



PROMOTING LEADERSHIP OF THOUGHT  
THAT LEADS TO ACTION

*THE WEALTH OF NATIONS REVISITED*

# CADMUS

A papers series of the South-East European Division  
of the World Academy of Art and Science (SEED-WAAS)

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### *The CADMUS Journal*

*The acronym of the South-East European Division of The World Academy of Art and Science – SEED – prompted us to initiate a journal devoted to seed ideas - to leadership in thought that leads to action. We put this sentence as a motto, but we realize that we need a name for the journal. For our website it was easy to decide on [www.seed-ideas.org](http://www.seed-ideas.org), but name of a journal is more demanding. Several suggestions were made: Mercator (Gerard Mercator born as Gerard de Cremer in 1512 in Rupelmondanus - a Dutch mathematician, astronomer, and best known as a cartographer, professor at University of Leuven, He signed his work with Gerardus Mercator Rupelmondanus. Indeed, we are trying to provide maps) and, following the example of Daedalus, used by the American Academy of Arts and Sciences for its journal, Cadmus. Cadmus (or Kadmos in Greek and Phoenician mythology) was a son of King Agenor and Queen Telephassa of Tyre, and brother of Cilix, Phoenix and Europa. Cadmus is credited with introducing the original alphabet – the Phoenician alphabet, with “the invention” of agriculture, and with founding the city of Thebes. His marriage with Harmonia represents the symbolic coupling of Eastern learning and Western love of beauty. The youngest son of Cadmus and Harmonia is Illyrius. The city of Zagreb, which is the formal seat of SEED, was once a part of Illyria, a region including what is today referred to as the Western Balkans and even more.*

*Cadmus will be a journal for fresh thinking and new perspectives that integrate knowledge from all fields of science, art and humanities to address real-life issues, inform policy and decision-making, and enhance our collective response to the challenges and opportunities facing the world today.*

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## Transforming Finance Group's Call Recognizes Finance as a Global Commons

from Ethical Markets: [www.ethicalmarkets.com](http://www.ethicalmarkets.com)

**Hazel Henderson**, President

The Committee on Transforming Finance, a multinational network of career market participants: investors, asset managers, business executives, philanthropists, academics and financial authors, holds that the financial system is a global commons and calls for a new set of rules that would allow it to be governed in full conformance with this reality.

We as beneficiaries and active participants in capital markets affirm our responsibility to reform them from within, so that all those still-voiceless stakeholders who are now excluded and exploited can be heard and their communities appropriately served. If we are to avoid future systemic failures in the global financial system, we must re-think the underlying design flaws that precipitated the financial crises. We must move beyond Bretton Woods, where this financial commons was first defined within a set of global rules and institutions in 1945, as well as beyond recent attempts at reforms that have not addressed fundamental questions, including:

- What is the purpose of finance in human societies?
- What human values and principles should guide finance and its institutions?
- What are the limits of markets, money-based trading and transacting within the global commons?
- How can finance serve equitable, ecologically-sustainable governance of the global commons (climate, biodiversity, oceans, atmosphere, space) while reducing inequality, respecting human rights and acknowledging non-market-based, traditional societies?

Because we all benefit from healthy eco-systems, financially sound institutions and thriving human communities, rethinking the design assumptions of the regulatory framework of capital markets is an urgent global priority. Our call comes in the face of insufficient response by national governments to the financial crisis of 2008-2009, the demonstrated failure of traditional economics theory that markets are efficient in allocating capital, growing global interdependence, intensifying environmental crises, global social inequity and the technological interconnectedness of global financial markets. These 24-hour markets are dependent on satellites, internet and other technologies which were largely financed by taxpayers as public infrastructure investments.

Financial markets are founded on trust — now eroded by the irresponsible and unethical behavior of many players, including many of our leading financial institutions. Unbridled, greed-driven speculation, the improper use of public infrastructure technology for activities such as high-frequency trading, together with a misguided self-regulatory ideology reduced system resilience, damaged trust and thereby damaged the financial system commons. This

led to unhealthy “financialization” now dominating vital businesses and activities in the world’s real economies. In order to re-build trust, the Transforming Finance initiative seeks to democratize finance and widen the debate on reform by including all stakeholders and the innovations of many experts and groups advocating deeper re-structuring and reforms.

The key operating mechanisms necessary to build trust in the Global Financial Commons include:

- Stabilizing the value of national currencies and establishing a reliable global currency regime.
- Channeling savings into productive and sustainable investments that build real wealth.
- Managing fail-safe, transparent payment and settlement systems.
- Appropriate, dependable, transparent tools for managing financial risks and assuring that issuers, insurers and counterparties are accountable.

To correctly reframe global finance as a commons, the finance system needs to incorporate the following commons principles:

- Stakeholder co-governance,
- Access for all participants without sudden, cyclical capital market disruptions,
- Acknowledgment of the intrinsic value and assignment of rights to the environment,
- Decision-making at the most local level possible (subsidiarity),
- A commitment to environmental sustainability and social justice globally.

Since Bretton Woods, this commons approach has been expanded and well articulated in the theories of global public goods and their financing, and in many international UN conventions: the International Labor Organization (ILO), International Telecommunications Union (ITU), the World Trade Organization (WTO) and the international rule-making bodies for securities exchanges and accounting standards as well as the Universal Postal Union, the International Air Transport Association (IATA) and the UN Principle for Responsible Investing. Many multi-stakeholder groups include the carbon market of the Kyoto Protocol and its Clean Development Mechanism (CDM), the Global Reporting Initiative, the Club of Rome, the Carbon Disclosure Project, the World Social Forum, the Earth Council, the Dag Hammarskjold Foundation, and financial groups, including the Investors Network on Climate Change, the Microcredit Summit Campaign, New Rules for Bretton Woods, the Global Compact and the Institutional Investors Group on Climate Change.

The conventional wisdom of the “tragedy of the commons” articulated by biologist Garrett Hardin (Science, 13 December 1968, 1243) who maintained that common property is poorly managed, was based on outdated economic theory now challenged by endocrinologists, behavioral and brain sciences. This outdated view has been challenged by many scholars, who have documented how many societies over centuries have developed sophisticated mechanisms for sustainable decision-making and rule enforcement to handle conflicts of interest, allocation of common resources and rights.

We applaud the progress made by many innovators and groups as traditional markets for what economists call “rival goods” have morphed toward serving today’s markets based on new common scarcities and needs of the now 6.8 billion member human family for: clean air and water, restoring lands, forests, biodiversity and providing sustainable ecosystem productivity and stabilizing our global climate. These new needs require a commons approach where markets, as tools, can be designed to allocate these indivisible “non-rival” public

goods and infrastructures for equitable access and opportunities for human development. Traditional competition for private goods is complemented by cooperation in organizing larger markets for public goods and services.

We will continue our own efforts to modernize capital markets to serve human societies as one of the tools for managing the global commons. As our Chinese colleagues say, markets are good servants but bad masters. Thus we will continue re-designing models of asset-management beyond outdated “efficient markets” and “rational actors” theories to expand use of “triple bottom line,” ESG (environment, social, governance), integrated, ethical auditing standards and the criteria of thermodynamic efficiency: Energy Return on Investment (EROI) as well as Social Return on Investment (SROI). Prices must include social and environmental costs of production reflected in company accounts. Corporate funds and private money should never corrupt votes in politics.

Beyond these new company accounting standards, we support similar innovations to overhaul GNP/GDP money-based measures of national progress still using obsolete macroeconomics, ignoring social and environmental costs in national accounts (UNSNA). Beyond economics, systems metrics include the many indicators of health, education, environment, poverty gaps and quality of life, human wellbeing and goals of happiness presented at the European Union’s Beyond GDP Conference, November 2007 ([www.beyond-gdp.eu](http://www.beyond-gdp.eu)), and the global survey, International Public Opinion Measuring National Progress: 2007, by Globescan and Ethical Markets Media which found huge majorities in Australia, Brazil, Canada, France, Germany, Great Britain, India, Italy, Kenya and Russia that favor including these new indicators of human development. The next survey update will be released by the BBC in late 2010, including China and the USA.

We draw attention to many innovations to serve our common needs in stabilizing climate and creating equitable tools for the Kyoto Protocol beyond 2012, including: a floor price on carbon, removing the billions of dollar subsidies on fossil fuels, equitably allocating by auction all permits to emit carbon, reforming the Clean Development Mechanism and assuring that markets created for reducing atmospheric carbon and other pollutants damaging air, water, biodiversity and ecosystems are transparent, strictly regulated to prevent speculation. We recommend that proceeds from any sale of permits accrue to the public at large and to citizens of each country, and to finance the new 21st century infrastructure and public goods required in the global transition now underway from early Industrial Era technologies based on fossil fuels and unsustainable resource extraction ([www.GTInitiative.org](http://www.GTInitiative.org)).

The shift to cleaner, greener, information- rich, more sustainable, equitable economies of the Solar Age is accelerating, as measured by the Green Transition Scoreboard. We support the carbon market of the UNFCCC and the proposed International Bank for Environmental Settlements ([www.undp.org](http://www.undp.org)), both which were authored by Graciela Chichilnisky, and expanding the “common trust” models of Alaska’s Permanent Fund and the Norwegian Fund for holding revenues from oil in trust for all citizens and future generations, and that these trust funds (Peter Barnes, *Who Owns the Sky?*, 2001) include other energy resources: solar wind, geothermal, hydro, etc.

Therefore, we the undersigned share a vision of a world in which the financial system serves a flourishing and sustainable human, ecological and spiritual future. We pledge to continue our efforts in Transforming Finance and invite all others who share and work toward these goals to co-sign this declaration.

### *Co-conveners of the Committee on Transforming Finance*

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## ***CADMUS: The Personality of a Journal***

by **T. Natarajan**, President, The Mother's Service Society, Pondicherry, India

*At great moments, great movements arise. Life makes history memorable by its revelation at such moments. Military movements were led by generals, political movements by great personalities. After the war, leadership of such movements was offering itself to great international organizations. Initially the UN responded to the mature moment. The world has been waiting for one organization or a group of them to accept such a leadership. It is a leadership of thought. Several organizations sprung up and played active roles. They often go into dormancy, while their original ideas organize themselves more solidly below the surface of life. When they resurface, they emerge with a greater effectivity and a compelling force for effectuation. They usually do so at the time of great anniversaries.*

*The world needs political direction with a realistic economic content to organize itself as a global eminence. Democratic liberties become real to the society when they are based on economic equality. Seminal ideas about service economy and unmonetized economic activity broaden the base of economic science, so that it may play a more energetic role in the affairs of the world. The spirit of the times recognizing the value of great ideas and the significance of the evolutionary movement seeks a forum for expression. As organizations followed outstanding leaders in the post war period, journals offer themselves as vehicles of leadership.*

*It is their personality. Britain, which went in search of trade, was offered an empire in the 18th century. America, which was isolationist, in the 20th century was offered world leadership, as she had that immense capacity for production. Trade alone was the creator of great wealth in the 18th century. Hence empire came to Britain.*

*The essence of today's world leadership appears to be economic but, in truth, it requires political maturity to express it. Political inspiration that underlies economic realities qualifies for leadership in today's world. Such a leader may, in time, offer helpful ideas to the world that is beset with problems. Great ideas are preceded sometimes by great crises, as if they are seeking redress. The 50th anniversary of an international organization is a ripe moment for its founding ideas to reemerge with greater vigour and a self-effectuating capacity. A journal with a personality can carry out that mission successfully.*

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## SEED

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### *South-East European Division of The World Academy of Art and Science*

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The Board of Trustees of the World Academy of Art and Science (WAAS) established its South-East European Division (SEED-WAAS) in 2005. SEED-WAAS includes fellows, associate and junior fellows of WAAS from South European countries, i.e. from Portugal and Spain to Greece and Turkey. Since 2005 membership of SEED-WAAS has more than tripled. SEED-WAAS is a member of the Central-Eastern European Network of national academies and of the ALLEA - association of all European academies. SEED-WAAS cooperates with The Club of Rome and national associations of the Club, with the Pugwash Movements and its national associations, and with The Balkan Political Club. Many fellows of SEED-WAAS are also members of these organizations.

Together with its partners SEED-WAAS has organized numerous international conferences, sessions during international conferences and meetings, including events at Barcelona (2010), Ljubljana (2008), Zagreb (2006, 2007, 2008 and 2009), Banja Luka (2006, 2010), Sarajevo (2006), Dubrovnik (2009), Podgorica (2009) and Istanbul (2006 and 2009). Proceedings of some of these conferences are published and distributed to Fellows of WAAS and to participants. One remarkable achievement worthy of specific mention was the initiative by Orio Giarini, Fellow of SEED-WAAS and Member of The Club of Rome, who initiated and now for more than five years successfully directs the journal "The European Papers on New Welfare - The Counter-aging Society". That journal served as a foundation and inspiration for the launching of CADMUS.

SEED-WAAS members are actively engaged and have initiated several recent and on-going programmes of the World Academy, notably the Initiative for Abolition of Nuclear Weapons, Global Employment Challenge, The Evolution of Individuality, From Crisis to Prosperity and Limits to Rationality. Other notable SEED activities include: a bilingual English-Croatian website [www.vrijemeje.com](http://www.vrijemeje.com) (it is time!) publishing articles on economic and related issues by SEED-WAAS fellows and serving as a platform for interaction with the public; formulation of long-term energy strategy; proposals to raise employment in the region; and a proposal to declare SE Europe as a nuclear weapons free zone with guarantees for peace and security under the umbrella of NATO.

*Ivo Šlaus, President*

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