possible to meet the full spectrum of global challenges and what those solutions should be. *Is there any way in which apparently mutually contradictory goals of prosperity, security, sustainability and social justice can all be realized? If so, what is lacking?*

Frustrated idealists and cynical pragmatists frequently cite absence of leadership, vested interests, conspiracies of the rich and powerful, and lack of political will among the principal obstacles to coherent policy and effective action. But the skepticism, cynicism and failure to act have deeper intellectual roots. Current thinking on these issues has failed to present a clear alternative to addressing the totality of the challenges and their complex interrelationships. The public has yet to be convinced that there are viable solutions that do not involve unacceptable sacrifices. Decision-makers are yet to be convinced that there is a comprehensive policy framework that can be instituted within a democratic context. Some believe the only solution is to wait until a natural catastrophe or social revolution compels leaders to desperate measures.

"Prevailing theory and conventional wisdom stand in direct opposition to effective action."

The root cause of the current paralysis lies in the fundamental conceptions and perceptions which govern global society today. Prevailing theory and conventional wisdom stand in

direct opposition to effective action. Outmoded economic dogma is used to support unbridled financial speculation, unsustainable depletion of resources and growing inequalities. Concepts of competitive security and balance of power are used to justify the prevailing security environment. An international legal system predicated on a dated conception of national sovereignty is applied to sustain an undemocratic system of global governance. Without challenging these conceptions, solutions will continue to evade us.

2. Historical Precedents

History offers precedents for radical change. Usually, it occurs in the form of violent revolution in the face of intractable vested interests that resist dilution of their power. Occasionally, it has been ushered in by far-sighted leaders who recognized the urgent need for rapid social evolution to preempt the possibility of violent revolution. England sought to avoid a repetition of the bloodshed that wiped out the French aristocracy by opening up to the prospering middle class a greater share of political power and social respectability. Abraham Lincoln led a silent social revolution during the closing days of the Civil War when he delayed the armistice while exerting every power at his disposal to compel a reluctant Congress to adopt the 13th Amendment abolishing slavery. Had he not done so, the return of the southern states to participate in the government might have postponed the emancipation of the blacks by half a century or more. Britain once again avoided revolution when it became the first of the imperial powers to systematically dismantle its global empire with the granting of independence to India in 1947, which was quickly followed by freedom for more than 50 other subject nations, representing about one-third of the entire human race.

"Both the compulsions of eminent danger and the prospects for unprecedented progress constitute powerful incentives and enabling conditions for unparalleled actions with potentially momentous consequences."

After fighting two horrendous world wars, the great powers felt compelled to take unprecedented steps to found the UNO as a buttress against the prospect of an annihilating conflagration between nuclear superpowers. Since then, major conflict has been largely transferred from the battle field to the conference table. Similarly, after centuries of incessant warfare, perennially warring European powers took the first step toward founding a new European Union that has come to make war in Europe unthinkable. In an unprecedented action, Gorbachev dissolved the Soviet Empire as well as the authoritarian power structure of the USSR from within, ending the Cold War and dissolving the barriers between the East and West in the process. The combination of these three evolutionary changes has been remarkable. Between 1950 and 2010, annual war casualties are estimated to have dropped from 500,000 to 30,000 annually.¹ Since 1988 high intensity wars that kill at least 1000 people a year have declined by 78%.²

Another US President, Franklin Roosevelt, performed a similar deed in the wake of the US banking panic of 1932 when he pushed through a radical reform of the banking system, erecting the safeguards that protected the economy from a single banking crisis for more than

seven decades. Crisis returned only when the wall of protection he erected was dismantled under pressure from aggressive banks eager to exploit the opportunities of globalization free from the restraining influence of regulation and even commonsense. It was almost unthinkable at that time to imagine that the world's leading proponent of free enterprise should introduce radical socialist policies. Yet during the following two years, FDR pushed even further by ushering in the New Deal, a radical reformulation of public policy to promote social security in a country previously resistant to all government-sponsored welfare measures. Had he not died prematurely before the end of the war, he would have capped his revolutionary program with a new bill of economic rights, which included the right to employment.

"The current paradigm is based on outdated and naïve economic theories and assumptions, such as the infallibility of free enterprise, which ignores the obvious fact that unregulated markets, like other networks, are neither free nor fair, for they invariably become skewed in favor of the early adapter or the most powerful."

The challenges confronting humanity today are as formidable and threatening as any or all of these earlier challenges combined. At the same time the opportunities available to humanity to meet the needs of all human beings have never been greater. Both the compulsions of eminent danger and the prospects for unprecedented progress constitute powerful incentives and enabling conditions for unparalleled actions with potentially momentous consequences.

3. Characteristics of the Existing Paradigm

Ideas and values underlie all our thought and action. The world we know today is a natural consequence of ideas and values formulated in the past, adopted over time and still prevalent in spite of increasing challenges to their validity, fairness and relevance. The existing paradigm of global development is based on a set of spurious assumptions, premises and principles which may have had some utility in the past but now represent serious impediments to global social, economic and political progress. There are numerous reasons why the present paradigm fails to provide optimal solutions.

The current paradigm is based on outdated and naïve economic theories and assumptions, such as the infallibility of free enterprise, which ignores the obvious fact that unregulated markets, like other networks, are neither free nor fair, for they invariably become skewed in favor of the early adapter or the most powerful. It is based on measures of economic value that consider expenditure on arms exports, war and environmental catastrophes to be of equal value to those on education, health care and human security. It is based on a narrowly defined notion of economic efficiency that completely neglects the wider efficiency of the society of which economy is but a part. A society with 20 or 50% youth unemployment does not qualify as efficient by any rational considerations, for it is a society that is squandering its most precious and perishable resource and sowing seeds for future revolution. It is based on eco-

conomic doctrines more appropriate to an industrial economy at a time when services represent three-quarters of all economic activity and more than 60% of all employment.

The current paradigm is also based on outdated concepts regarding national and global governance. In countries around the world rule by money power and plutocracy masquerades as representative democracy. It supports an undemocratic system of global power sharing established more than sixty years ago that is grossly out of tune with current day realities. It is founded on a narrow conception of national sovereignty that – regardless of the actual form of national government – subordinates the legitimate rights of individual human beings and the collective rights of the human community to that of national governments acting on behalf of special interests and power groups. It upholds the right of some nations to special privileges unmatched by any commensurate responsibilities. It sanctions the production, possession and possibly even the use of weapons that violate the humanitarian rights of all humanity and endanger the global environment.

4. Comprehensive Solutions are Possible

An impartial, open-minded assessment makes it evident that viable solutions can be formulated to address all of these challenges, but that they can only be found by looking beyond the prevailing framework of values, ideas, strategies, policies, and institutions on which current solutions are based. The global economy is capable of producing sufficient goods and services to eradicate poverty and meet the needs of all human beings. Global society possesses or can develop the capacity to provide education and adequate healthcare to all its citizens. The very fact that so many human wants remain unfulfilled while more than a billion people are in search of work reflects

“Solutions do exist or can be formulated, provided we are willing to ask some fundamental questions that challenge prevailing dogma.”

the superabundance of human resources available to address unmet needs. Regulatory and technological solutions do exist to mitigate climate change and augment water resources. The world is afloat with money – more than \$200 trillion in global financial assets. If properly invested and allocated, they would be more than sufficient to generate employment opportunities and adequate incomes for all. Shifting the tax and incentive bias which favors technology-intensive capital investment to favor human-capital-intensive investments instead would radically alter global employment prospects. Pricing natural resources at their replacement cost rather than the cost of extraction could safeguard the interests of future generations while providing incentives for more efficient utilization and substitution. The eradication of war and abolition of weapons of mass destruction are an achievable goal, provided an alternative framework is established to ensure the security of all nations.

Solutions do exist or can be formulated, provided we are willing to ask some fundamental questions that challenge prevailing dogma. To cite a single example, financial markets originally developed as an adjunct to the real economy designed to pool capital for investments that meet human needs and generate employment. Today, financial markets have become divorced from that original purpose and are left free to act in ways that directly undermine

the effective functioning of the world economy. Current policy regards the right to free speculation by the wealthy as more fundamental than the right of every human being to gainful employment and economic survival. A punitive tax on speculative financial transactions is just one of the many feasible policy measures that could redirect tens of trillions of dollars into essential investments to create sufficient jobs for youth and the elderly, rapidly raise global living standards, reduce mortality rates, spread education, replace climate disruptions with renewable energy production, extract drinking water from the oceans and thereby eliminate the underlying sources of frustration and unrest that threaten social stability.

5. Characteristics of a New Paradigm

What the world most urgently needs is fresh thinking to formulate a new intellectual paradigm with the following characteristics:

- It fully comprehends the interrelationships and interdependence of all dimensions of global society and social development.
- Its goal is to optimize human welfare and well-being for all human beings.
- It recognizes that universal human values are not merely inspiring ideals. These values are the only viable basis on which sustainable progress for humanity is achievable.
- It gives central importance to the full development and utilization of Human Capital as the driving force and Social Capital as the most essential enabling technology for rapid social evolution.

Ideas have an enormous power to change the world. The new paradigm would have to be based on a new set of ideas and new principles for their application. Foremost among them must be the central aim of ensuring security and promoting the full and equitable development of all human beings. Society is an organization, an advanced network, with unlimited power to promote human welfare. To be effective it must effectively reconcile the values of freedom and equality, the rights of the individual with the rights of the collective. Education needs to be recognized as the prime instrument of conscious social evolution. Therefore, highest priority must be placed on raising levels of education globally to the highest possible level. Development is the result of social, political and legal processes. It cannot be achieved simply by more economic growth or by adoption of ever new technologies, while ignoring the need for wider social and political changes.

With regard to economy, the new paradigm must be based on the realization that money, markets and technology are human creations intended to serve, not dominate or enslave, humanity. It must recognize that human capital is the most precious of all resources, a resource of virtually unlimited creative potential, and give highest priority to the full development and free creative expression of human capacities. Economic value must reflect real contribution to human welfare. Economic systems must be founded on the principle that freedom and regulation go hand in hand, freedom for individual action and regulation to ensure the fairness and equity of social systems. As economy is a subset of society intended to promote social welfare, financial markets must be so regulated to support the real economy. Emplo-

ymment needs to be recognized as a fundamental right, the economic equivalent of the right to vote in democracy. The new paradigm needs to recognize that the shift from a scarcity based industrial economy to a knowledge-based service economy with untold productive power requires a reconceptualization of economic value and new measures of economic performance. It needs to understand money as a social organization that capitalizes trust capable of multiplying the prosperity of all, rather than as a scarce material resource or power to be hoarded and applied for the benefit of a few.

"Many of these ideas may appear utopian or unachievable under the present political dispensation, precisely because they touch the root causes of current problems that we have thus far been unwilling to address."

With regard to governance, international institutions need to be founded on true principles of representative democracy. The principle of sovereignty needs to be redefined to reflect the rights of the human collective to security and a fair sharing in the earth's abundant wealth. A truly cooperative global security system that enhances the security of all nations must replace the existing competitive system in which measures to enhance the security of one nation or group reduce the perceived security of all others. It must be based on the conception that law is a codification of the public conscience. International law must reflect the universal values and enlightened views of humanity rather than the negotiating power of governments. The basic premise of a global security system must be that war is illegal and must be abolished and that weapons of mass destruction are a crime against humanity.

These ideas, principles and values are intended to illustrate that solutions can be found to the entire range of challenges and opportunities presently before us. Many of these ideas may appear utopian or unachievable under the present political dispensation, precisely because they touch the root causes of current problems that we have thus far been unwilling to address. An impartial study of their implications should be sufficient to convince those with open minds that solutions are indeed possible and that implementation of a new paradigm, no matter how difficult, could quickly usher in a world far more stable, secure, prosperous and just than the world we live in today. They are intended to dispel the fatalistic notion of human helplessness and point to the deeper issues that we are compelled to address, either by an enlightened evolutionary transition now or by more violent revolutionary upheavals in the future.

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Notes

1. Kishore Mahbubani, *The Great Convergence: Asia, the West, and the logic of one world* (New York: PublicAffairs, 2013), 16.
2. Ibid, p.15.

The Demographic Revolution: Reconceptualizing Macroeconomics

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Abstract

It is important to reconsider the measurements which refer to the “Wealth of Nations” and from which the most appropriate references for better welfare policies are derived. In the present Service Economy, not all the “value added” measures indicate an increase in the level of wealth (the costs to cope with pollution for instance), whereas many developments in service functions and performances (in the case of many communication systems for instance) add to real wealth much more than the usual value added references indicate. In particular, the notion of productivity in a Service economy is much more relevant with reference to performance in time (hence in a probabilistic system) than to the production factor costs (in an equilibrium-based system). But all this is linked to progress in economics as a discipline, and to its integration with environmental issues (which also pretend to solve the problems of the “Wealth of Nations” on the basis of their “sustainability”). This will be a new era in economic development which will be beyond current extrapolations and will hope for “growth” in the traditional Industrial Revolution perspective.

The global demographic revolution is taking place in a situation of profound economic change, which requires that we consider what today constitutes “The Wealth of Nations”. This is of course a very complex matter that I have tried to deal with over the last 30 years.^{1*} Only the main points of reference are listed hereunder for the sake of discussion and further research, keeping in mind the fact that the word “sustainability” is in fact an indicator of the necessity to reconceptualize macro-economics and hence the definition and strategies for “wealth”:

- The notion of wealth is often considered similar to that of National Income, without our realizing that the first normally relates to a stock of goods and services, and the latter to a flow (of remunerated production, the “value added”). In this way, a country or town can be very “rich” by spending money on waste disposal, rebuilding houses destroyed by hurricanes or wars, cleaning water and air, but still be at the lowest level of development.
- The basic implicit assumption when the discipline of economics was first developed (by Adam Smith and followers) was that in a world of scarcity, the value added was really

* See also *The European Papers on the New Welfare*, 11 issues published since 2005 (of which 6 are in English). Content fully available at www.newwelfare.org

adding to the natural wealth. It was the successful birth of the Industrial Revolution, which also produced what we now know as “economics”. Manufacturing was the key then.

- Ever since, economic activity has been divided into three sectors (agricultural, industrial and services). This subdivision is misleading, since 80% of all jobs are in the Services sector. Services represent the major component of economic activity today, even WITHIN the industrial production (from research to waste management).
- There is no product without service and vice versa; only the relationship between the two has changed. Thanks to technology, in most cases, the production costs of tools have, in relative terms, greatly diminished and the utilisation costs – through services – have greatly increased.

“Science is a process of advancing knowledge by surpassing all our present limits, which we all know is incomplete.”

- We would like to stress the point that the notion of value itself depends on a chain of “productions” which starts with R&D, well before any “manufacturing process” begins, and depends on the ability to manage a portfolio of research possibilities – hence a first form of risk management. The manufacturing phase itself is based on a majority of service functions (planning, quality control, safety control, storage, distribution, financing etc.). Then the product and related services go through a period of utilisation (which is the real value added) based on the management of two uncertainties: the length of time of utilisation, the costs of repair, accidents and maintenance. At the end, there is the cost of waste disposal (with only a part going for recycling). All this is a process based on variable periods of time, where the notions of vulnerability and risk management are fundamental.
- The traditional notion of value is based on the costs (remuneration) of the factors of (industrial) production: the prize is given at a moment in time – crossing the demand curve. This “equilibrium” system is assumed as a theoretical basis for a system which aims at defining or achieving certainty (a kind of tautology). Incomplete information of various kinds is referred to as the reason why in practice there are always margins which make it impossible to achieve a “perfect” system. Some economists still believe that with time, “scientific” advance will reduce this “incomplete” information. In reality, things go the other way because value, real economic value, has to consider longer and longer periods of time, and anything in the future (especially the long term) is largely uncertain. The notion of sustainability is at the core of this issue. On the other side, many social scientists still believe that complete information is the goal of science: science, on the contrary, is a process of advancing knowledge by surpassing all our present limits, which we all know is incomplete. Pascal once said, *knowledge is like a ball in a universe*

of ignorance and the more you expand this ball, the more you get in touch with a larger number of unknown realities.

"Both economists and ecologists should overcome the segmentation of their discipline."

- There is therefore something very profound in the logic where the notion of value in a “service based economy” as an indicator of increased wealth has shifted from the cultural premises of the industrial revolution (the costs of the production factors) to the utilisation of products and systems in a time frame (which is in fact probabilistic). It is also very important to understand that “utilisation” does not mean “use” (in the ancient economic meaning, equal to destination in use), but the period when there is a positive performance producing “benefits” (real, positive value). In this way, waste (and more generally, the environmental or ecological investment) is integrated with “costs”. There is no longer any contradiction between wealth and value.
- Measuring real economic value today requires that we take into account added values which add to wealth, “deducted values” which represent costs to re-establish the destroyed capacity of available resources to produce wealth (e.g. depolluting water), human capital (the stock of knowledge and capabilities available, only partly quantifiable in monetary terms), the environmental capital (also only partly quantifiable in monetary terms). In other words, the definition and quantification of the “Wealth of Nations” require the combination of monetary and non-monetary indicators, positive contributions to human welfare.
- The utilisation and diffusion of money must of course be considered as extremely important, although human nature has a tendency to misuse major inventions (like fire, the knife or the control of the atom).
- Economics should better evaluate the transition from the non-monetarized systems to the monetarized ones, keeping in mind the complementary contribution of non-remunerated activities to wealth and in general to society. Scarcity sometimes is a consequence of human activity (in this case monetarized activities indicate the increase of poverty) and not simply in a natural situation (when the monetarized activities indicate the fight for wealth against poverty). We would also not dismiss the idea that technology might in some cases become so efficient as to make some products/services totally free.
- Economics sometimes (Samuelson, the Chicago school) also indicates that the discipline is also concerned with activities which do not imply the actual use of money: but this refers only to situations where there is an exchange (where in fact money, even if not expressed as such, is an implicit reference). In fact, a large part of wealth can hardly be referred to any exchange system (the value of the oceans, of forests, of the earth’s endowment): only small, partial activities can be and are “monetarized” (mining, logging, tourism etc.), not the whole system. But it is the integration of the whole system which provides the “Wealth of Nations”, extending classical and neoclassical economics well beyond the present frontiers to include all relevant contributing factors to our wealth, at

a time when the Industrial Revolution has given place to the Service Economy.

- In this economy, deterministic thinking linked to notions like the equilibrium of supply and demand curves opens the way to a non-deterministic philosophy and culture, where the issue of managing risks and uncertainty is at the center of the picture to provide economic (probable) value to the future.
- The notion of “sustainability” is in fact an indicator of the necessity for “industrial” economics to make a substantial step to better understand how to increase the wealth of nations. In this perspective, middle and long term issues (“sustainable”) linked to the future inevitably require an analysis based on uncertainty and risk management.
- Both economists and ecologists (and other connected areas), taking example from the type of questions Adam Smith and his followers were after, should overcome the segmentation of their discipline. They would gain credibility. The famous report to the Club of Rome on *The Limits to Growth*, which opened the discussion on many of the issues mentioned here, made it clear that the future of the “Wealth of Nations” cannot be envisaged as a simple extrapolation of the old, traditional Industrial Revolution. Even if industrial (manufacturing) production will remain important (but overwhelmed by services in different forms, the best “industries” use and develop the best services), it is about the development and extension of the Wealth of Nations around the globe that we are concerned. The main limits are in a conceptual mindframe, which we should try to open up.
- Sustainable development has therefore essentially to do with a reconceptualisation of macro-economics. And it is within this context that the ongoing demographic revolution should be considered, as it represents probably the most challenging social issue for our world in the immediate decades ahead. This increasing human capital, in terms of quality, quantity and the extension of the life cycle provides the raw material for one of the greatest challenges in human history.

“Sustainable development has essentially to do with a reconceptualisation of macro-economics.”

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Notes

1. See Orio Giarini and Henri Loubergé, *The Diminishing Returns of Technology* (Oxford: Pergamon Press, 1978); Orio Giarini, *Dialogue on Wealth and Welfare: Report to the Club of Rome* Preface by Aurelio Peccei (Oxford: Pergamon Press, 1980); Orio Giarini and Walter Stahel, *The Limits to Certainty – Facing Risks in the New Service Economy* (Information Series of the Club of Rome and The Risk Institute, Geneva), Preface by Ilya Prigogine (Dordrecht: Kluwer Academic Publishers); Orio Giarini and Patrick M. Liedtke, *The Employment Dilemma and the Future of Work* (Report to the Club of Rome) (Geneva: The Geneva Association, 1996).

Networks: Innovation, Growth and Sustainable Development

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Abstract

The emergence of the Internet as a measureable manifestation of our social and economic relationships changed the domination of networks in our lives. From about 2000, the internet has allowed us to study and understand the type of networks in which we live, and to model their behaviour. The Internet has fundamentally changed the distribution of wealth. The rich became richer simply because of the larger scale of the trading network and stretched national wealth distributions. Network effects are therefore likely to be responsible for much of the perceived increases in inequalities in the last 20-30 years, and policies to tackle poverty must therefore address the extent to which the poor can engage with society's networks of wealth creation. The greatest challenge to continued growth and prosperity, and therefore to peace and justice, is climate change. The potential cost of inaction on climate change could be as high. Our self-organising social networks have structured our societies and economies, and are now reflected in our technology networks. We can now replicate their evolution in computer simulations and can therefore better assess how to deal with the greatest challenges facing us in the next few decades.

Networks dominate our lives. They dominate our economic and social behaviour, yet until the last few decades we knew little about how they behave and grow.

This changed with the emergence of the Internet, not just as a communications tool, but as a measureable manifestation of our social and economic relationships. From about 2000, the internet has allowed us to study and understand the types of networks in which we live, and to model their behaviour.

These insights have since been transferred across to economics, ecology and biology, providing new insights into the nature of evolution in all areas. There have been numerous valuable successes and these have raised expectations that the science and modelling of networks can make a major contribution to economic policies, sustainable development and medicine. The application that has raised most expectation is in economics. However, there are limits to what can be done. From my experience in the last few decades, let me summarise what we now know, and what we can and can't do.

1. Self-Organising Networks

There is now no doubt that social and economic systems have most of the characteristics of one of the four types of self-organising networks: scale-free, “small-world” networks. It is worth reminding ourselves what these characteristics are: A power-law (n^x) relationship between nodes (people, businesses etc) and the number of links between them, and a power-law distribution of other key parameters (wealth, influence, and also fluctuations around dynamic equilibria etc.). Such networks emerge naturally in nature and society, and give rise to the dominance of “hubs” – key individuals and businesses; to the inequalities we know so well as Pareto’s 80/20 rule; to “non-linear” responses to change, and to the fluctuations we see in equity markets.

“Computer simulations can never reflect the full complexity of human behaviour and interactions.”

The dynamics of such networks can also now be well modelled. They emerge naturally as a result of simple rules of “preferential attachment” to more connected nodes and are robust to disruption (which is why the Internet was designed this way), and therefore also to deliberate change by policy intervention. Their evolution is also “path-dependent”, so the effect of a policy intervention depends on the starting point and previous history. They are in continuous evolution, don’t have static equilibria, and are susceptible to “boom and bust cycles”.

2. The Challenge to Economic Analysis and Projection

The economic models used by all main-stream economic institutions are still “dynamic stochastic general equilibrium” models. However, the recognition that our economic and social systems are complex dynamic networks requires new modelling approaches, notably “agent-based” modelling, that explicitly recognise the interconnectedness of different agents (people, businesses and parameters). These models can replicate and “explain” many of the characteristics of our economic systems. However, economic and social change can only be studied by letting computer simulations of the interplay of complex interactions “play out”, and computer simulations can never reflect the full complexity of human behaviour and interactions. We will therefore need to continue to use a combination of General Equilibrium models for short-term steering of our economic systems, and “agent-based” network models for more long-term analysis of growth, innovation and sustainable development.

3. Boom and Bust in Networks

A first useful insight emerged very quickly with the boom and bust of “Internet-related” companies in the period 1998-2003. PC-based dial-up access to the Internet and GSM mobile telephony are both classic “network” technologies; the value depends on the square of the number of users.* Growth is therefore initially hyperbolic: It follows Metcalfe’s law (faster than exponential), but then slows as the utility of additional links and participants diminishes. All growth patterns are self-limiting; network growth also slows and eventually saturates,

* The value of a network is related to the number of participants and number of others they can connect to: the square of the number of participants.

as in the case of the penetration of GSM telephony and PC-internet use, and now seen in social networks such as Facebook. Equity value of Internet and GSM-related companies which had been grossly inflated by extrapolations of ever-faster “exponential growth” collapsed as the growth-rates slowed. A simple model of self-limiting hyperbolic growth well reflected the evolution of technology use, with growth rates following its first differential and equity-values, the second differential. A more complex but analogous pattern underlies the current economic crisis, with its origins in the business, banking and government networks which followed an unsustainable enthusiasm for debt-financed investment.

“Smaller national and regional trading networks have a much smaller range of wealth, so globalisation has made the rich richer simply because of the larger scale of the trading network.”

4. Growth, Equity and Poverty

The growth of scale-free complex networks generates inequalities in most of their key parameters. In the internet, this is seen most notably in the number of links per node and the number of visitors per website. These follow “power-law” distributions with large numbers of nodes with few links and a few with many, much like the distribution of wealth in a population. Globalisation fundamentally changed the scale of networks in which we live – more, and more varied contacts, both socially and in trade. The Internet added and complemented this by fundamentally broadening and speeding-up our networks. These changes naturally change the distribution of wealth: Smaller national and regional trading networks have a much smaller range of wealth, so globalisation has made the rich richer simply because of the larger scale of the trading network. In addition, the rich end of the global wealth distribution exists in most countries and stretches national wealth distributions. Faster and wider trading on the Internet opens new opportunities and makes a few people richer faster, and may even increase inequalities, but is unlikely to change the poverty of billions, and puts new downward pressure on the wages of the least skilled in the USA and the EU. Network effects are therefore likely to be responsible for much of the perceived increases in inequalities in the last 20-30 years: Policies to tackle poverty must therefore address the extent to which the poor can engage with society’s networks of wealth creation.

Despite a higher probability of large fluctuations than would traditionally be expected (in equity and bond markets), complex networks are fundamentally robust, and their long-term behaviour is therefore relatively predictable. Assessments of probable world growth and prosperity to 2050 by the OECD and the International Futures system, both using “agent-based” simulations, are very similar. Individual countries and regions go through crises, but overall changes in key global parameters such as employment rates, GDP and energy-use are projected to grow continuously over the next 40 years, as they have over the past 40 years: World GDP could be 4-times larger by 2050, but with major increases in Green House Gases concentrations and losses in bio-diversity.

However, the long-term resilience and adaptability pose new challenges to policies for sustainable growth. Because of the interconnectedness of so many parameters, no single policy measure (such as shifts in government expenditure) has a direct and linear impact on outcomes: The system adapts, sometimes in ways that were not intended. It is resilient to change. This makes “impact assessments” of single policy initiatives ineffective, and makes “cost-benefit” analysis a poor basis on which to base policy choices. Only complementary portfolios of policy measures can have significant impact, as we had shown in 2005 with the International Futures simulations. Greater investment in education, innovation, non-fossil energy and social equity could all contribute to greater and more widely-shared prosperity in 2050. A combination of increased investment in research and innovation, notably in “networking technologies”; education, health-care, and non-fossil energies, could significantly improve prosperity, equity and governance by 2050. The most effective long-term policies build around a small number of dominant drivers of change, and complement them with flanking policies to enhance adaptation.

Other policies must now focus on the intensity of links: the connectedness of people and businesses: Trade liberalisation widens and strengthens collaborations and trade, but must be accompanied by coherent regulations – banking rules, labour laws, product-safety specifications etc. The value of such approaches has been demonstrated by the increased connectivity of the European research community as a result of collaborations through EU research programmes. Not only has this reduced the fragmentation of research in the EU, but even small universities now have close links to the world’s best researchers. This widens the range of new ideas that can be exploited, increases the number of skilled people that can contribute to leading-edge innovations, and helps provide a critical mass of new investment to take ideas to marketable services.

5. Climate Change: a Game-Changing Threat, but with Network Solutions

The greatest challenge to continued growth and prosperity, and therefore to peace and justice, is climate change: Climate change is already beginning to disrupt regional climate systems and has increased the frequency of disruptive extremes. If these changes continue, large numbers of people will be displaced and large costs of protection and recovery will be imposed on the society. We are heading in this direction.¹ The most recent assessments from the OECD indicate that, with current policies, world energy demand in 2050 will be 80% higher, with still 85% supplied from fossil fuels.² This would lead to a 50% increase in greenhouse gas (GHG) emissions, with CO₂ concentrations reaching 650ppm by 2050, and global average temperature rising by 3-6 degrees C by 2100,* and worsening air pollution. The OECD report recommends environmental taxes and emissions trading; valuing and pricing natural assets and ecosystem services; removing environmentally harmful subsidies (to fossil fuels or wasteful irrigation schemes), and encouraging green innovation.

Assessments of policy options with the International Futures system in 2005³ showed that a broader combination of increased investment in research and innovation, notably in “networking technologies”; education, health-care, non-fossil energies together with a global

* The UK Royal Society estimated in 2011 that with 4 degrees warming, half the world’s current agricultural land would become unusable, sea levels would rise by up to two metres, and around 40% of the world’s species would become extinct.

carbon-emission price, would be needed to stabilise CO₂ concentrations (at about 500ppm) by 2050. However, these measures would have to be implemented by most major countries: Action by the EU alone would have little effect.

More recent assessments with the International Futures system for the European Commission* indicate that a combination of accelerated deployment of “network innovations” (broadband communications and smart-grids), together with a global market price for carbon-emissions, could cut global emissions after 2025 and stabilise CO₂ concentrations (again about 500ppm) by 2050. The OECD assessment indicates that global carbon pricing could be sufficient to lower GHG emissions by nearly 70% in 2050 compared to the baseline scenario and limit GHG concentrations to 450ppm, and would slow economic growth by only 0.2 percentage points per year on average.

The potential cost of inaction on climate change could be as high. The recent assessments of the changes in probability of extreme weather by Jim Hansen show the magnitude of change already experienced. If change continues at the same pace over the next 20 years, extreme weather events will impose a major burden on growth and prosperity by 2030. The assessment by Stern in 2008 indicated the cost could be 5-20% of future GDP. More recently, the OECD estimated that the cost could be 14% of average world consumption per capita by 2050. The “World in 2052” assessment by Jørgen Randers of the Club of Rome, published in 2012, estimates that the world could be 40% less prosperous in 2052 than the simultaneous OECD assessment, largely because of assumed lower population growth and the costs of adaptation to and damage from extreme weather.

So far, most government policies, to slow the growth in greenhouse gas emissions at the national, regional (EU) and world levels, have been too narrowly-based and relatively ineffective. The EU Emissions Trading System is close to collapse from over-generous emission allocations and fraud. In addition, we are now past the time when gradual reduction in emissions can alone keep temperature rises within 2 degrees C. We may soon be in the situation where we need to draw-down GHG concentrations to stabilise the climate. What can we then do to improve the effectiveness of public policies to mitigate climate change? And how do our insights into networks and innovation help?

Sensitivity analyses using the International Futures and OECD systems have shown that the three key drivers of change to economic growth consistent with climate stabilisation are 1) a robust carbon-emission price converging to the cost of capture and sequestration, 2) low-carbon energy networks that can accommodate a variety of variable energy sources and assure reliable and affordable energy for all, and 3) accelerated deployment of innovations such as high-speed communications to most people and businesses to enable structural change in products, services and lifestyles. Infrastructures are the key to effective networks, and the key infrastructures for low-carbon prosperity are:

- A coherent and robust world “carbon-accounting infrastructure” of monitoring, reporting, labelling and trade, with credits for certified sequestrations, tradable

* Using state-of-the-art models and tools for the assessment of ICT impacts on growth and competitiveness in a low-carbon economy: DG-Information Society, November 2009.

against emissions, with market access by billions of land-users and enterprises. This market must be transparent to investors, companies, governments and individual consumers.

- “Smart grids” for electrical power distribution, with real-time pricing to consumers; and
- High-speed social and business connectivity everywhere, affordable for everyone (mobile and fibre access)

The former could build on the agreements brokered by the World Business Council for Sustainable Development and the Carbon Disclosure project of Institutional Investors. The latter can be rolled out on the basis of the 4th Generation of mobile radio-based systems and fibre in most of the developed world by 2015, and could be affordable for over half of the world’s population by 2020.

6. Concluding Remarks

Our self-organising social networks have structured our societies and economies, and are now reflected in our technology networks. We can now replicate their evolution in computer simulations and can therefore better assess how to deal with the greatest challenges facing us in the next few decades.

Climate change cannot be allowed to run out of control. Its effects will de-stabilise societies and impose huge costs on our economies. Assessments of the effectiveness of policy options to 2050 indicate that a broadly based portfolio of policy changes will be needed, built around a robust pricing of carbon-emissions engaging most businesses and people in the developed and developing world in a new network of carbon trading, with the price eventually set by the cost of capture and sequestration.

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Notes

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Human Centered Development Perspective: Insights from Trieste

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The Trieste Forum in March 2013 marked a significant milestone in the effort of the World Academy to evolve a comprehensive, integrated, trans-disciplinary perspective for addressing global challenges. An initial presentation on the physics of Dark Matter aptly illustrated the need for new thinking in the social sciences. If the most mathematically rigorous of physical sciences is compelled to postulate the existence of an unknown, invisible substance and energy representing 96% of the total matter and energy in the universe, how much more true is it that the fundamental factors responsible for the development of society are subtle, imperceptible to the senses and beyond comprehension by the present concepts of social science. In comparison to Dark Energy and Matter, the magnitude and complexity of Human Capital might well be likened to an infinite number of parallel universes (multiverse).

There was a time not long ago when human labor was valued primarily as a factor of production measurable in horsepower equivalents and substitutable by machinery. Today our conception of the human resource is far more sophisticated. Like visible matter, the physical dimension of human capital referred to as labor is only the tip of the iceberg. Our modern economic system is predicated on the principle that human beings can express their full potential only in an atmosphere of freedom where their energies can be fully released and channeled into productive, entrepreneurial and creative activities. Past WAAS President Harlan Cleveland coined the phrase 'revolution of rising expectations' to capture the central role played by the release of social energies in the post-war period. Unleashing the energy of human aspirations has been a principal driving force for the remarkable achievements of the past two centuries through progressively widening circles of liberalism, human rights and democratic governance.

As the discovery of fire and invention of agriculture transformed human life in the distant past, the immense intellectual creativity of the 20th century has dramatically demonstrated the transformative power of ideas to change the world. The human mind is our most powerful

and productive resource. An alliance of scientific research with technological innovation spurred the second and third industrial revolutions that have radically altered the way human beings move, communicate, work and live. Indeed, it is now evident that mind is the source of all other resources, for materials become productive resources only when human beings recognize their value and discover the means of putting them to use, as we have transformed the organic remains of earlier life forms into energy, plastics, textiles and life-saving pharmaceuticals.

Values are more subtle than ideas and even more powerful, for they constitute the foundation stones and pillars on which civilization and culture rise and determine the limits to which they can ascend. The emergence of universal human values based on freedom, equality and social justice has transformed our conceptions about humanity and our relationships to one another, making it almost unthinkable to recall that not long ago slavery, imperialism, apartheid and authoritarianism were righteously justified and flaunted before the world.

Human Capital is an infinitely complex microcosm capable of unlimited development. Social Capital constitutes a macrocosm of equally great complexity and potential. Side by side with the visible evolution of technology we have developed to liberate ourselves from the drudgery and limitations of physical labor, we have also been fashioning ever more powerful and effective social organizations to enhance our capacity for effective relationship. From the invention of language in the distant past to the founding of cities and the evolution of markets, money, modern enterprises, NGOs and international institutions, human history represents a continuous social experiment to harness the remarkable powers of social organization for human welfare. Today, the primary source of our wealth is no longer the field or the factory. It is the modern knowledge-based service economy, which is founded on human relationships and powered by sophisticated social organizations.

Indeed, human relationships have always been the primary source of wealth, for neither markets nor money would exist without them. The growing prosperity of the modern age is founded on conditions of peace, social stability and cooperative relationships between individuals, groups and nations within ever-widening, more closely integrated circles. The emergence of democratic forms of governance at the national and international level; modern systems of education, healthcare and social welfare; global networks for scientific research, communication and transportation constitute essential infrastructure for the evolution of global society.

The recent development of the Internet as the first truly global social organization has brought us full circle back to the most fundamental principle of our development – our relationships with one another. For the first time in history we have the capacity to fashion a global social network in which each individual is empowered to draw upon the resources of the entire world and also directly contribute to the enhancement of our collective social capacities. The fabric of society is an ever-expanding, continuously evolving, increasingly complex and effective social network.

“Human relationships have always been the primary source of wealth, for neither markets nor money would exist without them.”

The quest to unravel the mystery governing the relationship between the physical microcosm and macrocosm has preoccupied physics for a century since the discovery of Relativity Theory and Quantum Mechanics. So too, the quest to discover the most effective relationship between the human microcosm and macrocosm, between Human Capital and Social Capital, promises to unleash creative powers for human welfare and well-being with momentous consequences for the future of humanity.

"Humanity's destiny is a matter of choice, not material determinism."

The individual human being is the unknown link between these two universes. The individual as member of society is a product and expression of the endowments of the collective. At the same time the individual as pioneer, leader, inventor and original thinker is the catalyst for all social progress. The individual is the source of the ideas, the energy and the values that drive human progress. As Physics continues its search for an ultimate theory of the material universe, the most important quest of the social sciences must be for a greater understanding and practical knowledge of how to most effectively fashion social institutions to unleash and channel the creative powers of its individual members for the welfare and well-being of all. The knowledge most needed today is the framework for a comprehensive science of social evolution, a science founded not only on an understanding of human nature as we observe it, but also on the realization that this potential is not a fixed constant. The laws governing society are not immutable laws of nature but principles based on the values and choices we make, which are capable of unlimited development. Humanity's destiny is a matter of choice, not material determinism.

"Our system of education still largely regards human beings as vessels to be filled with information rather than living, thinking, creative human beings who must be encouraged to fully develop their talents and capacities."

The world is in search of the social equation that provides maximum freedom for the individual to release and express his energies productively and creatively within a social organization that ensures equity and promotes the maximum welfare of all its members. Some essential elements of that ultimate social equation are already known. Freedom is essential, but freedom without regulation to ensure equitable standards of fairness and reciprocity quickly degenerates into license and self-destructive egoism. Unregulated markets lead to unsustainable levels of inequality, concentration of social power and governance by plutocracy. The challenge we face is to balance and reconcile the individual and collective dimensions of this formula.

We know also that extending basic human rights to all human beings within a framework of democracy and rule of law is an essential requirement. This includes social and economic as well as political rights. In modern society, access to employment is the economic equivalent of the right to vote in democracy. In order to develop and release the full poten-

tial of future generations, the right to employment must be guaranteed. This is an essential condition for social justice and the preservation of social stability. As Jasjit Singh reminds us in his paper “Revolution in Human Affairs: The Root of Societal Violence” published in *Cadmus* Issue 2, unfulfilled rising expectations can quickly degenerate into rising levels of frustration, social unrest and violence. Human security, human welfare and well-being go hand in hand. Democracy must also be extended from the national to the international sphere. Undemocratic institutions of global governance preserve rule by the most powerful, which is incompatible with global rule of law. Law is the codification of the public conscience. The prevailing concept of national sovereignty, which is claimed by all states regardless of their mode of domestic governance, is itself a denial of the sovereign rights of the global human collective.

Education is the most remarkable of all social institutions, for it is the instrument humanity has fashioned for conscious social evolution. Education is the means for endowing each individual member of future generations with the essential knowledge accumulated by the collective experience of countless past generations, so that the youth of tomorrow can start off and advance further from the highest point attained by humanity until today. Although quantitatively more and better education has been extended to more human beings than ever before, we are still a long way from achieving the goal of universal coverage and raising the level and quality of education from the minimum to the maximum. Moreover, our system of education still largely regards human beings as vessels to be filled with information rather than living, thinking, creative human beings who must be encouraged to fully develop their talents and capacities. Education as a social science is still in its infancy. It has achieved the capacity for mass production. It has yet to acquire the capacity for customization adapted to the unique endowments and potential of each individual. When that is achieved, the now rare geniuses in enterprise, invention, science, thought and the arts may become commonplace.

Mind is the instrument through which we seek knowledge and the characteristics of human mentality impose practical limits on our rationality and effective knowledge. Foremost among the dominant tendencies of the human mind is the propensity to divide reality into smaller and smaller components, while losing sight of the whole which is more than the sum of its parts. Finance needs to be reintegrated with economy. Markets need to subserve human welfare. The narrow boundaries of economy need to be extended to reflect continuously evolving relations with the non-monetarized sector, its fundamental dependence on law and government, the ecological continent on which it is based, and the social context in which it functions. The interdependence of money power, political power and social power must be reconciled within a single formulation.

Another prominent characteristic of our mentality is its tendency to formulate abstract words, concepts and symbols to represent reality and mistake the abstract symbol for the reality it only imperfectly represents. Like the advocates of neoliberalism, we often mistake theoretical constructs for practical truths or misapply concepts of the physical sciences to the human sciences in which conscious awareness and volition replace the automatic mechanism of physical nature. Survival of the fittest may well be the law of the jungle but cooperation for mutual benefit and dedication to higher principles and goals are the foundations of civilization and culture and those that most distinguish human beings from our animal predecessors.

Future social science must encompass all the dimensions of human life – political, economic, organizational, technological, social, psychological, cultural and ecological – as aspects of a single integral reality. All facets of the complex multidimensional development of human society are founded on more fundamental processes of human development. The quest of social science is not for impersonal knowledge but effective power and the only legitimate power science can seek is the power to realize the welfare and well-being of all human beings. For that it must become a purposeful and value-based body of knowledge reintegrating science with philosophy, ethics and spiritual values. Let us recall that Adam Smith was a moral philosopher in search of an effective formula to promote human welfare, not an impartial natural scientist in search of impersonal universal truth. Economic value is inseparable from human values.

Growing awareness of humanity's relationship to the environment has been a crucial turning point in our awakening to greater self-consciousness. The dream of unlimited material production and consumption confronts an impenetrable wall resulting from the depletion of precious, non-renewable material resources and the destructive impact of unbridled, wasteful human activity on the biosphere. Economic value must also reflect ecological value. So also, human security cannot be assured so long as both humanity and the ecosphere are threatened by the calamitous prospect of accidental or intentional nuclear detonations. The very existence of nuclear weapons on earth represents an existential threat to civilization.

But the really confining limits are not material or technological, but conceptual. For human ingenuity has amply demonstrated the capacity to produce more from less. The scope for further increasing the productivity of available resources is enormous. The real barriers are the limits imposed by prevailing ideas and values. We are unwitting and unknowing prisoners of our own conceptions. The greatest need of humanity today is for creative leadership in thought that challenges the conventional wisdom and dogma which often masquerade as scientific knowledge. Society as it functions today is the product of past experiences, developed power structures and vested interests which present an inertial resistance to our future evolution. The want of leadership or political will so often lamented is founded on outmoded concepts, beliefs and values waiting to be challenged, exposed and reformulated. The political will and power to abolish slavery and end colonialism had to first attack the intellectual foundations on which these archaic institutions were based. Courageous leadership in thought must precede effective leadership in action.

"Uncertainty is only another term for the Unknown or the Unknowable, which is our future destiny."

Beyond all that we know and conceptualize lies a limitless vista of uncertainty. From this domain issue ever new challenges to our knowing and our security. Uncertainty in physics is the basis for all physical systems: molecules, atoms, even nuclei, would not exist without uncertainty. The uncertainty in social systems is even greater, for the laws governing society and its development constantly evolve, whereas the laws of the physical universe have remained unchanged for billions of years. Black swans are an ineluctable characteristic of social life. In a sense, all human action is an endeavor to manage risks and conquer uncertainty by greater knowledge and more effective social organization. But it is a never

ending quest. For the very uncertainty in human systems which is the source of the ignorance and insecurity we seek to eliminate is also the source of new ideas, inspiring values, marvelous innovations, more abundant wealth and richer creative potential that are the product of evolving human consciousness. Uncertainty is only another term for the Unknown or the Unknowable, which is our future destiny. Our evolutionary conception needs also to embrace this limitless, indefinable source of human potential.

Viewed from this emerging perspective, the multiple individual lines of the World Academy's programmatic activity imaged below coalesce to form the first vague outlines of an integrated intellectual framework for understanding and addressing the opportunities and challenges facing humanity in the new century.

Figure 1: The World Academy's Programmatic Activity



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The Right to Development: Importance of Human and Social Capital as Human Rights Issues

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Abstract

One of the most far-reaching decisions of the United Nations General Assembly was the adoption of the Declaration on the Right to Development in 1986. The Declaration was adopted with an expectation of optimism about progression to a new global economic dispensation. This did not happen. However, the Declaration remains an important symbol of global expectation. Notwithstanding it is an instrument that remains contested in many global fora. To the extent that the expectations of the Declaration received modest success, it is possible to explain this by the fact that the Declaration anticipated an economic theory that had not been intellectually and scholastically developed to make it work in practical policy arenas. On the other hand, a competing theory had evolved which embodied an important level of intellectual coherence and was justified by a version of conventional economics that supported the political perspectives of the capital-intensive states and related interest groups. In this competitive universe of economic paradigms, the right to development initiative was seriously disadvantaged. However, things are changing today.

1. Introduction

In a recent volume of *Cadmus*, a publication of the South East European Division of the World Academy of Art and Science, the editors boldly called for a “Revolution in Economics.” They declare that “the discipline of economics is at a crossroads. Either it undertakes a complete re-evaluation of its fundamental postulates and a critical reassessment of their utility to solve real problems or it risks sliding further into irrelevance.” The editors believe that now is the time “for a renaissance of thinking in economics.” They maintain that “inadequate thought” leads to “failed policies.”

The central problem with the conventional wisdom of economic theory is that its 19th century roots were significantly influenced by a conception of science identified with a Newtonian universe. This approach generates an approach to economic order that is largely mechanistic having an autonomous machine-like character. This approach also serves as

“The central problem with the conventional wisdom of economic theory is that its 19th century roots were significantly influenced by a conception of science identified with a Newtonian universe.”

a foundation and a constraint on economic thinking. The editorial note in *Cadmus* illustrates that the conditions of economic organization have changed. Economic evolution has developed a knowledge-based service economy. Under these conditions, the central fact of economic importance is the critical value of human capital. This is a profoundly important insight for understanding economics in its relation to the social and psychological sciences, including law, and the necessity of understanding the interdisciplinary interdependence of social science, economics and law.

“The individual human being as a bearer of social and economic capital is of central importance in the development of a theory of development itself. The central place of the human being and the necessity of integrating knowledge across disciplinary lines are emerging as important elements in a revolution in economic thinking.”

It is a part of the intellectual legacy of the World Academy of Art and Science that a former President of the Academy, Harold Lasswell, also recognized the centrality of human and social capital in the social sciences and law. He spent a lifetime seeking to create a comprehensive theory for inquiry about the individual human being in the global social process. This focus on the individual as a capital resource is also an important idea behind the contemporary development of human rights perspectives and practices in global society. The right to development refines the human rights perspective by making the individual a central component of development from a human rights point of view. The individual human being as a bearer of social and economic capital is of central importance in the development of a theory of development itself. The central place of the human being and the necessity of integrating knowledge across disciplinary lines are emerging as important elements in a revolution in economic thinking.

According to the editors of *Cadmus*, “today there is an urgent need to reconnect disparate fields of thought in the social sciences-economics, politics, sociology and psychology. Unification of the social sciences and the humanities can generate precious insights into social process.” I would add the discipline of law to this process as well.

One of the great insights of President Franklin Roosevelt was his statement with regard to the crisis of the Great Depression, when he observed that this crisis was not the product of an autonomous machine. It was a crisis created by human choices and one that could be ended by human choices. This insight suggests that human choice is integral to human and social capital. Connecting the idea of human capital to human choice brings in the centrality of understanding choice in terms of decision and the architecture of decision itself. The related challenge is the direction of decision making and choice with respect to defensive human goals and values. The most defensible goal of choice and development is the common good

“Human choice is integral to human and social capital.”

of all. Human choice is implicated in the Declaration of the Right to Development and therefore expresses a challenge of new economic thinking to give decision making a central place in theory and to understand challenges of decision for giving operative effect in policy arenas for the advancement of human and social capital in global economic order.

As the editors of *Cadmus* indicate, we need a richer and more scientifically integrated understanding of a multitude of disciplines which can inform a new paradigm of revolutionary thinking in the development of a useable theory of human capital defined developmental processes. I believe that the new thinking pioneered in WAAS is one of the most challenging initiatives for grappling with a coherent and defensible economic theory to give credibility to a global right to development. In short, the context presented by the new economic thinking suggests a promising route to fully understand the problems and possibilities of an emphatic emphasis on human and social capital for triggering the dynamism of development in social process.

Here it seems to me that the model developed by former WAAS President, Harold Lasswell, may facilitate the new economic thinking processes. Lasswell developed a human centered social process description that could serve as a model for knowledge integration across disciplinary lines. Lasswell expressed this in an elegant and reasonably simple framework: Social process means social interaction at any level. Social process/interaction consists of human beings (human capital) pursuing values, through institutions based on resources. This model can be expressed with greater complexity and clarity at any level of social organization. I would suspect indeed, that it is a tool that can bridge the divide between the universe of macro-economics and the universe of micro-economics. This model, as will be shown later, is compatible with the UN Declaration of the Right to Development as well.

2. The Conceptual Challenges of the Right to Development

The conceptual basis of the international right to development is to be found in the Atlantic Charter which Roosevelt declared in the U.S. Congress in 1941. The Charter emerged as an agreement with Churchill to codify the war aims of the allies. The Charter contains the famous Four Freedoms for which the war was being waged. The Four Freedoms were a merger of Roosevelt's New Deal liberalism and Churchill's eclectic humanistic conservatism. The Four Freedoms became the war aims of the allies and the basis for a post-war form of global organization. The Four Freedoms were: the freedom from fear (security); the freedom of speech and expression (political); the freedom of conscience and belief (confessional); the freedom from want (economic and material well-being). It should be recalled parenthetically that when the UN unleashed its millennium development project it recalled that the project was intrinsically a part of the Four Freedoms articulated by Roosevelt.

The end of the war generated conditions which held an uneasy coexistence with the Four Freedoms and the UN Charter. The Red Army had largely beaten the Nazis on the continent. This represented the geographic reality of a socialistic sphere of influence. In certain economic circles this fact saw the state and its control over the means of production as representative also of the extinction of private property and correspondingly, an extinction of

human freedom. A group of individuals met in Mount Peloron and devoted their intellectual efforts to resisting state tyranny. Among the tools they used was a recasting of forms of 19th century capitalism as an intellectual barrier to the unlimited growth of state power. The consequence of the Mount Peloron initiative is a good example of the durability and power of ideas especially when coherently and elegantly expressed, as well as justified at the altar of scientific verification. The fundamental ideas had ideological traction: strong state equals weak freedom. This idea challenged Roosevelt's idea that necessitous human beings experienced diminished freedom. In this view the state was not a destroyer of freedom but an active promoter of freedom by expanding opportunity and promoting equality.

3. The UN's Decisions Relating to the Right to Development

A threshold concern with the United Nations' Declaration of the Right to Development is the challenge to give it an appropriate juridical status. Juris consults have designated the prescriptions and guidelines in these instruments as forms of international economic soft law. I suspect that the weak position that the Declaration on the Right to Development holds in global affairs is that it has been urged to be construed as a document of human rights. However, it is by no means clear that the juridical character of this instrument is obvious. Additionally, I suspect that behind the motivation for the adoption of the Declaration was that it was meant to be a directive providing normative guidance for the idea of global social justice. However, it cannot be said that at the time it was adopted, our theories of political economy, which implicate the social justice normative dimension of global political economy, had been adequately developed to provide a strong conceptual and normative foundation for the Declaration. Additionally, our theories of justice from a philosophical point of view had not evolved to provide us with an objective justification for a universal theory of global social justice universalizing the concept of human dignity.

Institutionally, the UN has taken the right to development as a serious part of its mandate. However, it cannot be said that it has established a dominant place for even the discourse about a charter-based right to development. In point of fact, the UN has strenuously pressed the right to development as an important and evolving charter-based expectation. At the same time, as the UN has pursued this track, the issue has had little traction in many of the centers and fora of global economic policy making. This would suggest that the evolving law of development carries an even softer legal pedigree than its compelling symbols might suggest. It would be appropriate to step back for a moment and trace this development to provide a better understanding of the contemporary prospects and challenges for a human rights based development today.

4. Contextual Background

An important component of the contextual background that has triggered my interest in revisiting the right to development idea, is the importance of the current global economic recession which I believe is founded and generated by a seriously flawed economic theory. That theory emerged as we said as a response to the implied threats which it saw in the

development of a theory couched in human rights terms of a general right to development. That flawed theory is today described as economic neo-liberalism.

At the end of World War II, the victorious powers represented distinguishable versions of political economy. In Eastern Europe, the Red Army, which was significantly victorious over the Nazis, established a geographical sphere of influence with the USSR as the main center of influence. In that sphere of influence the expectation of political economy was that it would be under state control. In the geographic sphere of the West, the guidelines of post-war governance were influenced by the Atlantic Charter and the war aims of the allies. Both of these emergent expectations envisioned an important role for the state in the reconstruction of Europe. These contending perspectives, however, shaped the evolution of the UN approach to the issue of the future of global political economy.

During this period an important group of center left economists and philosophers met in Switzerland and formed the Mont Pelerin Society. They saw the danger that the Soviet style state posed for human freedom, in particular its claim to the exclusive patrimony of the national economy. This approach they saw as an incipient threat to freedom on a global basis. The fundamental idea behind this was that the extinction of economic freedom represented the demise of human liberty. A central component of this emergent perspective was the role of private law institutions. This role historically had established the important technical basis for the protection of private property. Hayek, the Austrian economist, refined this idea by an ingenious merger of law (property law) and economic theory (*Law, Legislation, and Liberty*. 1973, Chicago: University of Chicago Press). The tradition of private law in both the civil and common law provided legal protections against the arbitrary taking of property.

This question of property rights, law and newer approaches to economic theory which required political interventions into traditional private law institutions, came to a head during the period of the New Deal of the Roosevelt Administration. The Supreme Court led the charge in an effort to dismantle New Deal legislation on the basis that they violated private property rights. These private property rights were justified as being beyond the reach of legislative sovereignty. Indeed, they were justified by natural law. This challenge was not so much theoretically resolved as it was resolved by changes in the composition of the court.

In 1945, the UN Charter came into force. Among its major purposes was the obligation to “achieve international cooperation in solving problems of an economic... character.” Article 55 of the text explains that the UN shall promote “higher standards of living, full employment, and conditions of economic progress and development.” In 1966, the UN adopted an important human rights treaty: The International Covenant on Economic, Social, and Cultural Rights. The Preamble to the Covenant recognizes the influence on its adoption of the Universal Declaration of Human Rights, the Atlantic Charter, including its provision for a freedom from want. Overall, the document is an early step in recognizing the right to development. It also places prime responsibility for giving force to these rights on the state. It should be noted that Articles 6 and 7 identify a right to work and the right of an opportunity to work and related work rights. Although the Covenant has a comprehensive codification of prescriptions, it does not give us any guidance that identifies a theory of development or

a global theory of political economy based on social justice goals. Indeed, I would be surprised if anyone in this ordinance could provide a citation in conventional economics that even refers to this instrument.

We must step back a moment to a period shortly before the adoption of the Economic Rights Covenant. In 1960, the UN General Assembly adopted a declaration on the granting of independence to colonial countries and people. This was a sovereignty supporting declaration. It effectually suggested that realizable developmental progress will be facilitated by the expansions in sovereign bodies politic. It also recognized that colonialism had been exploitative and an impediment to development. It therefore implied that new sovereign status would be an ideal vehicle for economic, social and cultural development.

This declaration was followed by a highly controversial sequence of General Assembly Resolutions. These were the Resolutions relating to permanent sovereignty over natural resources of 1962 and 1974. These Resolutions effectually sought to advance thinking about a state-centered right to development. They also underline the strength of sovereignty by changing the conventional international law of rules about the protection of private property in the global environment. It was around Article 4 of the 1962 Resolution that the battle lines were drawn. This Article sought to change the traditional way in which private property was protected globally. Under this Article, a sovereign state could nationalize private property for reasons of public utility. Additionally, the sovereign would only consider compensation in terms of "appropriate" standards. The prior regime required the sovereign to provide prompt, just, and adequate compensation. In effect, the control over foreign investments would be subject to sovereign economic discretion. This issue became a major matter of juridical importance which resulted in changes to the doctrines of sovereign immunity and act of state. Following on these Resolutions the UN adopted a program of action for the establishment of a new economic international order. The primary objective of this program was to improve the economic position of the new sovereign participants in global society.

This new program was suggesting that a new regime secure a higher level of international cooperation regarding economic resources and processes. The approach also saw cooperation as an important obligation on the older sovereigns. The fundamental ideas in this program were codified in the Declaration on a New Economic Order (1974). In 1975, this was followed by the adoption of a charter of Economic Rights and Duties of States. These instruments sought to both promote and prescribe a legal regime for a new international order based on the primary role of the sovereign state in the management of economic order. A decade later the complex prescriptions in the New International Economic Order (NIEO) and its state-centric orientation were merged into the 1986 Declaration on the Right to Development. The model implicit in this document seeks to strike some sort of balance between the individual social participant and the near exclusive reliance on a state centric economic paradigm. The focus on the individual is reflected in Article 1 and Article 2 (1&2). The rest of the document in all the other articles stress the state central approach to development. In Article 1, it is stated that the right to development is an inalienable human right. It also states that individuals and peoples are entitled to participate in development. This therefore means that the human rights foundation of the idea of individual and people's human capital is also

a foundation of modern human rights. This suggests that a new theory of economic thinking must account for universal human rights.

At this point, the development initiative presents a critical intellectual challenge for those who wish to give the Declaration policy relevance. Notwithstanding the reference to individuals, the Declaration has a largely macro-economic emphasis, although I have not seen a macro-economic theory based on the Declaration. However, regardless of the underdeveloped theory of macro-economics in this context, there is the ringing reference to an inalienable human right. This suggests that we are also lacking a theory of micro-economic importance. Additionally, the integration of a macro and a micro-economic perspective would seem to be a critical foundation for giving the right to development intellectual credibility and efficacy in policy arenas.

World Academy Fellows such as Orio Giarini, Ivo Šlaus, and Garry Jacobs call for a new economic theory that is relevant to our time. I would suggest that notwithstanding the imperfections in the drafting of a right to development, the right to development represents a concept that with proper clarification could enhance the kind of thinking that anticipates a new global economic paradigm. It is particularly important from a right to development point of view, to recognize that the individual participant in economic order is a capital resource and the appropriate development of this resource is the pathway to the generation of a new and sustainable economic message. Additionally, the normative constraint on how individual capital is nurtured and developed has to be guided by the normative component of human rights, which places a premium on human well being.

It is worthy to note that although the right to development has had diminished traction, the UN continues its vigorous promotion of this idea. Its recent project dealing with developmental targets for its millennium initiative is a very clear project that focuses on developing human capital via projects such as the eradication of illiteracy.

The theoretical limit implied in the right to development is that we do not have an identification of the critical stakeholders in this project. The stakeholders include a multitude of participants and theory would have to account for that. For example, the assumption that globally states largely monopolize economic activity obscures the reality of the global enterprisy private sector. That sector includes not only conventional business activities across state lines, but also the significant monopoly the private sector has on global capital and its related financial institutions.

This omission has tended to obscure the salience it has been given to neo-liberal principles of economic order. For example, the private sector was outraged over the resolution related to permanent sovereignty over natural resources. It categorically rejected the weakening of the protection of private investment property. This battle implicated the entire new international economic order paradigm. It implicated it at levels below the economic radar screen. For example, sovereignty is given operational effect in many different ways in international society. The capital export in countries worked on a restriction on the immunity of sovereigns from legal accounting when they acted in the market (restrictive theory of sovereign immunity). Another major technical doctrine that could insulate a state when it

took foreign property was the Act of State Doctrine. This Doctrine too was gradually reduced so that a state nationalizing foreign property could be challenged in foreign courts. This led to the so-called Hot Good Doctrine, which meant that if a state took foreign property, wherever that property showed up abroad it could be subject to legal proceedings, which would seize the property and litigate its title. The owners of private property investment were fighting back. In this regard it became apparent that development of any sort could not happen without foreign investment.

This meant that foreign investment could come in with terms favorable to the investor. The abuses of this newer approach to global economic relations is well documented in John Perkins' *The Confessions of an Economic Hit Man*. New state elites found that there was plenty of capital to borrow often for dubious projects and often to satisfy foreign bank accounts of the new elites. This process of neo-liberalism generated diversified forms of economic activity in which corporations could relocate to undeveloped countries and produce goods, which could be sold to the corporations' original corporate home. Outsourcing became an important tool in the exploitation of the regulatory vacuum of doing business abroad. Cheap labor, relaxed labor standards, access to developed markets, and tax avoidance schemes, all of which made doing business in an unregulated market attractive for self-interest but unattractive for the common good. The limits on this model include vast accumulated debts vested in the sovereigns, which was a further limitation and what a state centric model could do about development.

The principle behind the Declaration on the Right to Development included the idea of sharing economic and technical resources to benefit the new states.* The United Nations promoted the principle of sharing as a mandatory, rather than a discretionary, obligation to sustain global equity. It is clear that this evolving international law was confronting two radically contentious ideological perspectives. The first would center on the promise of protecting property in the international environment. The protection of property would be a marker of a state's commitment to a paradigm sympathetic to the global private sector rather than the national or global public sector. The second perspective is associated with the perspectives of international socialists or social democratic ideology. It recognized that the public should control all economic development or that the public shares in the management of the production and distribution of wealth and related values.

The contemporary state of the global economy witnessed the ascent of the privatization of national and global economic institutions. It also witnessed emerging market economies, free trade zones, and the dominant role of corporate enterprise. The mantra of the free trade market phenomena has been "world peace through world trade."[†] The ascent of the private sector is considered to be more efficient and less wasteful than corrupt and inefficient state bureaucracies.

The global institutionalization reflected these developments (the legal and political cultures of the WTO, the IMF, and the World Bank). To some degree, they came at the expense

* Id at art. 3(3).

[†] Lawyer Roles, *supra* note 2, at 134.

of working through the development agencies of the United Nations. However, a significant policy shift had emerged in the global economy. The emergence of a coalition of economically dominant states, the Group of Eight, now approximately a group of 20, reflected this policy shift. This shift has the appearance of creating an Economic Security Council of the UN but functioning outside of the organization. From a technical point of view, the international economic soft law associated with the new international economic order has become even softer. On the other hand, it is unclear what the general emerging rules are that govern the neo liberal economy. The institutions of this perspective have been under pressure in part because the *lex specialis* within these institutions is sometimes incompatible with general international law and international human rights law. Moreover, a critical appraisal of many of the operational rules often shows that the rules are enforced strictly against the powerless and often ignored by the powerful. Moreover, the efficiency of the model is under critical examination because the outcomes seem to generate greater global disparity and greater global alienation, and some would even suggest that the radical division between rich and poor may be a cause of radical religious activism or possibly even apocalyptic terrorism. In the next section, we try to provide some of the tools that may facilitate a revolution in economic thinking along the lines of a human right to development. We start with the importance of the global context and how that context may be realistically mapped. We borrow from the work of a former president of the World Academy, Harold Lasswell and a current Fellow of the Academy, Michael Reisman.

5. Some Suggested Elements that may go into the Formulation of a New Economic Theory of Development

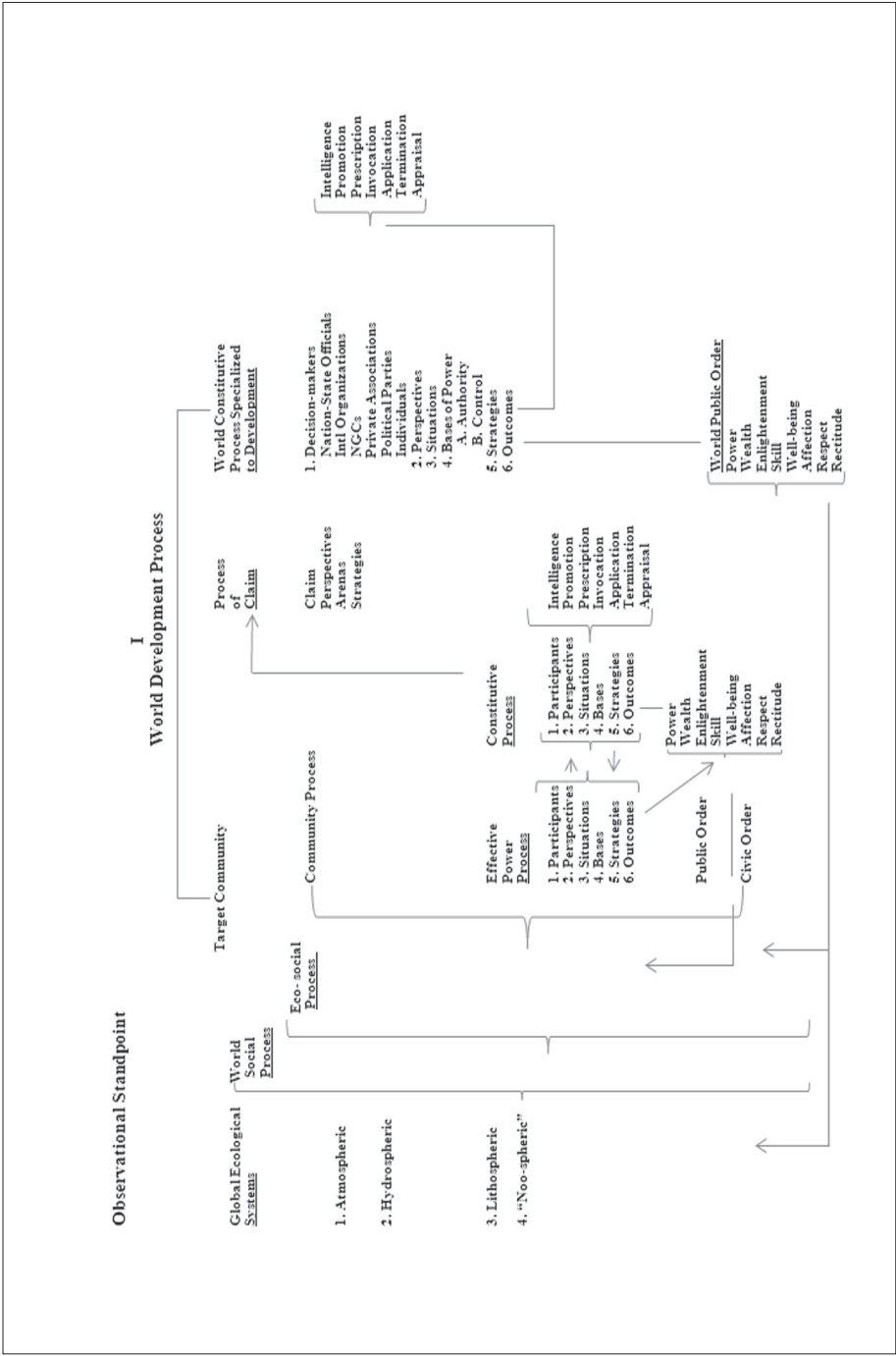
We start this section with some guidelines drawn from the Declaration on the Right to Development. Article 1 stipulates the following:

“The right to development is an inalienable human right by virtue of which every human person and all peoples are entitled to participate in, contribute to, and enjoy economic, social, cultural and political development, in which all human rights and fundamental freedoms can be fully realized.”

Article 1(2) expresses the controverted norm that the human right to development includes the exercise of an inalienable right to full sovereignty over all their natural wealth and resources. This provision provides for a more state-central development policy and application. Article 2(1) stipulates that “the human person is the central subject of development and should be the active participant and beneficiary of the right to development.” This provision moves somewhat from the state centered view. The central point is that the human person is not an object of development, but a subject of development. Seen in this light, the human person is more closely analogous to the idea of the person representing individual and social capital.

“Development must be understood in terms of all-comprehensive values implicated in human rights and not simply a single value such as wealth.”

Figure 1: World Development Process



The above quoted excerpts from the right to development assume a context from which the essential subject-generated claims for development emerge as challenges for policy, decision, prescription, application, and enforcement. This requires a realistic map of the entire global social process. Because it is from this process that the challenges relating to individual and social capital as central elements of a right to development emerge. Figure 1 is a map appropriated from the traditions of international law scholarship inspired by Fellows of the World Academy (Lasswell, McDougal, Reisman).

This chart developed by Lasswell, McDougal and WAAS Fellow Reisman is meant to provide the essential global context for a new economic theory of development. The model provides for an identification and an inter-relationship of change together with a standard which may evaluate them against the preferred objectives of a theory of development. The approach clearly demonstrates that development must be understood in terms of all-comprehensive values implicated in human rights and not simply a single value such as wealth. Fundamental to understanding the map is an effort to identify the idea that all variables are inter-stimulating each other in global society. The map helps us to generate specific targets of change recognizing their inter-dependence and inter-stimulation as factors implicating the entire context.

I. The context of ecological values. There was a time when the conventional wisdom in economics was that nature and related environmental resources were unlimited. Today, the reality of climate change challenges this earlier altruism. A new economics must consider both the potentials and the limits of the ecology of the planet. The ecology of the planet, therefore, is a crucial factor of context for a new political economy.

II. The context of global social interaction. Global social interaction involves the shaping and sharing of all values. The outcomes of this process generate the aggregate statistics of human development or the lack of human development. One of the most important problems that emerge from global social interaction are the problems of effective power and social conflict. However, the new economic theory must have a useable model of the global social process in order to fully appreciate the problems it generates on a global basis for all values.

III. The global process of effective power. The global social process reproduces the institutions and imperfections of the production and distribution of global power. It is well understood that the outcomes of global power represent conflict and competition. Additionally, the expression on global power in society is done through the process of decision-making itself. We can call this decision-making according to naked power. Since power expresses itself in terms of conflict, war and often violence, it will be obvious that peace and security are critical foundations for a social process that seeks to maximize its human capital resources. In short, war consumes human capital resources, and does not enhance or reproduce it. The new economic theory must, therefore, account for the global processes that generate and sustain human conflict, since these processes generate deficits in development.

IV. The evolution of power into behavioral constitutional processes. Conflicts about power do not always endure indefinitely. Indeed, there are periods when the power broker contestants in conflict may see that the continuance of conflict may only result in zero sum losses.

This realization may generate the elements of inter-elite collaboration from which understandings may emerge about how to manage power in ways that avoid conflict and promote collaboration. If this happens, a society may emerge with a series of understandings about how power is to be distributed, indeed allocated among the power broker contestants. This level of institutionalization of power will reflect the emergence of the power dynamics constrained by distributions which have the support of the authority of community members. When there is a form of constitutional process, we effectually have expectations about institutionalizing the forms of authorized decisions about decision-making itself. This is the foundation for the establishment of a system of public order in which all the values are distributed and produced via the authorized institutions of society. It would, therefore, be appropriate that the new economic theory develop and map the constitutive process (local to global) because it provides the framework of authorized decision-making regarding all the basic values in society including wealth. In this sense, a constitutional order that has a working capacity has an approximation to the idea of the rule of law. And the constitutive process is made operative by the constitutive functions of decision-making. Thus, constitutive decision-making may both directly and indirectly influence development and progress. Additionally, a theory of economic novelty would have to account for the decision-making functions:

“New economic theory must ensure the termination of dysfunctional traditional standards and embrace new thinking.”

1. *Intelligence* which includes gathering information relevant to making decisions and its processing, storage, retrieval, and distribution to all participators performing decision functions.
2. The decision-making function of *promotion* requires agitation and recommendation of certain policies which in the form of prescription have the quality of law. In this sense, promotion is a critical component in decision for directly changing the common interest. It is in this sense that we cannot look at economics as value-free.
3. *Prescription*. This decision function implicates the formulation and adoption of certain policies as authoritative pronouncements in appropriate sectors of the social process.
4. *Invocation*. This function of decision-making is essentially a provisional decision function that characterizes behavior as incompatible with the law and goals of the community. Those who perform the invocation function raise the question of what initiatives enhance or violate community prescriptions.
5. *Application*. This is the authoritative characterization of conduct as lawful or unlawful. To secure lawful ends, the applier must use tools of some form of sanction to secure appropriate application. In terms of the objectives of development, the consequences of development may be critically related to the actual applicative performance. The new economic initiative must, therefore, give careful attention to the idea of application if development goals are to be real.

6. Termination. The decision function of termination means the termination of something in the status quo and its replacement by something that changes the status quo. New economic theory must ensure the termination of dysfunctional traditional standards and embrace new thinking.
7. Appraisal. The theory of decision-making as applied to development requires that there be constant measures that may be appraised in terms of advancing toward progressive developmental goals and avoiding the regression to the opposite.

6. New Economic Thinking, Development and Social Change

The new economic thinking has its focus on development in terms of human capital and its potentials for improving the human prospect. It would have to identify a plurality of community systems that are inter-dependant and inter-determining and range from the local to the global. What we observe are territorial communities who know what they want and where they need to go but they lack resources and skills. An extreme example is “cargo cults”. If placed on a continuum, we may see the socio-pathological condition of hyper development. There are a multitude of problematic circumstances in between. For us to develop an approach that permits us to identify where we are and where we want to go, we would have to measure development in terms of the existent state and potentials for transformation of at least the following nine values: power, wealth, enlightenment, skill, well-being, affection, respect, rectitude and aesthetics.

1. Power: The most important expression of power as decision is the understanding of the institution within which it expresses itself. For example, globally, power is significantly decentralized. This means an economic paradigm of global salience runs into the problem of the degree of lack of institutionalization of power. It is probably true that the most power-deprived are the least well-off in global society. The new theory must be able to map global power and to appreciate its capacity to be mobilized for rational developmental objectives.
2. Wealth: In general, this refers to the aggregate volume and composition of what a society produces. It may refer to income in the community and also to the notion of an aggregate resource base. In general, when wealth is developed, the outcome is an increase in the volume and composition of products without depleting the resource base. $(P+I) \div R$
3. Enlightenment: What we mean by enlightenment is the prescription and application of education in social and economic development. The nature of enlightenment as a social capital is evident when education in a society leads to development. A society with an increased education-knowledge base uses enlightenment to extend development through informed decision-making. Decision-makers would make decisions based on informed enlightenment.
4. Well-being: Well-being including health refers to the state or condition of a society and its members. The well-being of a society is directly proportional to the level of “life

expectancy” and indirectly proportional to the expectancy of disease occurrence in that society. The optimum level of well-being, however, is dependent on other values in that society.

5. Skill: Skill is the ability to perform tasks (especially employment or professional tasks), as a function of human capital development. The skill value is for the benefit of society. Skill development is a consequence of an increase in the strength of the “skill pool” in a society where the skills are directed towards development. Skill is a critical component of individual and social capital.
6. Affection: Affection is a form of positive sentiment and underlines the loyalty of individuals and associations to the group. Being a basic value, it has tremendous social capital. The increase in scope of positive sentiments in a society increases developmental achievements and goals.
7. Respect: Showing regard for other individuals within a society is crucial to development. A lack of respect gives rise to discrimination, which in turn is a direct cause of retarded development.
8. Rectitude: Rectitude drives moral behavior in society. When rectitude of individuals within a society matches its development goals, there emerges what we call rectitude development.

These values are the critical components of the theory of a right to development. They are also implicated in the development and enhancement of human and social capital.

The system of mapping the global social, power, constitutive and public order processes represents the essential contextual background for a political economy that focuses its theoretical foundations on the development of human and social capital. Essentially, the repository of human and social capital should be focused on the value institutional context and the framework of decision making that shapes this context in ways that maximize the human and social capital capacity in society. The values approach gives us a shorthand method of understanding that human and social capital are clearly implicated in at least nine values that a cross cultural world can be observed with appropriate tools of investigation. The challenge for theory is to understand the divergent institutions respecting the cultural values and their level of efficacy in practice. We could start with the first challenge of theory which is to establish the appropriate goals of human and social capital development. Here, the challenge is to generate procedures and practices, as well as a theory to explain and justify this, which has the task of maximizing the production, distribution and sustainability of every value institutional process in order to maximize the structure, understanding and deployment of human capital.

As a consequence we want to maximize the production, distribution and sustainability of power, wealth, respect, skill, enlightenment, well being, affection, rectitude and aesthetics. In developing this framework we will be alert to the interdependence and inter-determination of functioning value systems. This means that power may be sought for its own sake but it may

also be used to maximize value shaping and sharing and sustainability with regard to every other value listed above. Wealth may be sought for its own sake but may serve as a base of power to acquire power and all other values. In short, every value may be sought for its own sake and may also serve as a base of power to shape, share and sustain every other value. This approach requires us to see economics not as a disembodied field from human relations, and if we see in the value processes the repositories of human and social capital, we bring a sense of realism required for a durable new economic theory.

It will be obvious that these value institution relationships that we identify are sought to contextualize what happens in the context of the global social, power and constitutive processes. The central feature of power and constitutive process is the centrality of decision making. We can expand this idea further by suggesting that the centrality to the development and uses of human and social capital is the capacity for the human agents of capital formation and use, to be active and important decision makers in the very processes through which human beings generate value through human capacity. I therefore suspect that the mechanistic approach to economics represents a dramatic failure in its omission to understand the role of decision as a critical component of human and social capital. I now will proceed to provide a few practical examples of these theoretical possibilities.

7. Human and Social Capital in Development: The Vicos Experiment

The Vicos Experiment was a form of intellectual inquiry that also sought to induce a form of constructive, evolutionary social change in development. The inspiration for the experiment emerged from a view that peasants were incapable of modernization. The project was led by an anthropologist, Allen Holmberg and a former president of WAAS, Harold D. Lasswell. The project was located in the Uplands of Peru and included the village of Vicos. The project leader understood that the Vicosinos were the occupiers of land owned by an absentee landlord. Their position on the land was defined as the status of serfdom. With a small grant from the Ford Foundation, Holmberg purchased the land and the hacienda and essentially became the *patrone*.

The farming practices of the village were unproductive because they had no incentive to produce crops that would be expropriated by an absentee landlord. This involved the project leaders in providing incentives to improve the village economy via farming. That also meant a movement away from near survival to a circumstance of modest prosperity. The incentive was that if the villages cooperated in farming operations, they could keep the profits for community purposes and if the profits were sufficient, they could purchase the land and become land owners. The project leaders found that the initiatives of the serfs with their intimate knowledge of farming capacity and climate, etc., supplemented by some technical expertise, essentially produced a significant sequence of crops and upon marketing, funds as well. It was important that the villages were participating in the decisions about agricultural production. This initial initiative raised questions about how to exercise decision making in managing the profits from farming activity. This permitted the interveners to promote the idea that maybe decision making should be shared with the community and decisions eventually evolved to

issues about healthcare, in particular, healthcare of women, schooling, including schooling for women, and the project evolved with a self conscious direction of training in the processes of decision making and an awareness of appropriate goal values. One significant event was when the community decided they would invest in a truck to transport their products directly to the metropole and increase the value of their products by direct marketing.

The model pursued in Vicos attracted external attention. Some of the Peruvian elites were particularly concerned about what they saw as an incipient process of empowering the underclass. Other Indian communities saw Vicos as a model that they would try to emulate. The Vicos leadership were willing to transfer skills to other Indian communities as well. Unfortunately, a delegation of Indian leaders on the way to Vicos to retrieve the recipe were attacked by hired goons. Several were killed. This gave the sovereign Peruvian state an excuse to terminate the project on the basis that it was disruptive of social peace. Although the project was ended technically, enough of the seeds of change and the processes of decision making to enhance human capital had been transferred. This village is still an example of the importance of developing human capital on the basis that it is sustainable over time.

The idea behind Vicos was recently of interest to the World Bank. One of the participants in the project presented the Bank with a broad prototypical framework of how this could be replicated elsewhere. The World Bank has also developed a more limited version of this idea in its projects that have dealt with micro-enterprise finance. It would seem that bank theorists would prefer to focus on a narrower framework of value institutional capital. The Vicos project combines elements of macro theory, intermediate macro theory and micro theory. The theoretical value of the Vicos experiment is that it can be simplified in terms of a useable development prototype. In this sense, it could have some value for new economic theory to focus on the multitude of possible prototypes that might be given operational effect worldwide. Several years ago, I discovered that there were several women from the village of Vicos who had completed advanced doctorates in the United States.

8. Human and Social Capital Development: Opportunity Lost

When the transformation to democracy in South Africa was underway, the ANC, the major opposition party at that time, convened a meeting to discuss central concerns in the development of a new South African Constitution. I was invited to attend and to present a paper on the problems of socio-economic justice under a new dispensation. The focus of my paper was on the transitional arrangements in which the previous government was giving away huge amounts of state investment to its friends and cronies. In short, a new black government coming in would have very little in the treasury to devote to the issue of social justice and the consequences of the apartheid system. I wrote a paper in which I suggested that the constitution should include in its text the idea of a human right to development. I generally suggested that the foundation of such a right would be in the empowering and decision making skill of the poorest of the poor. In short, the paper worked on the assumption that the poor have the least effective voice in the arenas of governmental power.

To my surprise, I found that many of the ANC's leaders were skeptical of this idea. One of them said, "you need to show us how such an idea could be implemented practically, as a constitutional mandate." The assumption behind this was that as an institutional matter a court of law would be ill equipped to prescribe and apply this idea without entrenching on executive and legislative powers of the other branches of government. I then produced a response. I suggested that the right to development idea include in its text the creation of a constitutional commission on the human right to development. This commission would comprise of experts in law and disciplines related to development. One of their functions would be to serve as an arm of advocacy of the poor. In this role it could monitor legislation or executive action to determine its effect on the aspirations of the poor and it could advocate for changes sensitive to the claims of the poor. Additionally, the commission could have an arm of education in which it would seek to transfer education about decision, values and institutions. It could have a propaganda arm to generate solidarity among the poor and a sympathetic perception of the poor in the larger body politic. It could also monitor legislation and determine whether such legislation in undermining the interest of the poor was also undermining the interests of the constitution. In short, they would have a strong arm of well funded litigation capabilities. Regrettably, the forces opposed to establishing a human right to development as a constitutional right prevailed, and I lost. However, the position of the poor in South Africa has remained somewhat static with an unemployment rate of about 25 percent. I have recently heard from scholars who have found my paper and suggestions that had this issue been resolved and adopted, South Africa would have been in a far better position today than has been the case.

I used the two illustrations from Vicos and South Africa to indicate that a state centric model of development may in certain circumstances be a problem. In other work I have done in Latin America, I have found the state support for the plight of the poor to be a verbal truism. However, when concrete initiatives are generated, what state elites see is that the empowerment of the poor or the indigenous people may constitute a threat to the primacy of the current elite. It therefore means that a new economic theory has to be sensitive to the sovereignty dynamics of imperium and dominium and must also search for those elements of fundamental law and human rights law to weaken the negative inclusions of the state and hopefully to strengthen the real public interest in the body politic. In the South African illustration given, we can only speculate about the specific role of a constitutional right to development in the enhancement of human and social capital. But it is a matter that a new economic theory should seriously consider.

9. Issues that a New Global Economic Theory Founded on the Basis of the Normative Salience of Human and Social Capital May Consider

9.1 The Right to Development and the Millennium Declaration

This is a program generated and promoted by the UN. It is an aspect of the UN's commitment to the universalization of the right to development. The program has struggled for want of support from globally privileged centers of economic advantage. However, the goals

of the millennium initiative are intricately connected with the ideas of generating policies that secure and advance the importance of human and social capital. The specific goals are as follows:

- Eradicate extreme hunger and poverty
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

One of the factors that may have diminished the global salience of this initiative is that it isn't sustained by an articulate, coherent and compelling economic theory. This kind of initiative would benefit from the thinking generated from the World Academy's effort and call for a revolution in economic thinking.

9.2 The Problem of Globalizing and Institutionalizing World Economic Policy

In general, the UN was the key forum generating discussions concerning a political economy of world order based on the NIEO or the principles centralizing private property and neo-liberalism. What emerged was a shift in the locus of discourse from the UN to something outside of the UN. This emerged as a group of four, group of eight and more recently, a group of twenty. For an outsider this appears to be the creation of a kind of global, economic Security Council functioning outside of the UN's authority structure. This raises the question about such an important forum and its level of institutionalization, which would include a concern for transparency, responsibility, and accountability and more pertinently, what its normative foundations are. For example, does its process explicitly and deliberately embrace a right to development as a human right rooted in the concern for human and social capital? Here it seems that at another level of international concern, the call for a revolutionary economic theory would require that the theory critically evaluate whether the organization of the group of twenty diminishes or enhances global solidarity and well-being. We would do well to consider the disappointment of Nelson Mandela when he met with the G8. According to Mandela, everyone had their pens and papers but the pens had no ink. According to him:

"As long as poverty, injustice, and gross inequality persist in our world, none of us can truly rest... The steps that are needed from the developed nations are clear. First, is ensuring trade justice... The second is an end to the debt crisis for the poorest countries. The third is to deliver much more aid and to make sure it is of the highly quality... But not to do this would be a crime against humanity, against which I ask all humanity now to rise up."

9.3 Corporate Responsibility for Global Values

Corporations have as a primary responsibility a focus on profit maximization. As institutions of economic power in the global context many corporations have GDPs that are higher than many states. Yet, the control and regulation of corporate conduct globally is weakly regulated and falls far short of the importance of transparency, responsibility and accountability. In short, a new revolutionary economic theory must apply as appropriate principles of good governance to private for-profit entities in order to make them so far as possible accountable for the fundamental values of human rights, human dignity, and the deliberate focus and development of the widest level of human and social capital. Practice falls short of this objective. In significant measure major transnational corporations find attractive the global business environment which has weak regulatory standards. In such a context corporations can make up their own rules of the game and some of these practices may be seen as significantly contrary to agreed upon global values. Let me provide two anecdotal illustrations:

John Perkins in his well reviewed book, *Confessions of an Economic Hit Man* (2004), provides a multitude of examples of the construction of state indebtedness in which states are scammed into obtaining vast loans for development projects. The loans fund foreign companies engaged in dubious projects and vast sums are siphoned off to local elites which end up in foreign bank accounts. Years later, when honest governments come to power, they find they are straddled with an enormous debt and can find nothing to show what the funds were expended on.

Another illustration is the vast pollution of the upper reaches of the Amazon by Texaco/Chevron. Here the company was both negligent and venal in its casual and colossal pollution from its oil extracting operations. It fought tooth and nail to prevent itself from being accountable. Its practice included bribes and other forms of corruption. Eventually, an Ecuadorian Court found them liable for the pollution in the amount of some nineteen billion dollars. The company is still trying to fight the judgment. We could provide scores of examples where corporate operations involve the support of practices which violate human rights. I will not mention the role of the private sector in the globalized drug industry or practices of sex trafficking. These are criminal for-profit activities. Currently, there is a strong body of evidence that suggests that corporate malfeasance, negligence, or greed, has had a great deal to do with the current recession. This has raised the question of an economic theory that may more critically examine and appropriately contextualize the structure and function of corporate enterprise in global society. Among the suggestions for reform are the following:

- Limit the power of top executives and financial decision-makers who may have the power to use the corporation for inappropriate ends and for personal gain;
- Allow institutional investors, such as pension fund managers, to nominate independent directors to the boards of the corporations in which they are major investors;
- Implement an aggressive program to make employees at all levels stakeholders in the corporation itself, thus giving them an interest in the success of the corporation;

corporations may achieve this by awarding stock options to employees as bonuses or rewards for excellent company performance;

- Give blue and white collar employees a direct voice in corporate decision-making to represent the perspectives of professional and non professional employees in the business to improve the objectivity and quality of corporate decision-making;
- Reduce salary packages and stock options for top-level executives to avoid artificial inflation of the company's share price; stock options may remain part of an executive incentive package, but the corporation should limit their magnitude to protect and enhance corporate interest.

9.4 Human Social and Capital Development in the Context of World Trade Issues

One of the central challenges at a practical level is the problem of free trade and the idea that free trade favors the powerful and the alternative idea of fair trade which favors a balanced perspective. Some of the issues that serve as an important dividing point of reference are listed below:

- A critical review of the "North" states' agricultural subsidies. The \$353 billion of agricultural subsidies given by the North to its farmers radically depresses world prices of agricultural commodities critical to Africa; as a consequence, African produce remains unsubsidized while the North subsidizes its produce, generating manifestly unfair competition;¹
- A critical review of WTO's rules of the past that institutionalized discriminatory trade consequences for the South;
- Improved "special and differential treatment" in WTO agreements for the "South" would permit poorer nations to adjust or generate some flexibility in the application of WTO agreements;
- For improved access to the "North" markets, the least developed countries, including thirty-three in Africa, should be given duty-free rights of access.
- Enlarged "Aid for Trade" to facilitate the volume of export to "North" markets would improve compliance with WTO rules.

These issues are summarized as problems for global development by Professor Stiglitz as follows:

Both as it was conceived, and even more as it has evolved, today's development round does not deserve its name Many of the issues that it has addressed should never have been on the agenda of a genuine development round, and many issues that should have been on the agenda are not.... Those in the developing world who believe that there has been a history of bargaining in bad faith have a strong case.²

When the trade issues are put into the context of the priorities of the World Bank for example, the question has been raised in bank circles as to how much human rights should

factor into its financing of a bank conceived developmental agenda. Perhaps the time is now approaching for the economic foundations of the bank's policy and direction to be subjected to a more compelling and even possibly, a revolutionary rethinking of the appropriate theory for the economic ordering of the World Bank. In the context of the bank's work, there should be a recognition of a global commitment to a right to development with an explicit emphasis on the development of human and social capital as the true repository and generator of human values on a global scale.

10. The Development Agenda According to Neo-Liberalism (Free Trade/Fair Trade)

The World Trade Organization (WTO) has undergone a continuing crisis of indecision.³ When the WTO admitted third world players to its process, it had to ensure that third world governments and their advisors understood the complex rules governing world trade and development.* Thus, the WTO consistently assumed that third world countries would violate ground rules of world trade. The experience in the organization and the greatest skill of those representing the so-called "South" states began to review more critically the fine print of agreements and regulation to avoid discrimination through the rules and processes of the WTO. Thus, the "South" began to push for a much more informed discussion and a more meaningful agenda reflecting its critical interests. These interests represent Africa's interests as well. The agenda it put forward contained the following issues:

These claims were presented to the WTO process during a period dominated by the mantra of economic liberalization and free trade. The WTO, while making verbal commitments with some measure of empathy for the claims of the South, has in effect done very little to advance them politically or legally. Mr. Tetteh Hormeku of the Third World Network best articulates the nature of the problem from the African perspective:

Trade liberalization has not been beneficial to African economies. We have not improved our location in the global economy. We have not moved out of dependency on primary commodities. We have not moved into more efficient provision of manufactured goods and services. We are on the receiving end of the global economy, which is repatriating our resources and locking in IMF and World Bank conditionalities through trade agreements.... What we have at the moment is a trade paradigm that African countries should open up all sectors of their economy to foreign providers in a context that destroys the basis for domestic production and jobs. It can never lead an African country out of poverty.⁴

Conclusions can be drawn from the two illustrations of enterprise economics in the global system. The major role lawyers play in defining the maximum freedom for the corporate or entrepreneurial sector indicates that a corporation with an army of lawyers might fare well in the system. Conversely, when governments and private sector watchdogs seek to police the business sector, they often cannot generate the legal muscle to constrain corporate or econo-

* Peter Van Den Bossche, *The Law and Policy of the World Trade Organization: Text, Cases and Materials* 24 (2005).

mic license. This presents a challenge to the legal profession and to the teaching of law. An effective and socially responsible corporate or legal culture may function optimally when it works within a framework of established rules expeditiously and fairly enforced.

It is hard to imagine a successful capitalist system without an excellent commercial and corporate legal framework. This framework is in fact a central feature of a working, dynamic, entrepreneurial system. When the system works well, the corporate lawyers themselves, within the corporations, serve as an internal restraint to ensure compliance with the law and to ensure further that corporate energy and resources are not wasted on public investigations and possible prosecutions. The WTO system also seems to have developed without regard to effective input from the lawyers of the South. When they finally learned the rules of the game, those who benefited from the unfair system were reluctant to modify the rules sufficiently to reflect the fundamental policies of world economic order. It is clear, however, that without a legal framework that is defensible, free trade may become unfair trade, and grotesque exploitation may lead to conflicts and alienation.

Thus, there must be some circumspection about how the global economic system appropriately is regulated so that corporate activity falls within the fundamental norms established by law. There is no obvious or easy answer to the problem of managing power, material, technological and financial resources, and common rules that function within and across state lines without a framework of developed legal expectations. Lawyers must play a major role in organizing the business of teaching business; they can outline appropriate legal standards to enhance accountable and responsible enterprise. In short, the ideological principle that enterprise behavior does not include social responsibility is no longer tenable. However, this new view requires more focus on the development of evolving legal rules and principles that touch on many areas of law—domestic, regional, and international.

11. Conclusion

*The Consequences of the Current Global Economic Order: The Need for a Revolutionary Global Economic Theory of the Right to Development with an Emphasis on Decision and the Salience of Human and Social Capital.*⁵

The shortest way to get a grasp of the consequences of the current state of global economic order is reflected in numbers. The planet has a population of roughly 6.5 billion people.⁶ Every year 30 million people die of hunger,⁷ and 800 million people are starving or suffer acute malnutrition.⁸ Roughly one billion are underemployed or unemployed.⁹ The above figure may be contrasted with the fact that the richest 2 percent of adults in the world own more than half of the global household wealth.¹⁰ The richest 1 percent of adults own 40 percent of the global assets, and the richest 10 percent account for 85 percent of the total world assets.¹¹ On the other hand, the bottom half of the world adult population owns 1 percent of global assets.* Every two minutes four people die from malaria.¹² One in five

* *Id.*

people (one billion people) in the world survive on less than \$1 a day.* Another 1.5 billion live on \$1 to \$2 a day.† More than one billion people do not have access to safe water.‡

About 2.6 billion people lack access to improved sanitation.§ Some authorities hold that approximately five hundred million people on the planet live in relative comfort, which is in stark contrast to the six billion people in the world who struggle to survive and live. Even in the United States, 44.8 million people are deprived of medical health care or coverage¹³ and almost forty million Americans live close to or below the poverty line.¹⁴ In short, globalism, which has produced a vast increase in the production of values, seems to fail miserably in the distribution or sharing of those values.

As the new millennium unfolds, statistics indicate that nearly 800 million people are illiterate.¹⁵ This fact illustrates that people basically are powerless. They are treated as economic commodities to be exploited by the powerful or as economic waste matter to be discarded by the market. The adverse effects that the global market has caused does not just include illiteracy, but other areas including demographics, the migration of people, issues of conflict, trade, aid, debt, debt repayment, etc. However, this new world order referred to as neo-liberal global economics, is not solely to blame. For example, the economic arrangements in China, India, Brazil, and other parts of Asia demonstrate that each of these state-commanded economies are designated to benefit the elite who are not held accountable by government constraints for their actions.

Further, neo-economic freedoms may vanish much like they did in the former Soviet Union, when it transitioned from a communist state to a capitalist market. These problems include the mass concentration of wealth in actors well-placed in the former communist regime.[¶] ¹⁶ Many of the dominant communist elite took a lion's share of state-owned enterprises, essentially claiming it as their own property.¹⁷ In order for economic freedom to be preserved, public and private laws need to be implemented and adhered to, in order to prevent a select few from destroying this freedom.

The economic revolutions in India, China, and Brazil were successful because their populations implemented a strong legal framework that did not allow any individual to manipulate the market system. The central flaw in the philosophy of economic liberalization from a lawyer's point of view is the principle that liberalization if unconstrained will result in a license for the liberalizer and oppression for the victim. A specific problem with socialist regimes is that the government can abuse its power of control. The concentration of power does not necessarily mean that everyone shares in it; such a belief is typified by the myth: "dictatorship of the proletariat." In practice, the proletariats likely will be disempowered by the internal elites who manage the power of the state, according to their own interests.

* *Id.*

† *Id.*

‡ *Id.*

§ *Id.*

¶ Twenty percent of the Russian population lives below the poverty line and the great majority of Russian families are teetering on the edge of poverty. Then there is the other Russia. The greatest part of shareholdings in the largest Russian enterprises can be found in the hands of this tiny social layer. According to a recent report, there are more billionaires in Russia (36) than anywhere else in the world. The total assets of these thirty-six richest Russians amounts to \$110 billion—24 percent of the country's economic output.

If we take a social democratic state where the power resides in both public and private sectors, a high level of disparity arises. Nonetheless, the power of the various groups, if reasonably well distributed, imposes certain checks and balances sufficient to sustain a reasonably transparent, responsible, and accountable system. For example, in a neo-liberal state, certain groups abhor government interference, except when the government acts in its interest. In this type of state, corporate culture stakes a claim to legitimacy on the basis that state officials and state elites simply are inefficient.

To generate economic efficiency, it is important to allocate as much power to economic enterprise as possible. Thus, labor unions must be weakened because they represent a dysfunctional limit on the freedom of enterprise. Social spending, spending for education, health, and other public purposes are matters for which the state is an ineffectual distributor. Thus, where possible, these matters must be privatized in order for these enterprises to be most efficiently run. In short, the private arena does not need many rules; the master rule of enterprise is to generate productivity and profit, while stimulating the interest for invention and for economic expansion. The public's fear of depreciation in social and political capital by such a process is seen as a necessary, but short-term, cost for the greater good of society.

The state's imperfections in its exercise of power recreates a need for a strong legal infrastructure that would help to foster the ideals of responsibility, transparency, and change. It is not clear what standards govern decision-making inside major economic enterprises when its business cannot be at an optimal level. Whether power and authority, transparency and openness are invested solely in government or not, we will not have solved the problem of how power itself is controlled, regulated, appraised, and changed in the interest of the people.

Furthermore, we should keep in mind that the abuse of economic power could have large-scale impacts on the political and legal cultures of a society and could generate social unrest and political deterioration.

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Building a Caring Economy and Society* Beyond Capitalism, Socialism, and Other Old Isms

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Abstract

Old economic approaches are not capable of meeting our economic, environmental, and social challenges. To effectively meet these challenges, we need a perspective that goes beyond the conventional capitalism vs. socialism debate. This paper places economic valuations in their social context from the perspective of two new social categories. It describes building blocks for a new paradigm for economics, focusing on new measurements, policies, and practices that support caring for people, starting in early childhood, as well as caring for our natural environment.

All around us are signs that old approaches are not capable of adapting to new circumstances. While many people still talk about returning to normal, there is growing recognition that we actually need a whole new way of thinking about economics and society.¹

But what should our direction be at this time of extreme social, environmental, and economic challenges? What do we need as we shift from the industrial to the post-industrial knowledge/service era? How do we build a more equitable and sustainable world?

This paper addresses these questions. Its point of departure is a key issue for our future: what kind of economic system helps, or prevents, children from developing their full potentials for consciousness, caring, and creativity – the capacities that are essential in the new knowledge-service era; the capacities that make us fully human?

1. Where We Are

Today, economic health is still measured by Gross Domestic Product (GDP). This measure pays no attention to poverty, hunger, or environmental degradation. Nor does it give any indication of the human and environmental damage caused by a large portion of the activities GDP includes as “productive” – damage that is still clumped under the quaint rubric of “externalities.”

For example, in the United States, where consumer spending accounts for no less than 70 percent of GDP, much of what is produced and consumed is known to cause disease – even

* Portions of this article are adapted from articles by the author in *Challenge* /March–April 2012, *Cross-Cultural Management*/2013, and *Tikkun Magazine*, November/December 2009.

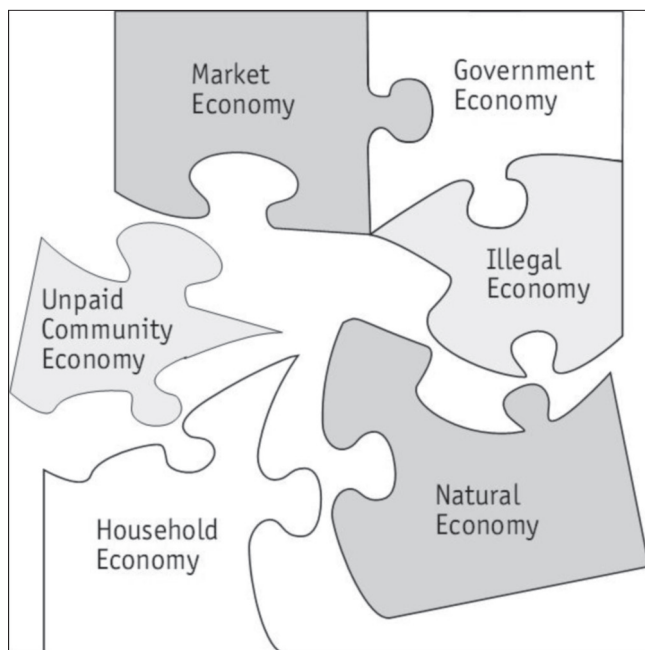
death. Multi-billion dollar industries – ranging from the chemical pesticide and fast food industries to the cigarette, alcohol, and gun industries – lead to enormous medical and funeral costs, all of which, in turn, are also included in GDP.

A growing segment of GDP consists of financial speculations that produce no real value. In the U.S. the financial sector is now almost ten percent of GDP, with its value fluctuating wildly, as when 3.6 trillion dollars of “wealth” disappeared into thin air through the Great Recession.

Not only that, appliances, electronics, and other products deliberately manufactured for planned obsolescence clutter up our landfills. And that is only a small part of the devastating environmental impact of current patterns of production and consumption.

On top of this, automation and robotics are taking over more and more jobs formerly held by people – making it even more doubtful that economies driven by consumer spending are sustainable.

Figure 1: Old Economic Map



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Yet other than calls for environmental protection and a more equitable distribution of resources, most discussions about a new economics are still primarily based on the premise that capitalism and socialism are our only alternatives. So, while some prescribe a return to unregulated capitalism, others again argue that socialism is the solution.²

This antiquated debate fails to recognize that our mounting global crises and the current technological shift from the industrial to post-industrial era require new thinking: that neither capitalism nor socialism can lead us to a truly new economy.

2. The Limitations of Capitalist and Socialist Theory

The theoretical foundations of capitalism and socialism came out of the 18th and 19th centuries, from early industrial times.³ While both theories were attempts to improve people's lives,⁴ both were constrained by the cultural environments in which they arose.

One of the most harmful limitations of these theories is that neither gives real value to the work of caring for either nature or people. Rather than recognizing environmental limitations, Smith's message was that wealth would grow endlessly thanks to the division of labor, technical advances, and the accumulation of capital governed by the invisible hand of the market powered by self-interest. Marx's scientific socialism gives nearly exclusive importance to the commodification of labor, with hardly any attention to the devastating impact of industrialization on nature – an industrialization that was then vigorously pushed in the former Soviet Union and China.⁵

As for caring for people starting in childhood, Smith and Marx considered this merely “reproductive” labor – not part of their “productive” economic equation. This distinction between “productive” and “reproductive” labor has been at the core of both capitalist and socialist thinking, which hardly ever considers the value of care and caregiving. And this distinction persists – despite its lack of accuracy, despite mounting evidence that not caring for our natural environment is potentially suicidal, and even despite findings from neuroscience that caring for people, starting in early childhood, is key to producing the “high quality human capital” essential for the post-industrial knowledge/service economy.

3. Reframing the Domain of Economics

Standard economics, business texts and courses do not teach us to think of economics from the perspective of caring for people or nature. Indeed, they fail to take into account the enormous economic value of the work of care, even though a growing number of studies are showing that companies that care for their employees and their families are actually more successful than those that do not.⁶

When caring for people starting in early childhood and hence human capacity development are the starting point for economic thinking, we can see that a basic problem in both capitalist and socialist theory is that neither is based on a *full-spectrum* economic map.⁷

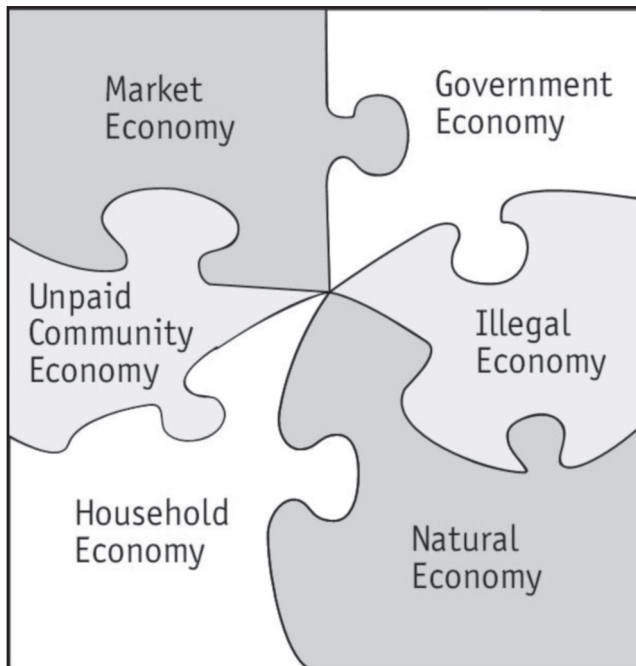
The focus of both capitalist and socialist thinking has been on only three sectors: the market economy, the government economy, and, more recently, the illegal economy.

This old economic map fails to include the real value of the three life-sustaining economic sectors: the household economy, the natural economy, and the volunteer economy. In other words, in accordance with the view that “productive” work is limited to paid work,

the conventional economic map gives no visibility to the largely unpaid work that has been termed “reproductive” work.⁸

An essential step toward a more systemic approach to economics is therefore a new economic map that includes these sectors. Using this systemic perspective, we can begin to design an economic system that effectively addresses the unprecedented social, economic, and environmental challenges we face: one that not only promotes human survival but full human development.

Figure 2: New Economic Map



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This does not mean we should discard everything from earlier economic theories. But moving forward requires an economic system that gives real visibility and value to the most essential human work: the work of caring for our natural environment and caring for people, starting in childhood.

“Economic systems do not arise in a vacuum. They are influenced by, and in turn influence, the larger social system in which they are embedded.”

Moving forward also requires that we recognize that economic systems do not arise in a vacuum. They are influenced by, and in turn influence, the larger social system in which they are embedded.

As Ian Johnson and Garry Jacobs note, “The time is ripe for a new narrative, new metaphors and a new story line for humanity.”⁹

4. The Interconnection of Economics and Society

Answering the fundamental question of what kinds of social systems support or inhibit our human capacities for consciousness, caring, and creativity requires that we move beyond conventional thinking. To paraphrase Einstein, we cannot solve problems with the same thinking that created them.

We are used to classifying societies into categories such as religious vs. secular, rightist vs. leftist, Eastern vs. Western, or industrial vs. pre- or post-industrial. But none of these categories describes the totality of a society’s beliefs, institutions, and relationships, as each focuses on a particular feature of society. Moreover, societies in every one of these categories have been unjust, violent, and destructive of our natural environment.

The new categories of the *partnership system* and the *domination system* reveal the configuration of two very different forms of family, educational, political, and economic structures and relations.¹⁰ Depending on the degree to which a society orients to either side of the domination/partnership continuum (and it is always a matter of degree), these categories also describe two very different systems of values, which in turn directly affect a society’s guiding beliefs and policies.

5. Domination Systems

The configuration of the *domination system* supports relations of top-down rankings: man over man, man over woman, race over race, religion over religion, nation over nation, and man over nature. From the perspective of conventional categories, Hitler’s Germany (a technologically advanced, Western, rightist society), the Taliban of Afghanistan and fundamentalist Iran (two Eastern religious societies), and the would-be regime of the rightist-fundamentalist alliance in the United States seem totally different.

But all have the three mutually supporting core components of the domination system:

- top-down control in both families and states or tribes;
- rigid male dominance — and with this, the devaluation by both men and women of anything stereotypically considered “feminine,” including care and caregiving;
- the acceptance, even idealization, of violence as a means of imposing one’s will on others

If we re-examine the critique of capitalism as unjust and exploitative from this perspective, we see that in reality it is a critique, not of capitalism *per se*, but of the beliefs,

institutions, and relationships inherent in domination systems – be they ancient or modern, Western or Eastern, feudal, monarchic, or totalitarian. We see that long before capitalist billionaires amassed huge fortunes, Egyptian Pharaohs and Chinese emperors hoarded their nations' wealth. Indian potentates demanded tributes of silver and gold while lower castes lived in abject poverty. Middle Eastern warlords pillaged, plundered, and terrorized their people. European feudal lords killed their neighbors and oppressed their subjects. In all these pre-capitalist times and places, the gap between haves and have-nots was huge and the mass of people had little if any chance to improve their lot. In short, they were all rigid domination systems.

So, neo-liberalism can best be understood in terms of the foundational components of domination systems. To begin with, the policies advocated by this recent iteration of unregulated capitalism are designed to reconsolidate wealth and power in the hands of those on top.¹¹ While neo-liberal rhetoric is about freedom, what this really means is freedom for those on top to do what they wish, free from government regulation.¹² Its "trickledown economics" represents a return to the "traditional" order where those at the bottom are socialized to content themselves with the crumbs dropping from their masters' opulent tables.

The neo-liberal promotion of rushing into a "preemptive war" against Iraq continued the traditional reliance of domination systems on violence. And the neo-liberals' alliance with the so-called religious right reinforces still another core component of domination systems: a "traditional" highly punitive family where children learn that it is very painful to question orders, no matter how unjust, and where the ranking of one half of humanity over the other half is presented as normal and moral – a mental and emotional template for equating *all* differences with either superiority or inferiority, dominating or being dominated.

With this ranking of male over female comes another distinguishing feature of neo-liberalism: its contempt for the "soft" or stereotypically "feminine," as in the vitriolic attacks on what they call the "nanny state." Accordingly, a key neo-liberal requirement is that government programs designed to care for people, such as healthcare, childcare, and aid to poor families, be defunded both in the United States and through structural adjustment policies in the "developing" world, with "austerity," a code name for defunding such programs and instead funneling billions to big banks, insurance companies, and automakers that need "bailouts."

From the new perspective of the domination/partnership continuum, we can also see that Smith developed capitalist theory at a time when the ranking of "superiors" over "inferiors" was still the general norm – be it of kings over their "subjects," trading companies over colonized peoples, "superior" races over "inferior" ones, or men over the women and children in the "castles" of their homes. In other words, capitalism was developed in times that still oriented much more to the domination side of the partnership/domination continuum.

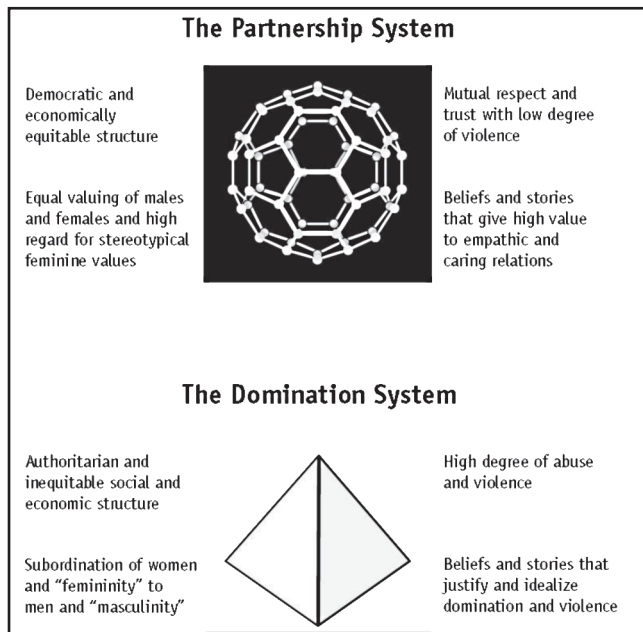
Similarly, while Marx's theories came out of times when there were already organized challenges to these rankings, they too reflected and perpetuated dominator assumptions – including the devaluation of women and anything stereotypically associated with women,

such as care and caregiving. Moreover, when Marx's goal of a "dictatorship of the proletariat" was realized in the former Soviet Union and China, it was in cultures where a rigid domination system had long been established. So, not surprisingly, authoritarianism, violence, and male dominance still remained the norm.

6. Partnership Systems

The partnership system's configuration supports social and economic relations of mutual respect, accountability, and benefit. This does *not* mean that there is only cooperation in partnership systems; people cooperate all the time in domination systems: monopolies cooperate, terrorists cooperate, criminal gangs cooperate, invading armies cooperate. Moreover, it does *not* mean a completely flat structure. There are also hierarchies in partnership systems. But rather than *hierarchies of domination* where accountability, respect, and benefits only flow from the bottom up, partnership systems have *hierarchies of actualization*, where power is not used to disempower, but to empower others.¹³

Figure 3: The Partnership & Domination Systems



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Societies orienting to the partnership side of the partnership/domination continuum can also be very different in terms of conventional social categories. For example, they can be tribal, such as the Teduray of the Philippines studied by the University of California anth-

ropologist Stuart Schlegel.¹⁴ They can be agrarian as the Minangkabau people of Sumatra, studied by the University of Pennsylvania anthropologist Peggy Reeves Sanday.¹⁵ They can be industrialized, as we see in Scandinavian or Nordic countries.¹⁶

But these otherwise very different partnership-oriented societies all share the same core configuration:

- a more democratic and egalitarian structure in *both* the family and state or tribe;
- equal partnership between women and men, and with this, a high valuing in women and men as well as in economic policy of traits and activities stereotypically considered feminine such as care and caregiving;
- a low degree of abuse and violence, because they are not needed to maintain rigid rankings of domination.

For example, in nations such as Sweden, Finland, Norway, and Iceland, we find more democracy and equality in both the family and the state; a higher status of women (approximately 40 percent of their national legislators are female); and concerted efforts to leave behind traditions of abuse and violence (they pioneered the first peace studies, enacted the first laws prohibiting physical discipline of children in families, and have a strong men's movement to disentangle "masculinity" from its equation with domination and violence).

These are not ideal societies. But supported by this more partnership-oriented social configuration, these nations enacted economic policies that combine positive elements of socialism and capitalism — but go beyond both by adopting economic inventions that give priority to caring for people and nature. They have government-supported childcare, universal healthcare, stipends to help families care for children, elder care with dignity, and generously paid parental leave.

These more caring policies, in turn, were key in these countries' move from extreme poverty (famines in the early 20th century) to regularly ranking high in the United Nations' annual Human Development Reports in measures of quality of life as well as in the World Economic Forum's annual Global Competitiveness reports today.¹⁷

These nations have a generally good living standard for all. They have low poverty and crime rates and high longevity rates. Because they also provide good family planning and encourage women to enter the paid labor force, their support for raising children has not led to a population explosion.

They pioneered environmentally sound industrial approaches such as the Swedish "Natural Step" and are ahead of most nations in meeting their goal of environmental sustainability. Some of the first experiments in industrial democracy came from Sweden and Norway, as did studies showing that a more participatory structure — where workers play a part in deciding how to organize tasks and what hours to work — can be extremely effective. Moreover, Nordic nations have a long history of business cooperatives, jointly owned and democratically controlled enterprises that have included concern for the community in which they operate as one of their guiding principles.

With the ascendancy of neo-liberalism and the globalization of unregulated capitalism over the last decades, Nordic nations too began to move toward more privatization. Nonetheless, they have been able to maintain most of their caring policies and hence their high rankings in international surveys of quality of life—ranging from environmental and human rights ratings to infant mortality rates, where the U.S. by contrast fell behind every industrialized nation and even poor ones like Cuba.¹⁸

A basic reason is that these nations continue their investment of resources in caring for people and nature. Indeed, these nations contribute a larger percentage of their gross domestic product than other developed nations to caring for other nations and races: to fund and carry out programs working for fair economic development, environmental protection, and human rights.

It has sometimes been said that Nordic nations have a greater investment in their human and environmental infrastructure because they are relatively small and homogeneous. But their investment in helping people from all world regions contradicts this claim. Moreover, in smaller, even more homogeneous societies such as some oil-rich Middle-Eastern nations where absolute conformity to one religious sect and one tribal or royal head is demanded, we find huge gaps between haves and have-nots along with the rigid subordination of the female half of humanity and a heavy reliance on fear and force to maintain their domination systems.

So, we have to look at other factors to understand why Nordic nations have a more caring and equitable economic system. One of these factors, still ignored in mainstream economic analyses, is greater equality between the male and female halves of humanity, as illustrated by the fact that women can, and do, occupy the highest political offices and comprise a large percentage of national legislatures. And while this was certainly not the only factor, the higher status of Nordic women has had important consequences for the values that guide Nordic policies.

In domination-oriented systems, men are socialized to distance themselves from women and anything stereotypically considered feminine, lest they be tagged with humiliating labels such as “wimp,” “sissy,” or “effeminate.” By contrast, in partnership-oriented cultures, men can give more value to care, caregiving, non-violence, and other traits and activities deemed inappropriate for men in dominator societies because they’re associated with “inferior” femininity. So, along with the higher status of Nordic women, many men and women back more caring policies—policies that give value and visibility to the work of caring for people and nature.¹⁹

7. Economics, Values, and Gender

We are not used to the idea that the status of women has anything to do with economic success. However, this connection has been empirically verified by international studies.

Already in 1995, a study conducted by the Center for Partnership Studies, “Women, Men, and the Global Quality of Life,” compared statistical measures from 89 nations on the status of women with measures of quality of life such as infant mortality, human rights ratings, and

environmental ratings. It found that in significant respects the status of women can be a better predictor of quality of life than Gross Domestic Product (GDP).²⁰

Since then, other studies have verified the relationship between the status of women and a society's general quality of life and economic success. The *World Values Survey* is the largest international survey of how attitudes correlate with economic development and political structure. In 2000, this survey focused attention on attitudes about gender for the first time. Based on data from 65 societies representing 80 percent of the world's population, it found a strong relationship between support for gender equality and a society's level of political rights, civil liberties, and quality of life.²¹

More recently, the World Economic Forum's *Global Gender Gap Reports* show that the nations with the lowest gender gaps (such as Norway, Sweden, and Finland) are also nations that are regularly in the highest ranks of the World Economic Forum's *Global Competitiveness Reports*.²²

There are many reasons for a correlation of the status of women with national economic success and quality of life for all. One, of course, is that women are half of humanity. But the reasons go much deeper – to the still largely unrecognized interconnected social and economic dynamics inherent in domination or partnership systems.

We have already seen the correlation between the higher status of women and values and policies that support caring for people, starting in early childhood. But there are also a myriad of other factors.

In cultures where women are rigidly subordinated, the distribution of household resources also tends to be skewed in ways that fail to invest in children's well being and development. There is empirical evidence across diverse cultures and income groups that in these domination-oriented cultures women have a higher propensity than men to spend on goods that benefit children and enhance their capacities. In "Intra-Household Resource Allocation," Duncan Thomas found that \$1 in the hands of a Brazilian woman had the same effect on child survival as \$18 in the hands of a man.²³ Similarly, Judith Bruce and Cynthia B. Lloyd found that in Guatemala an additional \$11.40 per month in a mother's hands would achieve the same weight gain in a young child as an additional \$166 earned by the father.²⁴

Of course, even in rigidly male-dominated cultures there are men who give primary importance to meeting their families' needs. However, men in such cultures are socialized to believe it's their prerogative to use their wages for non-family purposes, including drinking, smoking, and gambling, and that when women complain, they are nagging and controlling. As Dr. Anugerah Pekerti (chair of World Vision, Indonesia) notes, many fathers seem to have no problem putting their immediate desires above the survival needs of their children.²⁵

The effects of the subordination of females to males on intra-household resources distribution go even further. In some world regions, parents (both mothers and fathers) often deny girls access to education, give them less health care, and even feed girls less than boys. These practices obviously have extremely adverse consequences for girls and women. Indeed, they

are horrendous human rights violations. But giving less food to girls and women also adversely impacts the development of boys, as children of malnourished women are often born with poor health and below-par brain development.²⁶

So, this gender-based nutritional and healthcare discrimination robs *all* children, male or female, of their potential for optimal development. This in turn affects children's and later adults' abilities to adapt to new conditions, tolerance of frustration, and propensity to use violence—which impede solutions to chronic hunger, poverty, and armed conflict, as well as chances for a more humane, prosperous, and peaceful world for all.

Indeed, there is no realistic way to end cycles of poverty without taking into account another gender-related matter: that women represent a disproportionate percentage of the poor worldwide. According to some estimates, 70 percent of those who live in absolute poverty, which means starvation or near starvation, are female.²⁷ Even in the rich United States, woman-headed families are the lowest tier of the economic hierarchy. And according to U.S. Census Bureau figures, the poverty rate of women over sixty-five is almost twice that of men over sixty-five.²⁸ This is not only due to wage discrimination in the market economy; it is largely due to the fact that these women are, or were for much of their lives, either full or part-time caregivers—work that was neither paid nor later rewarded through social security or pensions.

None of this is to say that economic inequities based on gender are more important than those based on class, race, or other factors. These inequities are all inherent in domination systems.

But a basic template for the division of humanity into those to be served and those that serve, which children in dominator families internalize early on, is a male-superior/female inferior model of our species. And this is a template for relations that can then automatically be applied to ranking one race, religion, or ethnic group over a different one. In addition, with the ranking of male over female comes the devaluation of anything stereotypically associated with the “feminine.” So, it is not realistic to expect more caring policies and practices as long as care and caregiving are systemically devalued as “soft” or “feminine.”

I here want to emphasize that what we are dealing with are *stereotypes* of masculinity and femininity based primarily on gender-specific socialization processes, *not* with innate biological differences between women and men. I also want to emphasize that none of this is a matter of blaming men for our problems. Indeed, most women, like most men, have in domination systems not just been passive victims but often active collaborators in maintaining rankings of domination – including the ranking of man over woman – in conformity with religious and secular teachings that such rankings are divinely or genetically ordained.

What we are dealing with are systems dynamics in which the social construction of the roles and relations of the female and male halves of humanity plays a key role in shaping social and economic institutions and the values that guide policies and practices.

8. Valuing Nature and Caring for People

Even our environmental crisis is largely a symptom of the distorted values inherent in domination systems. We're often told that the Western scientific-industrial revolution that began to gain momentum along with the Enlightenment in the 18th century is to blame for the havoc we're wreaking on our natural life-support systems.²⁹ But the "conquest of nature" worldview goes back much further.

We inherited an economics based on the premise that man is entitled to control both woman's and nature's life-sustaining activities. In Genesis 1:28, we read that man is to "subdue" the earth and have "dominion . . . over every living thing that moveth upon the earth." In Genesis 3:16 we read that man is to rule over woman, who is to be his subordinate.

However – and this is an important point – this notion of male control over nature and woman is *not* exclusive to the West. And it was *not* introduced in the Bible, but much earlier.

For example, the Babylonian *Enuma Elish* tells us that the war god Marduk created the world by dismembering the body of the Mother Goddess Tiamat. This story, claiming that the violence of a male deity brought forth the world, superseded earlier myths about a Great Mother who created nature and humans as part of nature through her life-giving powers.

Such stories clearly signal the beginning of a period when female deities, along with women and anything associated with them, were subordinated. And they signal a shift to a domination system in which masculinity is equated with domination and conquest – be it of women or of nature.³⁰

This ethos of domination has led to enormous suffering and damage for thousands of years. But the plunder of nature, now aided by powerful technologies that cause terrible harm in a matter of years, even months and days, today threatens our planetary life-support systems.³¹

There are other crises that stem from the distorted values we inherited from more rigid domination times. One of these is what we might call the caring crisis.

It is generally agreed that the aging of the world's population requires more attention to their care. In addition, with the move to the post-industrial knowledge/service era, more support for parenting and high quality early childhood education is also urgently needed – especially in light of the findings from neuroscience that the quality of care and education children receive affects nothing less than how their brains develop.³²

These two crises – the eldercare and childcare crises – require a whole new way of thinking about what is, and is not, productive work. Indeed, a redefinition of productive work is essential given the rapidly changing job landscape.

9. Redefining Productive Work

Robotics and other forms of automation have already altered the employment landscape in unprecedented ways, with the continuing loss of manufacturing and white-collar jobs, and

increasingly also of programming and other high-technology jobs. Predictions are that many mid- and high-level jobs will also disappear because of the expansion of automated intelligent systems capable of decision-making, advisory, and analytical functions. While these artificial intelligence systems are not likely to replace humans altogether, they will markedly reduce the number of people needed to support business and government activities.

As we move further into the post-industrial economy, the industrial job base will shrink as radically as the agricultural job base shrank earlier, from employing a majority of workers to less than 5 percent. But unlike industrialization, automation does not offer large numbers of replacement jobs, especially in the nonprofessional occupations that until now provided mass employment.

To meet the challenges of the post-industrial world we need policies and practices that support and reward activities that machines and high-technology devices, no matter how sophisticated, cannot perform. It requires educating and remunerating people for caregiving.

Doing this will not only help close the caring gap – the worldwide lack of care for children, the elderly, the disabled, and the sick and infirm. It will also eventually lead to a redefinition of “productivity” that gives visibility and value to what really makes us healthy and happy – and in the bargain leads to economic prosperity and ecological sustainability.

But this requires fundamental changes in economic thinking. It requires getting past the old distinction between “reproductive” and “productive” work. It also requires new ways of measuring economic productivity.

10. New Economic Measures

As noted earlier, conventional indicators of economic health such as GDP (gross domestic product) place activities that *harm* life on the plus side. At the same time, they give absolutely no value to the life-sustaining activities of the household economy, the volunteer economy, and the natural economy. So, an old stand of trees is only included in GDP when it’s cut down – whereas the fact that we need trees to breathe is ignored. Similarly, economists often speak of parents who do not hold outside jobs as “economically inactive”—even though they often work from dawn to midnight.

Thanks to the activism of organizations worldwide, many nations now have “satellite” accounts that quantify the value of the work of caring for people and keeping healthy home environments. For example, a 2004 Swiss government report showed that if the unpaid “caring” household work still primarily performed by women were included, it would comprise 40 percent of the reported Swiss GDP.³³

Nonetheless, even most indicators currently being developed as alternatives or supplements to GDP still fail to include this kind of information. A recent survey by the Urban Institute of a cross-section of such indicators, *The State of Society: Measuring Economic Success and Human Well-Being*, found that most of these “alternative” indicators still fail to give adequate visibility and value to the work of caring for people or the contributions of women.³⁴

As a follow up to this report, in 2012 a meeting was convened by the Urban Institute and the Center for Partnership Studies in Washington DC to pave the way for the development of *Social Wealth Indicators* as a step toward more accurate and inclusive measures of human well-being and economic success as the basis for more appropriate government and business policies. Twenty economists, including experts on the value of care work in both the paid and unpaid economic sectors and scholars specializing in the return on investment from high quality early childhood education, discussed the development of Social Wealth indicators and their inclusion in the new U.S. Key National Indicators System authorized by Congress as well as in other national accounts.³⁵ These are all steps toward a new way of thinking about business and economics that can help us meet the unprecedented challenges our world faces today.

11. Conclusion

As Jakob von Uexkull noted, “we need to build a new story re-connecting us with our common future.”³⁶ In our environmentally threatened and inextricably interconnected world, fundamental changes in how we think about economics are essential.

We can no longer tolerate indiscriminate consumption, the continuing devastation of our natural environment, and chronic hunger and poverty. Neither can we afford to ignore the fact that, especially in the post-industrial knowledge/service era, we must invest in our human infrastructure – in caring for people, starting in childhood.

We already saw how caring policies in Nordic nations played a major role in their move from dire poverty to economic success and a high quality of life for all. Other examples abound, like the enormous financial benefits from investing in parenting education and assistance, as shown by the Healthy Babies, Healthy Children Canadian program,³⁷ and investing in high quality early childhood education, as shown by follow up studies of the U.S. Abecedarian Project.³⁸

There are many ways of funding investments in our world’s human infrastructure – investments that should be amortized over a period of years, as is done for investments in material infrastructure, such as machines and buildings. One source is by shifting funding from the massive, often unnecessary and wasteful, investment in weapons and wars characteristic of domination systems. Another is through savings on the immense costs of *not* investing in care and caregiving: the huge expenditures of taxpayer money on crime, courts, prisons, lost human potential, and environmental damage. Taxes on financial speculation and harmful activities such as making and selling junk food can also fund investment in caring for people and our natural habitat.

These investments are essential for business and economic success today. Good care for children will ensure we have the flexible, innovative, and caring people needed for the post-industrial workforce.³⁹ As shown by psychology and neuroscience, whether or not these capacities develop largely hinges on the quality of care children receive. Indeed, neuroscience shows that the quality of care and education children receive affects nothing less than the neural structures of the brain.⁴⁰

Even many of those who are privileged are today re-examining what makes for a good life. They recognize that after a certain level of material need has been met acquiring more possessions does not make for happiness – something also verified by social research.⁴¹ They recognize that what really matters is the quality of our relationships, the opportunity to do meaningful work, and a healthy natural environment.

“Through new ways of thinking and new economic inventions we can pave the way for a future where all children have the opportunity to realize their potentials for consciousness, empathy, caring, and creativity – the capacities that make us fully human.”

Especially in our time, when “high quality human capital” – flexible, creative people who can work in teams and think in long-term not only short-term ways – is essential for economic success, it can be argued that the caring activities still generally categorized as “reproductive work” are actually the most productive of all work. Similarly, caring for our natural environment is today a prerequisite not only for sustainability but for humanity’s future survival. And a major contribution to the necessary shift in economic and business priorities can be made by scholars reframing the economic and policy conversation – and moving beyond the idea that our only alternatives are either capitalism or socialism.

All this takes us back to the need for policies and practices that are good for children – today and for generations to come. If this goal guided government and business policies, continuing to use advanced technologies to pollute and destroy our natural habitat would be inconceivable. Also inconceivable would be the financial drain of chronic wars, corruption, and greed, and the unnecessary deaths of millions of children every year, not to speak of slashing government investment in childcare, health, and education.

Through new ways of thinking and new economic inventions we can pave the way for a future where all children have the opportunity to realize their potentials for consciousness, empathy, caring, and creativity – the capacities that make us fully human. But this will only happen if we leave behind old ways of thinking, and take into account key matters that until now have been left out, or at best marginalized, in both popular and scholarly discourse.

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