

Business within Limits

Deep Ecology and Buddhist Economics

edited by

LASZLO ZSOLNAI

and

KNUT JOHANNESSEN IMS

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STIG INGEBRIGTSEN & OVE JAKOBSEN
Bodø Graduate School of Business

Economics and Culture

In this chapter we address the interaction between economics and culture and outline the consequences of the economic value system's dominating role in all sectors of postmodern society. We argue that the economy invades culture and that the consumer conception dominates more and more of the human mind. This is a fundamental threat not only to economics itself but also to culture and sustainable development. We argue that stakeholder theory must be interpreted in a way that opens communication between agents representing both the economy and culture. We also argue that the interplay among the different stakeholders must take place in a communicative arena.

1. Introduction

During the last decades, an increasing number of societal sectors have been subjected to privatization and the market economy in the quest to reach goals connected to economic efficiency, cost reduction and profit maximization. This trend has gone so far that it seems appropriate to characterize it as '*economism*.' By *economism* we mean a situation where the economic value system plays a dominating role in society, ignoring or reducing other values in culture and nature to simplistic economic terms. Because sustainable development requires a non-reducible value system, one-dimensional *economism* seriously threatens sustainable development.

As Coase (1993) formulated it in his 1991 Nobel lecture, 'The concentration on the determination of prices has led to a narrowing of focus which has had as a result the neglect of other aspects of the economic system' (p.228). One important result of this process is that cultural values are forced to operate on an economic scale, where all values are converted to market prices.

There is a growing agreement among scholars in economics and business administration that sustainable development depends on a constructive interplay among economics, nature and culture. This conviction has resulted in the development of new subjects, such as 'corporate social responsibility' (Carroll 1979, 1991, Wood 1991, Gibson 2000), 'environmental management' (Wellford & Gouldson 1993, Hopfenbeck 1993, Wellford 2000), 'ecological economics' (Martinez-Alier 1990, Costanza 1991, Daly and Townsend 1993, Daly 1999) and 'new economy' (Zadek 2001).

Referring to Marcuse (1968) and Habermas (1982), who pointed out several decades ago that the economic system is negatively affecting the social life-world in several ways, we will illuminate and discuss some aspects of the problems and solutions connected to the interaction between economics and culture. More precisely, we will describe and discuss some of the consequences of the dominating influence of economic models, values, and language over an increasing share of the cultural sphere of society. We assert that the economic invasion of the life-world not only leads to cultural impairment but also to an undermining of creativity and trust, two of the most important pillars of the market economy. We are arguing that economism will in the long run have negative effects on both the economy and culture. Our reasoning is based on the assumption that culture creates a multidimensional discourse to secure sustainability in the economy. Complex problem solving in economics needs cognitive and normative inputs from a rich and vital culture.

To elucidate this complex phenomenon, it is necessary to pass through several steps. At the outset, we establish a line of demarcation between economics and culture on the macro level. Next,

we focus on the consequences of economism on the micro level. On behalf of the ‘person,’ we discuss some of the deleterious consequences of the dominating role of the ‘consumer.’ We then discuss some possible avenues to arriving at a harmonious exchange between economy and culture. In conclusion, we argue that a favorable cooperation between the two sectors must take place in a communicative arena (meso level). In connection with this challenge, we discuss some of the theoretical and practical challenges involved in the differentiation between economic and cultural agents with relevance to the stakeholder model.

2. The Demarcation Line between Culture and Economics

To establish a balanced exchange between culture and economics, it is first necessary to establish a clear demarcation line between these two spheres of society.

Culture

(lat. ‘cultura’ – cultivating the soil)

‘Culture’ is a metaphorical term derived from the act of cultivating the soil. Cultivating the mind has long been seen as a process similar to the cultivation of the soil, thus the early meaning of ‘culture’ focused more on the process than the end-result. Since the nineteenth century, the concept of culture has developed in different ways. First, culture came to mean a general state of the mind, with ties to the notion of human perfection. Next, it developed into the general state of intellectual and moral development in society as a whole. It later designated the general body of works produced through the arts and the intellect. Finally, it came to represent the whole way of life – material, intellectual, and spiritual – of a given society.

To limit the breadth of the phenomenon, we focus on the dynamical social aspects of culture. In the same way that nature might be looked upon as an integrated web of ecosystems, culture might be viewed as an integrated web of social systems. The idea of social systems being characterized by a normative order goes back to Durkheim's concepts of solidarity and collective consciousness (Durkheim 1973). It is also important to underline that social systems in this context are representing a reality *sui generis* and cannot be reduced to the characteristics of individuals. Therefore, culture represents the inherited ideas, beliefs, values, and knowledge constituting the shared bases of social action. Culture holds the different social systems together through an assortment of resilient norms, institutions and values, and a coordination of actions. In this context, culture is the human interpretation of the purposes of life and society expressed in the meanings and values found in philosophy, religion and art.

Habermas (1987) asserts that cultural evolution is a process fed by collective reflection on values to which the society is committed. This process – characterized by our reflecting on the background assumptions of the world and bringing our basic norms to the fore to be questioned and negotiated – is called '*communicative rationality*.' This is a form of rationality that is neither controlling nor suppressing. In a cultural context, the concept requires a frame of reference to establish a balance of integration between explanation and understanding, and is based on a belief in a minimum level of understanding and reasoning. 'Centers of concentrated communication that arise spontaneously out of micro-domains of everyday practice can develop into autonomous public spheres and consolidate as self-supporting higher level intersubjectivities only to the degree that the lifeworld potential for self-organization and for the self-organized use of communication are utilized' (Habermas 1987, p.364).

Economics

(gk. 'oikonomia' – domestic management, from 'oikos' house, 'nomia', from 'nemein' to manage)

Despite the controversy over a definition of economics, there is a general agreement that mainstream economics is concerned with different aspects of production, exchange, distribution, and consumption of commodities. It attempts to determine what is valuable at a given time by studying the exchange values of goods and services.

Like Mansfield, we assert that the economic system has to be defined through the description of what it does: 'A society's economic system must allocate its resources among competing uses, combine and process these resources in such a way as to produce goods and services, determine the amount of various goods and services that will be produced, distribute these goods and services among the society's members, and determine what provision is to be made for the future growth of the society's per capita income' (Mansfield 1988, p.9).

Mansfield is maintaining that the agents in the economic system are characterized by planning and instrumental rationality. In this context, instrumental rationality is defined as the rationality that governs the choice of means to given, usually material, ends. The choice of means to given ends has been an accepted definition of economics since Robbins (1935). Robbins did not limit his definition to the material, but this has been the case ever since, and he admitted that the wish for analytical cogency made it necessary to avoid the nonmaterial even if this is a central part of economics.

This specification is in conformity with the *Stanford Encyclopaedia of Philosophy*: 'Economists are concerned with the phenomena deriving not just from rationality, but from rationality coupled with a desire for wealth and larger consumption bundles' (<http://plato.stanford.edu/contents>).

Mansfield argues that the economic system is characterized by functional rationality. By this he means that the economic system's rationality is independent of the intentions of the instrumentally

acting agents. According to Bråten (1991): ‘The functional rationality of a system is decided on the basis of its ability to achieve goals such as economic stability, whereas the instrumental rationality of agents’ actions is determined by their ability to maximize (those agents’) utility’ (p.13). Therefore, the economic system is characterized by functional rationality, which governs ‘these systems independently of the institutions of the instrumentally acting agents within them’ (p.12).

The problem with this view is commented on by Coase (1993), who said: ‘What is studied is a system which lives in the minds of economists but not on earth. I have called the result “blackboard economics.” The firm and the market appear by name but they lack any substance. The firm in mainstream economic theory has often been described as a “black box.” And so it is’ (p.229). Coase finds this astonishing, as ‘most resources in a modern economic system are employed within firms’ (p.229), and the efficiency of the economic system depends heavily on what is going on in the organization. And what is even more surprising, Coase emphasizes, is that economists neglect the market or ‘the institutional arrangements which govern the process of exchange’ (p.229).

Differentiation between Economy and Culture

The natural conclusion is that mainstream economics treats institutions or firms as black boxes, and when they study individual agents they also treat them as black boxes. When economics invades culture, instrumental rationality replaces communicative rationality, functionality represses intentionality, atomistic competition substitutes for integrated cooperation, consumption becomes more important than cultivation, and utility (converted to a monetary scale) replaces value pluralism. The result is a one-dimensional society (See Figure 3.1).

Figure 3.1
Culture versus Economy

<i>Culture</i>	<i>Economy</i>
Communicative rationality	Instrumental rationality
Value pluralism	Value monism
Intentionality	Functionality
Cultivation	Consumption
Integrated cooperation	Atomistic competition
Inherent value	Utility

We will take a look at some of the consequences this development implies for the concept of man.

3. Economism and the Concept of Man

To show the possible consequences stemming from the economic system's colonization of the cultural life-world, we describe and discuss some elements in the transformation process of the human being from a 'person-in-society' to an 'egocentric actor' in the economic system.

For example, we argue that the inherent value in human relations could vanish when everybody becomes one another's customer. As we will see, the concept of person has social dimensions that are lacking in the concept of consumer. To establish a frame of reference, we will start with a description and discussion of some relevant aspects of the 'person.'

Person

(lat. 'persona' – mask, a man's role and dignity in relation to other people)

Neither in common use nor in philosophy has there been a univocal concept of person. Rather, the word 'person' has many uses that at best seem only related to one another. In recent common usage, according to the *Encyclopaedia of Philosophy* (1967), the word 'person' refers to any human being in a general way, much as the word 'thing' refers generally to any object whatsoever. In contradistinction to things, which may be preempted for our own purposes, the value of persons depends on the degree and kind of service they may represent for use in executing human aims. Persons, however, must not be used merely as means to someone else's end; they are in Kant's famous phrase, 'ends-in-themselves and sources of value in their own right' (*Encyclopaedia of Philosophy* 1967).

There is a connection among the different usages of the word 'person.' We speak of a citizen as one who ideally plays a role or takes part in the life of the community of which he or she is a member, and to this extent the dramatic and legalistic senses of the word are connected. According to the ancient meaning of the word, a person is an individual who has both legal duties and rights. A person is recognized likewise in law as having certain rights and obligations. Commonly, a necessary condition for having duties and rights is being responsible for one's acts. Rights are ascribable only to persons, and persons alone are responsible.

Leibniz characterized a person as a being that maintains the reflective inward feeling and consciousness of being the same individual over time. More generally, we can say that a person is a being characterized by consciousness, rationality, and a moral sense, that is traditionally thought of as consisting of a body, mind and soul.

To be responsible for one's actions, a person must be capable of acknowledging that he/she is the same individual who performed them. It is also common to state that to be a responsible being, a

person must know what he/she is doing and must be able to give reasons for having chosen to act so.

In a psychological context, the central element in describing a person is his/her personality. Depending on the school of psychology chosen, different conceptions will emerge. The economic black box conception is behavioristic and eliminates the psyche; it represents, to use Åkerman's (1936) word, a 'de-psychologised' view. But other conceptions open up different views on the contents of the black box. Lauridsen (1977) points out that Kant stressed the specific characteristics of the personality. It cannot be explained by referring to something else but must be explained in its own terms; and thus, the personality eludes an objective and quantitative analysis. The Kantian dictum that the study of personality cannot be subject to empirical and experimental studies, as in the sciences, is in accord with the Aristotelian conception of man. This brings us back to the notion of persons as ends-in-themselves.

A person is a being with a certain moral status – a bearer of rights. Taylor (1985) argues that certain capacities underlie the moral status as a necessary condition. 'A person is a being who has a sense of self, has a notion of the future and the past, can hold values, make choices; in short, can adopt life-plans. At least a person must be the kind of being who is in principle capable of all this, however damaged these capacities may be in practice' (p.97). And Coase (1993) points out that 'what are traded on the market are not, as is often supposed by economists, physical entities but the rights to perform certain actions and the rights which the individuals possess are established by the legal system' (pp.232–233).

In our perspective, the person is constituted as a moral agent through communicative action in the cultural sphere. Human beings become persons via socialization in networks of reciprocal social relations. The personal identity is from the start interwoven with relations of mutual recognition. Habermas (1990) speaks of communicative action when persons or actors are ready to harmonize their plans of action through internal means, committing them to pursuing their goals only on the condition of an agreement – one

that already exists or one to be negotiated – about definitions of the situation and prospective outcomes:

‘Communicative action can be understood as a circular process in which the actor is two things in one: an initiator who masters situations through actions for which he is accountable and a product of the traditions surrounding him, of groups whose cohesion is based on solidarity to which he belongs, and of processes of socialization in which he is reared’ (Habermas 1990, p.135). In other words, the patterns for interpretation and the individual ethical competence of the persons participating in the communication process are dependent on a shared life-world.

The solidarity of groups integrated through values and the competencies of socialized individuals also serve as resources for action oriented toward reaching understanding. ‘The life-world, then, offers both an intuitively pre-understood context for an action situation and resources for the interpretative process in which participants in communication engage as they strive to meet the need for agreement in the action situation’ (Habermas 1990, p.136).

Consumer

(lat. ‘consumere’, to consume goods and services)

In the following paragraphs, we will elaborate a couple of dimensions where the ‘consumer’ concept differs from the concept of ‘person.’ The consumer has a central standing in textbooks in economics and business administration. By defining a consumer as a human being who acquires goods and services for his or her own personal needs, we argue that economic theory reduces the person to an ego-centric, utility-maximizing agent. To reach their objectives, consumers act strategically. Georgescu-Roegen (1966) states, ‘It is thus that economics is reduced to ‘the mechanics of utility and self-interest.’ Indeed, any system that involves a conservation principle (given means) and a maximizing rule (optimal satisfaction) is a mechanical analogue’ (p.103). The actors in the market are defined as competi-

tors or counterparts. Rather than being an integral part of the common life-world, as the person is, the consumer is an autonomous part of the economic system.

In neo-classical (mainstream) economics, the theory of consumer behavior has been formulated almost entirely in terms of consumer preferences. The economic theory of the consumer is simple; 'economists assume that consumers choose the best bundle of goods they can afford' (Varian 1990, p.20). As an example, Mansfield (1988) writes, 'The rational consumer will choose in equilibrium to allocate his or her income between good X and good Y in such a way that the marginal rate of substitution of good X for good Y equals the ratio of the price of good X to the price of good Y' (p.113).

According to Knight (1935), this is not the whole story. One has to qualify economic explanations with the following limitations: 'In so far as men's economic activities are rational or planned [and economics is only] the rationale of life' (p.52). In so far as it has any rationale! And this is a 'limited and partial view' of life.

In marketing theory, Bagozzi (1986) asserts that 'customer analysis strives to discover the needs of consumers, how consumers go about satisfying needs and making decisions, which current products and brands satisfy or fail to satisfy needs, and what new products might be required to satisfy old or emerging needs' (p.27). To meet customer needs, firms spend a lot of resources on research and product development. Bagozzi (1986) is arguing that the 'rationale is that consumers are satisfied through products' (p.671). Inspired by the economists, Rothschild (1987) presupposes that consumers are motivated to seek and evaluate information 'to make an optimizing decision that leads to selection of the single best brand (for their needs) in the product class' (p.75).

From this short presentation, it is possible to draw a preliminary conclusion about some of the main characteristics of the customer concept in economics and marketing theory. The customer is an individual or a group of individuals. The customer seeks to find the optimal satisfaction of preferences based on a fixed budget. Galbraith (1958) once said that the theory of consumer demand, as it

is now widely accepted, is based on two broad propositions. Neither of them is explicit, but they are extremely important for the value system of economists. The first is that the urgency of wants does not diminish appreciably as more of them are satisfied. Satiation has little standing in economics. The second proposition is that wants originate in the personality of the consumer, and they are given for the economist. The economist's task is to maximize the goods that supply these wants.

Differentiation between Person and Consumer

We argue that an adjacent consequence of economism on the micro level is that the consumer will be the dominating part in the human mind. The value system will change from deeper values to preferences. The person's social responsibility will be replaced by the consumer's egocentric evaluations. Competition among market agents represses the dialogue among integrated human beings. Strategic action will dominate over communicative action on more and more social domains (See Figure 3.2).

Figure 3.2
Person versus Consumer

<i>Person</i>	<i>Consumer</i>
Constituted in the life-world	Constituted in the economy
Strong evaluations	Weak evaluations
Social relations	Egocentric
Communicative action	Strategic action
Dialogue	Competition
Motivation	Output

As asserted earlier, we presuppose that sustainable development is dependent on a balanced interplay between a vital cultural life-world and an effective and efficient economic system. One im-

plication of this statement is that the 'consumer' must be an integrated, and not a dominating, part of the person. By this we mean that the consumer must be able to evaluate his/her preferences against deeper values, founded in cultural discursive processes. An effect of the economic system's invasion of the life-world is that the consumer conquers a dominating part of the agent's personality. So strategic action replaces communicative action in societal arenas. As we have argued, strategic action is focused on egocentric utility calculations. This trend will lead to the dissolution of common values founded in the cultural life-world. (See also, Durkheim's [1991] concepts of solidarity and collective consciousness).

4. Dialogue-Based Interplay Among Stakeholders Representing Culture and Economics

In this section we focus on possible solutions to some of the problems that may result whenever the economy expands and thereby creates strong tendencies to colonize and commercialize the cultural domain. Our main idea is that dialogues based on the principles of discursive rationality are relevant tools to combine the cultural life-world with the economic system without undermining either of them. In the same way, we argue that the (inner) dialogue could contribute to balancing the position between the person's 'strong evaluations' and the consumer's 'weak evaluations.'

Taylor (1985) argues that a person has the power to evaluate his/her own wants, or to regard some wants as desirable and others as undesirable. We argue that preferences or '*weak evaluations*' are concerned with outcomes and represent motives (wants) for strategic action in the economic system. We also argue that ethical values or '*strong evaluations*' are occupied with the quality of our motivation (basic needs) through discursive processes in the cultural life-world.

According to Taylor (1985), utilitarianism has a bent to 'do away with qualitative distinctions of worth on the grounds that they represent confused perceptions of the real bases of our preferences which are quantitative. The hope has been that once we have done away with strong evaluations we will be able to calculate' (p.17). In our opinion, economic rationality depends on the same condition, thus strategic action without strong evaluations will lead to increased focus on egocentric values at the expense of values concerning the common good.

To understand the function of dialogue in the integrated 'man-in-society' perspective, we turn to antiquity. Plato believed that it is possible to reach the truth about 'the good life' in 'the good society' through a process of refining concepts via dialogue between persons. His purpose with respect to dialogues was to find a platform, a fixed point, for assessment of morality and politics in a society dominated by changes on many levels. But many scholars have criticized Plato's dialogues, stating they have serious shortcomings and in no way represent what we may term 'the prototype of good dialogues.'

Most of Plato's dialogues result in a situation where the dialogue partner sparring with Socrates ultimately understands that he is caught in a logical trap. Socrates has created confusion in his fellow man, which stimulates the partner into reflecting on his own way of living in relation to a certain conception of the good life. Therefore, the dialogue has an important role in forming strong evaluations. It is not obvious that Socrates' dialogues are idealistic because he dominates his fellow man, and no symmetry prevails. With this in mind, we will try to describe what characterizes a real dialogue.

Today, real dialogues are seen as a potential solution to the tendencies toward individual and social fragmentation. Like Durkheim, Taylor (2002) warns against the consequences of increasing individualism, instrumentality and alienation and contends that human life is characterized by its 'dialogical character' (p.45). Bakhtin's distinction between dialogues in micro and macro perspectives offers a similar understanding. The macro-dialogue shows that life is dialogical in its nature. Meaning and understanding are

constituted through micro-dialogues, within which human beings share experiences and exchange meanings.

We believe that it is fruitful to attack the anomalies originating from the market economy's dominating position over culture in modern society (economism). We argue that a narrow focus on competition between individual agents combined with market prices acting as the sole carrier of information has to be replaced by dialogue-based interrelationships between the stakeholders in the economy and the cultural domain. By stakeholders we mean all persons or groups who are affected by or have an interest in the enterprise's operations, such as the employees, customers, local community, and NGO's, etc. Dialogue might help create and maintain trust and long-term relationships and encourage the actors to become more committed and responsible. The stakeholder perspective changes all the time because in one situation you may act as an employee, the next time as a customer or an NGO. Our main point is that the stakeholders are representatives for both the economic and cultural spheres of society.

We believe that dialogues involving all relevant stakeholders represent a force that might be strong enough to change the direction of development and stagger and domesticate the undesirable effects of the market forces. In accordance with Bakhtin (2002), who emphasized the importance of dialogue, we maintain that meanings are created, knowledge is developed, and learning takes place in the dialogue among different stakeholders. We argue that dialogue-based relationships among the actors might contribute to community values like sympathy and empathy, and to learning and innovation as productive forces.

The opportunities for wide and open communication are much better within a discursive community than in a competitive market. Holbæk-Hanssen (1984) stresses that no one is able to help the other without insight into the interests of the receiver. On the contrary, it is not possible to be a receiver without insight into the interests of the helper. This dialogue-based understanding improves the quality of long-term relationships.

Cooperation based on dialogue also opens up more holistic and integrated solutions than the dynamics of an atomistic and competitive economy allow. Equality and mutuality among the involved actors are necessary conditions for a constructive dialogue. When these requirements are satisfied, dialogue-based relationships engender a common identity, which might contribute to the development of the participants' empathic abilities. These abilities are absent in the consumer perspective favored by economists. When competition is replaced by symmetric cooperation as the main principle for interaction in the market, the development of a common identity will gradually take place. Our concept of 'dialogue-based cooperation' implies that cooperation among stakeholders has certain requirements.

The exchange of elements of meaning among the involved actors is central. Cooperation presupposes that the actors disclose relevant and valid information without thinking about strategic action. We define strategic action as actions oriented toward individual success. Based on an instrumental way of thinking, actors want to influence the decisions of others by direct or indirect manipulation.

Communicative interaction constitutes a better approach. This is defined as actions oriented toward mutual understanding and achievements. This form of interaction is not oriented primarily to individual success, but rather 'to the realization of an agreement which is the condition under which all participants in the interaction may pursue their own plans' (Habermas 1982, p.264). This implies that the actors, in addition to creating their own meanings, develop the ability to assume the other actors' positions. This is an important element behind the development of a character marked by sympathy and empathy.

We introduce the concept of real (self-reflective) dialogue, which involves a dialogue characterized by critical reflection on the elements of meaning pertinent to oneself and others. The admixture of different perspectives of meaning is central and contributes to the stimulation and development of the consciousness of the actors. This activity might in turn contribute to an enlarged creative hori-

zon (cf. Bråten, 1983). This dialogue, we believe, fortifies the personal aspects of economic agents, which serves to stimulate learning processes and enhance innovative activities. Negating the dialogue-based cooperation might be characterized as monological strategic interaction.

By introducing dialogue-based cooperation as a fundamental principle for the market economy, it is possible to keep freedom as a basic value and the conflict between individualistic and collectivistic interests framed into a constructive space.

5. Cooperation in a Communicative Arena

In order to promote sustainable development in economics we must reorganize the interplay among stakeholders in accordance with the differentiation between culture and economics. The interplay among the different stakeholders related to economy and culture must be governed by consensual norms that are grounded in the intersubjectivity of mutual understanding among the agents. To put this into practice, we introduce a new institutional setting called the '*communicative arena*.'

Our main argument for introducing the communicative arena as an essential institution in economics is grounded in the market ontology itself. We argue that mainstream economics, based on Smith's economic liberalism, is wrong in its atomistic description of the market. In our opinion, the market must be understood as an integrated whole. As agents' interactions are so important in this new economic paradigm, it is necessary to find solutions to how the communication can be organized. In our perspective, the agents' actions can be integrated in two ways: first, by bringing the agents' values into concordance through communication; and second, by regulating the agents' actions to efficiently bring about some desired ends through functional integration.

We think it is obvious that Smith's 'invisible hand' is unable to accommodate this important task. We can ascertain that Smith's market theory is based on ontological individualism from his famous doctrine where he maintains that every individual endeavors insofar as he can to employ his capital in the support of domestic industry, and to so direct that industry that its produce may be of the greatest value. He also asserts that every individual should work to render the revenue of the society.

The conclusion of this argument is that the economic agent neither intends to promote the public interest nor knows how much he is promoting it. It is obvious that in Smith's opinion, the only motivation for action is egocentric, particularly when he argues that the agent only intends his own security and his own gain. As the agent is led by an invisible hand, he will promote an end which was no part of his intention. In Smith's (1981) own words, 'By pursuing his own interest he [the agent] frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good' (pp.455–456). It is too simple, when Smith asserts that 'the private interests and passions of men naturally lead them to divide and distribute the stock of every society, among all the different employments carried on in it, as nearly as possible in the proportion which is most agreeable to the interest of the whole society' (p.630).

We argue that the market must be restrained by other collective forces, like common values and norms developed in the communicative arena, to fulfil the economic functions in modern society. Bellah (1973) states that the communicative arena (vigorous groups) 'would provide the moral forces that would prevent the development of egoistic and atomic tendencies and would provide an environment of justice and equity so necessary if a highly differentiated structure is to function without pathology' (p.xxxi). Habermas (1990) regards communicative action as 'a circular process in which the actor is two things in one: an initiator who masters situations through actions for which he is accountable and a product of the traditions

surrounding him, of groups whose cohesion is based on solidarity to which he belongs, and of processes of socialization in which he is reared' (p.135).

By raising the level of analysis from the micro to the meso level, we open the door for an interrelated perspective without losing sight of the individual actors. On the meso level, all lines of communication appear clearly and become an explicit part of the market. Inspired by Winsemius and Guntram (1992), we use three different dimensions for evaluating sustainable development:

- *Effectiveness* – Contributing to economic, societal and environmental ends
- *Efficiency* – Reaching these ends with minimum cost
- *Equity* – Showing fairness in the burden-sharing among stakeholders

Effectiveness says to what degree the market agent contributes to balancing business among environmental, social and economic ends. To measure the output it is necessary to use both quantitative and qualitative scales. A firm's ability to reach economic ends could be monitored through economic indicators such as earnings before interest and taxes, return of average capital employed, market share in key markets, and so on. Entropy, biodiversity, CO₂, NO_x and the like could be used to indicate the state of ecological diversity and ecosystem vitality. Cultural output could be measured through systematic monitoring of organizational practices regarding labor conditions, customer health and safety, support of education and humanitarian programs, and through a description of the organization's policies and procedures for identifying and engaging in dialogue with community stakeholders in areas affected by the reporting organization's activities.

Efficiency means that the degree the defined goals are reached with a minimum use of economic, ecological and societal input. As mentioned earlier, the main task in economics is to create goods and services that satisfy the wants and needs of the market, in both the

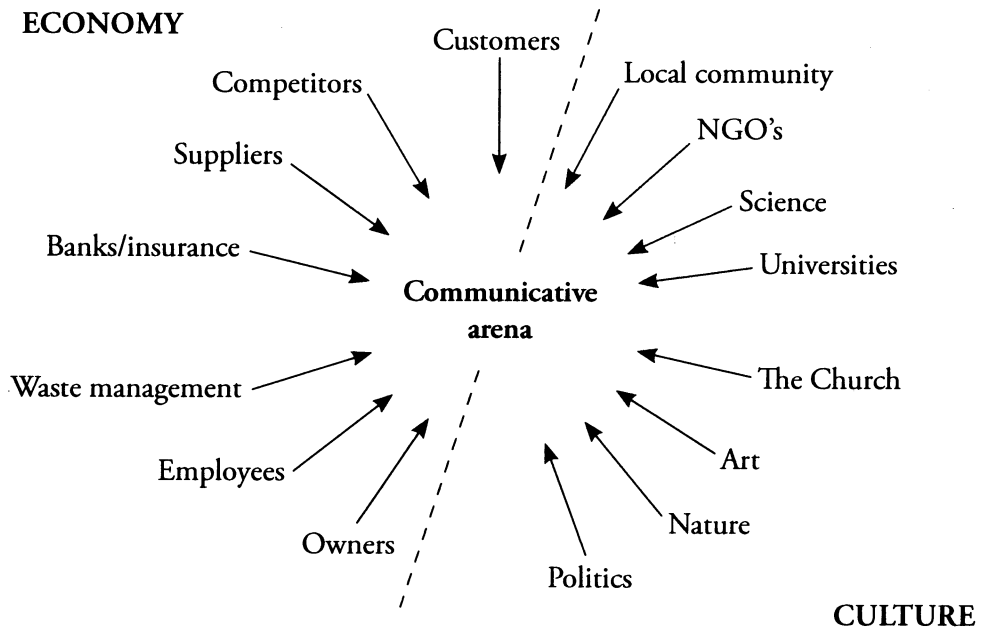
short and long runs. To accomplish various levels of goals, we must accept the fact that some actors in the market are less 'profitable' than others.

Equity means the degree to which the economy contributes to a sustainable societal development, based on equality and justice. One important task is to distribute the advantages and disadvantages in a way that is acceptable to stakeholders representing both economy and culture. To define goals and to measure the results, we introduce an institutional setting called 'the communicative arena.'

The stakeholder model gives an indication of how to handle different values through the communicative networks in a complex market. In the last few years, it has been proven that it is possible to treat employees, customers, suppliers, communities – and the natural environment as well – better than most companies are doing, and make a good profit and create products which help to assure sustainable development. Examples of such products are high efficiency, low cost, low polluting, and alternative renewable energy sources.

The economy will also work better if whole series of secondary groups between the state and the individual firms are integrated into the communicative arena. It will be the intensity of the interaction among the different stakeholders that produces the integrative ideas and the spirit of association needed for social and environmental responsibility. By introducing the communicative arena as an institutional setting for the stakeholder model, we try to curtail problems in connection with both bureaucratic centralization and individual atomization. An important theoretical precondition for this change of perspective is the distinction between economic and cultural stakeholders. Our main point is that the cultural stakeholders are representing values and norms not grounded in economic reasoning. (See Figure 3.3)

Figure 3.3
The Communicative Stakeholder Perspective



6. Conclusion

We started with defining 'economism' as the trend in postmodern society characterized by economic efficiency, cost reduction and profit maximization as the dominating values. This development represents a threat to sustainable development because it undermines the requirements of value pluralism and mutual responsibility. Referring to different theoretical positions in economics and business administration, we argued that sustainable development depends on a constructive interplay among agents representing values related to economics and culture.

To overcome the problems of economism, we articulated the need for differentiation between economy and culture. We argued that a commercialized culture is suitable for neither defining a value-based framework for economic activity nor for producing the ideas and knowledge needed to achieve sustainable development. Sustainable development depends on a balanced interplay between the two spheres based on dialogue and discursive rationality.

The dialogue must take place among agents inside the economy and agents representing the cultural sphere. Communication among agents belonging to the economy and culture is a necessary condition for securing a balanced interplay between the two spheres without undermining either of them. If the consumer conquers a dominating part of the agent's personality, strategic action will replace communicative action in an increasing number of societal arenas. This could lead to dissolution of common values founded in the cultural life-world.

To secure a balanced interplay between economy and culture, we argue that the stakeholder model must be explicit about the differentiation between stakeholders representing economic values and stakeholders representing cultural values. It is not customary in the literature to make this distinction (Jones 1995, Cragg 2002, Freeman and Veal 2002).

To coordinate the interplay among the different stakeholders, we introduced a new institutional setting based on dialogue and communicative action. We called this institutional setting 'the communicative arena.' In the communicative arena the agents do the following:

- Concord their 'strong evaluations' through processes based on communicative rationality.
- Coordinate their economic actions to bring about common ends.

To conclude, we argue that sustainable development presupposes an arena where economic and cultural agents can coordinate

and evaluate their different values and norms through communicative processes.

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