

**THE ACTING PERSON:
SOCIAL CAPITAL AND SUSTAINABLE
DEVELOPMENT**

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ABSTRACT

Ron Stanfield has had a long and distinguished career as a social economist and commentator on the social economy.¹ Of special concern to us in this article are Stanfield's interests in social capital, sustainable development, and nurturance which we refer to as caring. We also take up several other virtues including sympathy, benevolence, and generosity that have been part of the economics literature from the time of Smith's *Moral Sentiments* along with the associated vices of heartlessness, insensitivity, meanness, greediness, and others. This article attempts to show that (1) adding social capital to the *machine-like* individual of mainstream economics results in the *acting* person of personalist economics who becomes more fully a human person through social interactions that foster the development of several virtues or less fully a human person through other interactions that instill certain vices; and that (2) in matters relating to sustainability, becoming more fully a human person calls especially for the practice of the virtues of justice and moderation. In addition we have suggested a framework for thinking about sustainable development in terms of actuating and limiting principles and for developing critical values or performance standards for sustainable development that are person-centered.

Keywords: Personalist economics • Justice • Social capital • Sustainable development

Introduction

Among the many ways in which sustainable development is defined, Stanfield indicates a preference for Robertson's: "...economic enhancement that meets the needs of the present generation without compromising the ability of future generations to meet their needs" (quoted in Carroll and Stanfield 2001: 470). For our purposes, those needs are represented as the needs that derive from human individuality and the ones that originate in human sociality. By addressing sustainable development in this fashion it becomes necessary to look beyond *homo economicus* as the basic unit of economic analysis for two reasons. First, *homo economicus* is a strictly want-satisfying construct devoid entirely of any human needs because need is a value-laden concept and for economics to be truly scientific it must be value-free. Second, as a human being *homo economicus* is strictly an individual being. Nothing in the nature of *homo economicus* bespeaks human sociality. It follows that for *homo economicus* all existence is solitary existence.

We have argued elsewhere that by taking account of human sociality and social or co-existence *homo economicus* becomes *homo socio-economicus*, individual is transformed into person, and individualism is replaced by personalism (cf. O'Boyle 1994: 286-313; O'Boyle 2001: 367-393). We propose therefore to address sustainable development in terms of economic agents acting as persons who live in the real world of community where all existence is co-existence rather than as individuals who live in a make-believe world where all existence is solitary existence. In other words, sustainable development is impossible in the contrived isolation of *homo economicus* unless one is prepared to embrace and defend the mainstream's invisible hand rhetoric. More than 30 years ago Stanfield (1975) called attention to the defects in *homo economicus*, though he did not make the distinction between individual and person that we make below. And he described human existence in similar language: "there is no existence of the individual as other than a social being" (Stanfield 1978: 353).

¹ I wish to thank Phil O'Hara and the anonymous referees for comments on an earlier version of this paper, which assisted with the rewrite.

Individual and Person

By individual neoclassical economics means a human being in whom human individuality, inward directedness, autonomy, and awareness of self and self-interest are emphasized. The individual is represented as intelligent, thoroughly rational, utility-calculating and maximizing, and free to choose in all economic decision-making. *Homo economicus* is competitive, making use of the human disposition to undertake certain tasks alone for the solitary gain, essentially revealed and therefore predictable. The predictability of *homo economicus* means that his/her behaviour is quantifiable, can be incorporated in the mathematical models of neoclassical economics, and can be calculated with certainty. Economic behaviour is completely detached from any cultural influence because for the atomistic *homo economicus* all existence is solitary existence. Community is irrelevant. Finally, *homo economicus* is a material or embodied being, though this personal characteristic at times is replaced by another: *homo economicus* is a machine (see, e.g. Blinder 2000: 18).

Individualism provides the philosophical foundation for *homo economicus*. Today *homo economicus* is the dominant way of thinking about economic agents in contemporary economic theory because neoclassical economists are comfortable with individualism, and in essence regard it as more than just a description of the way things are. For them individualism is the ideal philosophy proven superior for more than two centuries, and validated most recently by the demise of *homo sovieticus* and the collectivist philosophy that supported a radically different characterization of economic agents. But individualism is not appropriate for the new economy in which economic decision-making increasingly is centralized in supra-national economic unions such as the World Trade Organization and the European Union. *Homo economicus* fits well in a world and at a time in the 17-18th centuries when decentralization was taking place in political affairs, notably during the transition from royalty to free citizenry, from privilege to merit, and when reason replaced faith as the central pathway to shedding light on the mysteries of the universe and the human condition. The roles played by economic agents, along with their personal characteristics, have changed in the new economy due importantly to the information-communications technology revolution. It follows that a new economics begins with a re-thinking of *homo economicus*.

Personalist economics argues that there is much with regard to the role of economic agents today that is not accounted for by *homo economicus*. Personalist economics, however, does not discard *homo economicus*. Rather it adds important characteristics and dimensions not included in *homo economicus*.

By person we mean a human being in whom both individuality and sociality are recognized and emphasized: inward-directed and outward-reaching, autonomous and dependent, and aware of self and self-interested and, at the same time, aware of others and concerned at least in part for their well being. The person is intelligent, thoroughly rational, utility-calculating and maximizing, and free to choose, and at once intuitive, emotional, utility-satisficing, and ethically and morally instructed, bound, and governed. In all economic affairs the person, *homo socio-economicus*, is not only competitive but cooperative, making use of the human disposition to undertake certain tasks collectively for the gain that cannot be achieved or achieved so well when those tasks are undertaken alone. Note, for example, that the assembly line and the supply chain are based on and depend on human cooperation, and that bridges are built to break down human isolation rather than reinforce it. Even more importantly, note that work, consumption, and leisure typically take place not in isolation from but in contact with other human beings.

For all the magnificent discoveries of science and the human intellect over the centuries, human beings are still shrouded in mystery. In economics, to cite just one example, our lack of understanding of human nature frustrates efforts to construct a unified body of theory. Instead we have microeconomics that construes economic affairs in terms of human individuality and macroeconomics that construes the same affairs in terms of human sociality, as if human nature is divided in two rather than united as one. Since humans are not fully revealed, human

behaviour is not predictable with certainty as is so plainly evident in picking stocks and forecasting next quarter's GDP. We neither dismiss nor discredit the work of neo-classical econometricians. Rather we urge them in the name of prudence to refrain from putting too fine a point to every econometric estimate.

Homo socio-economicus is unique, one of a kind, valuing individuality and sociality differently, changing as an economic agent with changing economic conditions and circumstances, but essentially a holistic, unified human being: essentially one, not divided into individuality and sociality, but a fusion of the two. An embodied spirit, a material body *inside* a human spirit: not one part body, one part spirit, but a fusion of the two.

Homo socio-economicus is aware that community and a sense of belonging emerge not when humans simply avoid any harm to one another but when they participate in one another's economic lives; aware that economic community, as for example in the form of private companies that produce the goods and services vital to human existence, requires positive contributions from the economic agents who form that community; aware that all existence is co-existence; aware that the human spirit plays a major role in the three central economic activities of work, consumption, and leisure. Fairness, benevolence, trust, and generosity are necessary for a human being to develop from the individual *homo economicus* to the person *homo socio-economicus*.

Adam Smith's *Moral Sentiments* calls attention to these duties, and Marshall rejects competition as the fundamental characteristic of modern economic systems, affirming instead the importance of neighbourhoods and collective action, of honesty, fidelity, unselfishness, and sympathy (Marshall 1948: 5-7). But neoclassical economics constructed *homo economicus* not from Marshall's *Principles* or Smith's *Moral Sentiments* but from *Wealth of Nations*. In that sense, personalist economics and *homo socio-economicus* return to the fullness of Smith's and Marshall's original ideas about economic agency, and reinforced with a deeper awareness self and others (Ong's "I" and "thou")² brought on by electronic communications, personalism becomes the new philosophical ideal for the new economy.

The spirit in every human being longs for a job that affords opportunities to put to work one's creative talents and energies, and scorns the "dead-end" job. Further, the human spirit needs to be accepted by others on the job, needs to experience a sense of belonging. As to consumption, humans need the goods and services required for physical well being. But because human beings are more than mere material beings, humans are concerned with more than their physical well being. The human spirit seeks goodness, truth, and beauty in various forms such as music, art, drama, nature, literature, dance, and sports. In searching for goodness, truth, and beauty in whatever form it might take, goods and services almost always are exchanged. Human beings may look for goodness through theatre presentations that address the clash between good and evil and that necessarily involve payment of an admission fee. Truth may be pursued through educational institutions that charge tuition for access to their services. Yearning for things of beauty, humans purchase the work of artists and buy tickets for access to the ballet, opera, and rock concerts.

Human beings are marvelously and mysteriously different in countless ways. What may satisfy the spirit of one person may be of no interest or value to another. Some are drawn to tennis, others to fishing. One family member may find the beach the perfect place to vacation, another may strongly prefer the mountains. A well-pitched baseball game may excite the spirit of some persons who at the same time are bored by a low-scoring soccer game. Personalist economics classifies these activities, along with the rest required every day to cope with the stress of daily living, as leisure. Neoclassical economics, on the other hand, defines leisure in a negative sense: time spent not working.

² For Ong on "I" and "thou" see Farrell.

Homo economicus compares, calculates, rationalizes, chooses, takes, maximizes. *Homo socio-economicus* does all of that and more: intuitu, guesses, romanticizes, idealizes, gives, celebrates. For some, as with Blinder, machine seems to be a reasonable characterization of *homo economicus*. We see *homo socio-economicus* as a living breathing existential actuality -- an *acting* person.

Freedom and Justice

Freedom is three-dimensional. First, freedom means that human beings by their very nature are free *to* be all that they can be. Second, freedom (liberty) denotes that humans are to be free *from* coercion. Third, freedom signifies that humans are free *for* the purpose of meeting their obligations. *Homo economicus* embraces the first and second meanings of freedom. *Homo socio-economicus* embraces all three.

Aware not only of self but of others as well, *homo socio-economicus* also embraces justice: the virtue or good habit of rendering to others that which is owed. Justice is necessary in economic affairs because every exchange involves gain. What is gotten in the exchange must be more highly valued than what is given up.³ At times, however, gain can be excessive, can be the result of one party taking advantage of the other, can be ill-gotten as, for example, with insider trading, sexual harassment, or expense padding. The faithful practice of justice in economic affairs helps limit gain to what is due, and because there are only three ways in which economic agents can relate to one another, there are just three principles of economic justice. They are equivalence (equal to equal), distributive justice (superior to subordinate), and contributive justice (member to group).

The principle of equivalence demands that both parties to a transaction (1) exchange things of equal value and (2) impose equal burdens on each other. Shoplifting, for example, violates both parts of this principle and is destructive of retail trade because it is unreasonable to expect a shopkeeper to operate his/her store when customers are free to take whatever they want from the shelves and exit the store without paying. Indeed, not punishing shoplifting assures that few if anyone would be so foolish as to become a merchant and expect to earn a living. To teach and reinforce the ban on shoplifting, it is necessary to have laws and enforcement officers to assure that shoplifting is punished. Those laws embody the principle of equivalence.

Contributive justice argues that insofar as a person partakes in the benefits that come with belonging to a group he/she has a duty to maintain and support the group. Otherwise, the group will collapse since its very survival depends on the contributions of its members. To illustrate, persons who evade taxes, file fraudulent insurance claims, engage in dumping violate this principle. Contributive justice has special application to the problem of sustainable development. More about that later.

Distributive justice demands that superiors share the benefits and the burdens among their subordinates in some equal or proportionate fashion. There are two keys to behaving ethically as a superior. First, it is necessary to avoid the false stereotype, to avoid finding fault with a person and treating that person differently simply because that person is a member of a group about which negative images abound, such as are represented by the n-word and the b-word. Second, it is necessary to know when to treat persons differently, when there is a real need that justifies that different treatment. Discrimination, kickbacks, and bribes are violations of this principle.

Buyers and sellers are not oblivious to the demands of justice even though they may not be able to define the principle of equivalence. Superiors are not totally unmindful of their obligations under distributive justice: they have the laws on discrimination as powerful reminders. And members are not completely uncaring about what they owe in form of dues as members of formal organizations even though they may not be able to state the principle of

³ Gain is preferred to the language used in mainstream economics -- consumer surplus, economic rent, and profit -- because it is simpler, and because the conventional language conveys the unfortunate impression that somehow gain is superfluous.

contributive justice. Most fundamentally, these three principles are taught and learned through everyday experiences in the marketplace and the workplace. However, one's personal sense of justice needs renewing in order to deal with abuses arising from new technologies such as planting a virus or a worm in a computer network or stealing another person's identity.

Personalist economics insists that ethics in economic affairs is necessary for building and maintaining trust between and among economic agents. Trust is the willingness to accept another agent's promise (spoken word, written word) to abide by the terms of a just agreement. Without trust, economic transactions tend to break down due to the transaction costs attributable to monitoring and enforcing those transactions (*Economic Trends*, 1). The need for trust is heightened in the new economy because decision-making takes place over a shorter time span giving less time to evaluate the trustworthiness of other economic agents. Additionally, communications are less face to face, more at arm's length, indirect, and impersonal, making it more difficult to evaluate trustworthiness.

Neoclassical economists do indeed admit that ethics matters in economic decision-making but clearly and deliberately rule out such concerns in their own economic way of thinking that they claim to be value-free. In their world, because it is grounded in the objectivity of the scientific method and the certainty of mathematical models, positive economics is vastly superior to normative economics. *Homo economicus* is a construct of the utilitarian mind of neo-classical economics. *Homo socio-economicus* is a construct of the deontological mind of personalist economics.

Social Capital

Over the years and without objection, mainstream economists have incorporated three forms of capital – physical, financial, and human – into their ways of thinking about economic affairs. Due to its materiality, physical capital resides in *things*, is built for a purpose, is purchased and owned by a producer who is free to retain it, sell it, adapt it to other uses, misuse it, neglect it, abandon it. Physical capital can do nothing for itself or by itself, is neither self-improving nor self-renewing. Physical capital is depleted in use and has value strictly in instrumental terms. Physical capital originates in human action, embodies human intelligence, and evolves as human knowledge and understanding advance particularly in science and technology. To function effectively, even the most sophisticated physical capital requires human direction.

Physical capital cannot materialize without financial capital, and in that sense the two are related as end to means. Unlike physical capital that must reside in things, financial capital is intangible and by definition does not reside in things. As with physical capital, financial capital originates in human action, evolves as human intelligence improves, and requires human direction. The two key economic agents in the fusion of science and technology on the one hand and financial capital on the other are the entrepreneur and the banker.

Financial capital is the command over the human and material resources needed in the construction of physical capital. In a capitalist economy, financial capital derives from two sources: savings (including retained earnings and venture capital) and the creation of credit by private commercial banks. Just as the means must precede the end that it serves, savings precedes physical capital. Savings also follows physical capital in the sense that physical capital when successfully applied in economic affairs generates a surplus or gain that can be retained or shared. Seen from this perspective, financial capital or more specifically retained earnings, though depleted in use, can be self-renewing. Thus, means and end are inextricably intertwined and virtually impossible to separate.

Human capital is unlike the other two forms in that human capital resides in human beings. Human capital is like financial capital in that both are intangible and both are self-renewing. Human capital is like physical capital in that it is potentiality waiting to be actualized. However, physical capital by definition is not self-actualizing.

Because humans are self-actualizing beings capable of self-improvement and self-destruction, human capital can be enhanced or destroyed. Human capital can be exchanged in the sense that the employer gains access to human capital through the employment contract. The extent of that access and utilization depends critically on the employer's skill as a manager in converting potentiality into actuality.

Human beings become different persons in part as a consequence of changes in their stock of human capital. It flourishes in a human being through the teaching/learning process, and to the extent that human beings learn from other human beings, acquiring human capital is an outward-reaching process that underscores human sociality. To the extent that they are self-taught, accumulating it is an inward-directed process that emphasizes human individuality. Human capital withers in a human being in various ways. One is a self-imposed rejection of the learning process. Another is lack of opportunity. A third is incompetence on the part of the teacher. Obsolescence and physical incapacity are two others.

More recently, however, other forms of capital are being recognized at least at the margins of conventional economics: social capital, intellectual capital (McElroy 2002), natural capital (Gowdy 1994), personal capital (Gary Becker 1996), and ethnic capital (Borjas 1992), cultural, linguistic, and scholastic capital (Bourdieu 1986; Bourdieu and Passeron 1970). To simplify matters, we refer to all of these other forms of capital as social capital

By social capital we refer to those sentiments and good habits of human beings such as sympathy, generosity, benevolence, fairness, trustworthiness, caring that economics has known about since Smith's *Moral Sentiments* but with the exception of thrift and diligence are dismissed as unimportant by neoclassical economics. Human capital and social capital are alike in that both reside in human beings, both can be learned, both can be altered by the very humans in whom the capital resides because humans are self-directed, are capable of acting on their own. Neither human capital nor social capital necessarily requires physical capital to function effectively. They are like physical capital in that physical capital exists only in the form of a material object, while human and social capital cannot exist outside the materiality of the human person. All three are alike in that they contribute to production and for that reason have instrumental value, but human beings most fundamentally have value beyond measure, have a dignity that does not derive from their instrumentality, are ends in themselves and not just means.

Human and social capital differ from physical capital in that they cannot be *owned* by anyone other than the person in whom they reside. Human capital, however, has value when it is put to use by the person who has acquired it and who is free to adapt it to various uses, misuse it, neglect it, abandon it. Human capital is not depleted through use *per se* but can be rendered useless as the person ages and the body and other human faculties decline. Social capital, on the other hand, is not an asset to be owned, has no value when it is retained, and is not depleted through use. Its value is not determined by the principles of ordinary marketplace exchange.

Social capital is not a commodity. It comes into existence and takes on value only when it is freely given. It is not exchanged, it is given. However, the generous merchant who gives freely in the marketplace transforms generosity into a *real bargain* for his/her customers, and the caring customer who gives freely to the merchant transforms caring into the merchant's *real asset goodwill*. Similarly, the unselfish employee who gives freely of his/her time and effort beyond what is required transforms that additional work into a *sense of community*, and the magnanimous employer who freely gives his employees more than what is required contractually converts that kindness into *goodwill*. In both the workplace and the marketplace the giving is self-reinforcing and contagious. The merchant who is known for bargains is rewarded by repeat business. Other merchants are inclined to emulate the merchant who has a reputation for bargains in order to improve their own repeat business. The employer who is generous is rewarded by more productive and loyal workers. Other employers are apt to follow the example of the generous employer in order to improve their own productivity and the loyalty of their employees. Sadly, though, bad habits such as insensitivity, pettiness, incivility, prejudice, deceitfulness,

hostility too are self-reinforcing and contagious. And social capital therefore can be undermined and destroyed.

Without explicitly connecting these types of conduct to social capital Stanfield in large measure concurs with these observations through his emphasis on reciprocity in human relationships.

Within organizations, be they public or private, the spontaneous willingness to lend a hand or share an insight with one's colleagues is a function of the social cohesion which reciprocity alone generates. [Stanfield 1994: 13]

The virtuous circle of positive reciprocity must be actively reinforced lest it degenerate into a vicious circle of neglect and revenge [Stanfield 1994: 12; original emphasis]

Stanfield is adamant about incorporating reciprocity into the social economics way of thinking about economic affairs. We concur:

[A] major focus of social economics must be inquiry into the role of reciprocity in empirical economies and specification of its role in economic models consistent with the good society (Stanfield 1994: 15; original emphasis).⁴

Without social capital, the economic agent is a strictly *individual* being, a one-dimensional human who is self-absorbed and for whom all existence is solitary existence. With social capital, the agent is a person, two-dimensional human who is at once both an autonomous being and a social being who must balance and re-balance “I” and “thou” as his/her functions as an economic agent change and as economic affairs change and for whom all existence is co-existence. The solitary individual becomes more fully a person by the practice of justice and through acts of empathy, caring, trusting, nurturing, sharing, and giving that affirm the basic dignity of others. It is the unpredictable *acting* person not the predictable *machine-like* individual who aligns the economic agent with contemporary economic reality and for that reason should serve as the basic unit of economic analysis.

From Individual to Person

Figure 1 simplifies our thinking in a way that we hope demonstrates more effectively that the key to a personalist economics lies in articulating persuasively the need to replace the individual as the central unit of economic analysis, a concept that dates from the Enlightenment, with the person, a concept that is a much better representation of the economic agent in the 21st century. Put somewhat differently, we need to begin our analysis of economic affairs with the *acting* person if we are to understand those affairs and teach them insightfully in a world that today is vastly different than the world that Smith, Ricardo, Malthus, and others were called on to understand in their day.

Figure 1 near here

The concept of the human person emerged from the much earlier concept of the human individual as a consequence of the technological changes that are taking place in human communications and that are changing self awareness and awareness of others.⁵ These revolutionary changes in human communication in economic affairs explain (1) why the concept of the individual and individualism are outdated, (2) how little by little and with some confusion

⁴ See also Stanfield and Stanfield.

⁵ See Ong for more on person and the electronic stage of human communications.

nontraditional voices in economics have been attempting to reconstruct the individual by widening the concept of capital, and (3) why it is necessary to replace both the individual and individualism with a concept and philosophy more compatible with those changes.

Infusing the concept of the human individual with social capital leads directly to the more modern concept of the human person because what differentiates individual from person is that the human individual of neoclassical economics is represented as entirely inward-looking whereas the human person of personalist economics is both inward-looking and outward-reaching, concerned with self and interacting with others. At times, the inward-looking and outward-reaching are in conflict as, for example, when a professional couple must cope with the problem of one party being offered a much better job in a distant city at the same time the other party is quite comfortable working where they presently live. This outward-reaching dimension is called into play through the various types of human interactions such as between workmates, colleagues, family members, neighbors, partners, and the like.⁶ Those interactions drive human development either in a positive or negative direction in ways that foster and support such virtues as, for example, benevolence, caring, sympathy, and justice or such vices as meanness, heartlessness, insensitivity, and injustice. The regular practice of the virtues or good habits helps a human being realize more fully his/her own human potential and thereby become more fully a human person. The routine practice of the vices or bad habits diminishes a person.

Personal experience alone tells us that work can have both positive and negative effects on the person who works. These effects can be powerful and long lasting precisely because for many work is a central activity that provides numerous opportunities for interaction with others and thereby for personal growth or deterioration. As the workplace changes, driven importantly by innovation and cost cutting, work and the opportunities it affords change and so too the humans who do that work, for better or worse. Work forces human beings to interact with others and to change and in changing they are required to take action and in acting they reach or fall short of their full potential as persons.

What sets justice apart from the other virtues is that in economic affairs it is a *duty*. It is the duty of every human being under contributive justice to use the Earth's natural resources only to the extent necessary, in ways that protect the natural environment, and whenever necessary to contribute to the replenishing of those resources to the extent humanly possible. Further, charity (caring infused with the conviction that every human being is precious) is the guardian of justice, and taken together these two virtues are set apart from the other virtues because as Heinrich Pesch argued they are the twin bulwarks of human well being (Mulcahy 1951: 68).

Personalist economics begins with the *acting* person in economic affairs -- the economic agent. It is our contention that economic theory is less about things such as prices, goods, natural resources, physical capital and the like and more about human beings "in the ordinary business of life," that is in the *what* and the *why* of their actions as economic agents.

However, more than justice is required to forge a true sense of trust among human persons. Justice by itself can become cold and calculating if it is not tempered by caring or charity (John Paul, §1). That is, a deep regard for the well being of other human persons with whom economic agents interact on a daily basis. Caring helps develop a sense of trust and solidarity by affirming that all human beings are equal and never should be used strictly for the personal gain of others. Charity helps develop this sense by insisting that all humans are precious and before all else their well being, not maximum efficiency in the utilization of economic resources, is the most important end of all economic affairs. Economic systems, in other words, are subordinate to human persons.

⁶ See Gary Becker [p. 4] for a similar listing of social interactions.

Sustainable Development: A Moral Issue

We began our essay with a definition of sustainable development that Stanfield embraces: "...economic enhancement that meets the needs of the present generation without compromising the ability of future generations to meet their needs" (quoted in Carroll and Stanfield 2001: 470). At this point our attention returns to that issue, and as we did earlier in addressing economic gain and justice we employ the concept of the limit.

Sustainable development depends on production and production, in turn, depends on the economic agent as its efficient cause. In that sense, sustainable development is properly considered contingent being and as with all contingent being is constituted by an actuating principle and a limiting principle (Renard 1957: 7-15, and Joseph Becker 1961: 11).⁷ Neoclassical economics identifies the actuating principle as human wants, and the limiting principle as the resources available to satisfy those wants. The two converge in the market system.

Not unlike Stanfield, personalist economics identifies the actuating principle as the needs and wants of the human body and spirit, and the limiting principle as the resources available to meet those needs and satisfy those wants subject to the secondary limit that those resources are utilized in ways that minimize their depletion and any damage to the natural environment. The two principles converge in the market system that may be constrained by whatever economic *institutions* are required to assure that everything possible is done to meet human needs and satisfy human wants adequately and to use resources wisely. In its strict libertarian form, neoclassical economics argues that the *law of nature* alone sets secondary limits through the invisible hand; economic institutions are unnecessary. It is instructive to elaborate further on both principles and the effects they intend to achieve or avoid.

Actuating Principle: Positive Effects.

As indicated earlier, the needs of the body include sustenance and rest. The needs of the spirit include a need to know and understand truth, goodness, and beauty, and a need for opportunities to develop and use one's creative talents, skills, and energies. Humans also need to associate with like-minded others, to experience a sense of being included, of being valued by the group(s) to which they belong. All of these needs are met importantly through the three human activities most closely linked to economic affairs: work, consumption, and leisure. In addressing sustainable development, Stanfield calls attention to the importance of the actuating norm of community -- the need of the human spirit to live in community, to be included, to belong (Carroll 470-71).

In a market economy, needs in general are provisioned (more or less) by goods and services that are produced and sold for private use or for common use. Private goods and services are necessary because humans are meant to live separate lives as unique individuals (as Many). Common goods and services are necessary because humans also are meant to live together in community (as One). Goods and services used in common (often referred to simply as the common good) may be procured through private-group or public-group activity. For example, in education, home schooling is based on the premise that children learn best in a teaching/learning environment that separates them from their peers. Private schools, and public schools as well, proceed from the premise that children learn best in the company of their peers. A home can be heated by solar panels and wood-burning stoves bought by the owner, by natural gas that is supplied by a private utility or cooperative, or by electricity that is generated by a

⁷ The following discussion is modeled after Becker's monograph on benefit adequacy in unemployment insurance. Becker is especially instructive because benefit adequacy and sustainable development are alike in that both are defined in ways that necessarily reflect the values of those who do the defining. Both, in other words, are normative issues and for that reason being explicit and clear about the norms one is using is critical to any attempt to bring some insight to the discussion.

municipal power plant. Whether human need is met individually or collectively, and notwithstanding neoclassical doctrine about restricting economic analysis to the means that are employed to achieve certain ends in economic affairs but not the ends themselves, sustainable development obviously is a matter of meeting that need.

One way to express this norm in measurable form is to construct it on the foundation of information on poverty. For example, does a specific development scheme contribute to a reduction in the number of poor persons/families or in the rate of poverty? Or, does a given scheme reduce the number of poor persons/families or the poverty rate to some critical value? Constructing around the first question is useful because it relieves the analyst of the task of stipulating in advance a given number or rate that identifies acceptable performance regarding sustainability. Constructing around the second question is instructive because it ties acceptable performance to some target number or rate which becomes truly significant when there is sufficient social acceptance of that target.

Though important, the needs of future generations are clearly secondary in the sense that the present generation consists of living human beings whose basic needs cannot be subordinated to the needs of future generations that at the moment consist of humans not yet alive. To do otherwise means subordinating human actualities to human potentialities, putting the supposed and uncertain needs of the future ahead of the real and certain needs of the present. In the extreme, doing otherwise means starving the present to feed the future.

Figure 2 presents these two positive effects (norms) and suggests several person-centered standards of performance for sustainable development (critical values that express the norms in measurable form), including two proxies. Other than underscoring that sustainable development is principally an issue involving the well being of human beings as opposed to other living creatures or things, we attempt nothing definitive with regard to standards of performance, a task which is best left in the hands of those who are specialists in sustainable development.

Figure 2 near here

Limiting Principle: Negative Effects.

Environmental science continues to discover various ways in which nature itself sets limits in the sense that living things such as plants and animals are able to physically alter their environment. Predators, for example, *instinctively* reduce the population of their prey as a source of food that has the effect of controlling the animal population at a level that is more nearly sustainable. Forest fires triggered by lightning set limits on the timber that can be grown and harvested from forests.

Only humans, however, are capable of setting limits *knowingly*. Some of the limits set by humans strictly speaking are necessary for survival. Personalist economics defends the imposition of limits on the use of toxins and asbestos, for example, because left to the market alone human bodily health and well being are not adequately protected. Other limits justified by personalist economics may relate more directly to a need of the human spirit such as limiting residential development in order to protect a pristine natural view. Critical values must be developed that render in measurable form the need to be addressed and therefore where the limits are to be drawn. Setting and enforcing those criteria -- especially as regards to discharging pollutants into the air, water, and soil -- are at the very core of the work of environmental protection. Those criteria will change with greater human understanding and therefore cannot be fixed once for all.

As with the actuating principle, the problem of developing, setting, and enforcing those limits is an aspect of the One-Many dichotomy. Should we act as Many through the market system or as One through groups? If we decide to act as One, should it be through private groups such as trade associations or through public agencies? And if we decide to act as the public One, should it be through local, state, regional, or federal governing bodies?

The principle of subsidiarity helps locate where in the social order institutions should be established to develop and enforce the limits. Larger more powerful institutions such as federal and state governments should not usurp the functions of smaller weaker institutions such as trade and professional associations. Rather the larger ones should provide the assistance that smaller ones require in order to function effectively. In 1854 Abraham Lincoln stated this principle in the negative as follows: “In all that the people can individually do as well for themselves, the government ought not to interfere” (quoted in McGinnis 1997: 41). This principle supports the decentralization of group decision-making, giving preference to private-group as opposed to public-group decision-making, and thereby reinforces the democratic principle. Finnis traces subsidiarity to Aristotelian political science and argues that it is a principle of justice:

[I]t is unjust to require (human beings) to sacrifice their private initiative by demanding that they participate in a public enterprise; it remains unjust even if the material dividend they receive from the public enterprise is as great as or even somewhat greater than the material product of their own private efforts would have been[.] [Finnis 1980: 169]

While not openly endorsing subsidiarity, Stanfield acknowledges the limiting role of private organizations:

The protective response (to disruptions of the market process) is by no means limited to action through state apparatus. Trade unions, and other voluntary associations such as trade associations, civic organizations, historical preservation societies, and naturalist societies play a major role. [Stanfield 1989: 273-274]

In the case of sustainable development the group at issue is every living thing that depends on planet Earth for survival. The duty of every human being is to use the Earth’s natural resources only to the extent necessary, in ways that protect the natural environment, and whenever necessary to contribute to the replenishing of those resources to the extent humanly possible. This duty bears more heavily on persons in developed countries because they use disproportionately more of the Earth’s resources than do others and thereby derive greater benefits from the use of those resources.

As indicated previously, this duty to set limits originates in the principle of contributive justice. As members of the human family, every human being has a duty in contributive justice to maintain and support a life-giving, life-sustaining environment. To ignore or dismiss this duty threatens all living things and in the end is self-destructive. Thus from the perspective of its own limiting principle sustainable development is a moral issue.

Carrying capacity, by which we mean Earth’s capacity for absorbing contamination without threatening the very existence of living creatures (especially humankind) who depend on the environment for their very survival, is the first and foremost norm constraining economic development. Exceeding this limit by ill-advised economic development schemes or unfettered market activity, though such schemes and activity may appear to serve human need and may even be intended to serve that purpose, has exactly the opposite effect. Put differently, development that threatens human survival is not sustainable. The Kyoto Protocol attempts to develop global agreement on critical values for greenhouse gas emissions by country in order “to promote sustainable development” (Kyoto, Article 2.1, 3.1). The United States, for example, is asked to reduce its emissions to 93 percent of its 1990 levels (Kyoto, Annex B).⁸

In like manner, utilization of natural resources especially vital nonrenewable resources to meet the needs of the current generation has to be constrained in order to provide adequately for

⁸ The gases covered are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulphur hexafluoride. A total of 140 nations ratified the Protocol that became effective on February 16, 2005. The United States and Australia did not ratify the Protocol [MSNBC, p. 1]

the needs of future generations, *even when the carrying-capacity limit has been respected*. Here sustainable development is not a matter of threatening human survival but of acting as a responsible steward.

Additionally, primary limits are imposed on economic development by the effects that it has on natural resources, especially nonrenewable resources, and the extent to which development contributes to contamination of the air, soil, and water. One way in which these undesirable effects are limited is by government-issued licenses that specify a maximum amount that can be discharged into the environment with violators subject to shutdown and fines for exceeding that limit.

The development, implementation, and enforcement of these limits is hugely complicated and expensive. In Louisiana, to cite one state with serious environmental problems, the Department of Environmental Quality sets standards for air, hazardous waste, solid waste, water quality, underground storage tanks, inactive and abandoned sites, and radiation protection. The document relating to hazardous waste alone sets many specific limits (mg/L) that apply to underground injection of eight metals including arsenic, cadmium, chromium, lead, and mercury, and runs 672 pages (*Title 33, 233-234*). The document setting limits for air quality runs 298 pages. A search of the Department's website using the keyword "standard" retrieves 1,000 documents.

Another way to limit undesirable effects is by environmental impact studies that assess the extent of resource depletion and environmental contamination. Licensing addresses the ecological/environmental problem after the fact. Impact studies deal with it before the fact.

Secondary limits arise from the problem of meeting human need that forces us to decide whether to act as separate individuals or as a community. Thus sustainable development involves deciding when to act as the Many and when as the One. Development, therefore, of necessity is subject to political limits.

Though the political norm could have been stated as a positive norm that justifies acting as the One (principally through public group intervention), Western culture has demonstrated a strong preference for acting as the Many and insists on a subsidiary role for the One. Nearly one hundred and fifty years after Lincoln, the European Union affirmed this principle as follows: "The principle that decisions should be taken as close to the citizen as possible has become an overriding one in the last few years" (European Communities, p. 14).

Sustainable development means limiting government intervention to those situations where private-individual (the market) and private-collective decision-making processes (bodies intermediate between the individual and government such as water conservation commissions and emergency response compacts) simply do not provide adequately for the needs of current and future generations.

What is to be done, however, when a small, well-organized community thwarts the will of the larger community? To illustrate, in the city of Monroe, Louisiana a residential community has blocked the siting of a bridge across the Ouachita River that would significantly improve the flow of traffic and commerce between Monroe and its sister city West Monroe on grounds that the bridge would disrupt the tranquility of their community. To date, nothing has been done to site the bridge elsewhere or to deal with the concerns of the resistant residential community. In the meantime, economic development in Monroe is arrested, white flight continues, and the city government is unable to provide needed services because it has been running a chronic budget deficit linked to expenditures rising faster than revenues.

Clearly, a political remedy is the only answer to the question as to when is it justified to override the concerns of the minority in the name of areawide development. The One acting through the parish (county) governing body must decide ultimately where to impose the limit, where the greater good lies: in the tranquility of the minority community or the economic development of the larger community.

Tertiary limits originate in the negative impact that sustainable development has on production and employment and the destructive dimension of innovational activity undertaken as a part of meeting the need of the human spirit for creative opportunities.

Figure 2 presents these three negative effects (norms) and suggests a few person-centered standards of performance, including three proxies. As stated earlier, we attempt nothing more in Figure 2 because developing standards of performance and applying them to the available data are tasks best left to investigators who specialize in sustainable development.

Figure 3 presents a circular flow diagram modeled on personalist economics that has been modified to replace the economic sectors of a domestic economy -- business, household, and government -- that are at the heart of mainstream macro economics with the *acting* person engaged in economic affairs -- producer, entrepreneur, consumer, worker, public official, creditor, and banker -- who truly matter because they are the ones who, acting as economic agents, organize and drive economic affairs, and sort out the problems associated with sustainable development. The same figure allows us to visualize from a macroeconomic perspective where the limits must be drawn. Specifically Flow 14 that represents wasted natural resources has to be limited at its various sources, chiefly the producer, the consumer, and the public official. To the extent that limits are insufficient to the task, ways must be found to reuse that waste in the production process through recycling and reprocessing (see Flow 3d). Additionally, and most importantly, to limit wasted natural resources -- both in terms of depletion and environmental contamination -- limits must be imposed on the demand for consumer goods and services, capital goods and services, and public goods and services (see Flows 1, 9, and 10). This in turn means that economic agents must *act* according to the virtue of moderation, assuring that they use goods and services as means to meeting their needs and satisfying their wants but not as ends in themselves. Agents who act instead on the vice of self-indulgence or blissful ignorance make the problem of resource depletion and environmental contamination even worse.

Figure 3 near here

In north Louisiana, for example, water for residential, commercial, and industrial use is drawn by wells from the Sparta Aquifer. For years the water level in the Aquifer has been dropping with no public consensus as to what specific changes must be put in place to limit the rate of draw down to the known rate of replenishment, that is to a sustainable level. This is happening even though it is known that if the water level continues to fall the water will become contaminated by salt and unsuitable for residential use. Self-indulgence and blissful ignorance is at the heart of this issue -- the Sparta Aquifer is a cheaper source of water than groundwater that must be treated before it can be used. The same two human flaws account for much of the serious litter and trash problem throughout the State of Louisiana. It is cheaper to dump trash along the side of the road and in the woods than it is to pay to have it disposed of properly. Neither problem will be solved without economic agents embracing the good habit of moderation.

Limits apply as well to the unemployed as represented in Figure 3 by Flow 15, and we have a rough consensus as the critical values that render those limits into measurable form. Experience with employment and unemployment over the last 70 years has led to an agreement that the unemployment rate has a lower limit of about three percent and an upper limit of approximately ten percent. Notice how quickly monetarism was abandoned in the early 1980s when the annual rate of unemployment reached 9.7 percent in 1982 and 9.6 percent in 1983 (*Economic Report of the President*, Table B-35).⁹

⁹ We reject the concept of the natural rate of unemployment because we do not accept the argument that due to the law of nature the unemployment rate fluctuates around a rate that is "normal" and that left alone the self-regulating economy automatically restores the economy to this normal or natural rate. The natural-rate hypothesis is a neo-

Closing Remarks

Ron Stanfield has had a long and distinguished career as a social economist and a commentator on the social economy, as evidenced recently by the Thomas Divine Award presented to him by the Association for Social Economics for his lifetime contributions to a vast array of socio-economic issues. Of special concern to us are Stanfield's interests in social capital and sustainable development which we took up first as a consequence of his invitation a few years ago to participate in a program with a paper on the conjunction of those two interests from a personalist economics perspective. As to what he calls nurturance and we refer to as caring, our interest dates from the 1970s and was ignited by Stanfield's article in the *Review of Social Economy* that earned for him the first Helen Potter Award for the best contribution to the journal that year by a junior faculty member.

In this paper, we are concerned not just with caring but several other virtues including sympathy, benevolence, and generosity that have been part of the economics literature from the time of Smith's *Moral Sentiments* along with the associated vices of heartlessness, insensitivity, meanness, greediness, and others. We hope that our contribution adds some understanding to these issues and to the issue of economic agency. In brief, we attempted to show that (1) adding social capital to the *machine-like* individual of mainstream economics results in the *acting* person of personalist economics, who becomes more fully a human person through social interactions that foster the development of several virtues or less fully a human person through other interactions that instill certain vices, and that (2) in matters relating to sustainability becoming more fully a human person calls especially for the practice of the virtues of justice and moderation. In addition we have suggested a framework for thinking about sustainable development in terms of actuating and limiting principles and for developing critical values or standards of performance for sustainable development that are person-centered.

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FIGURE 1. SOCIAL CAPITAL & THE ACTING PERSON

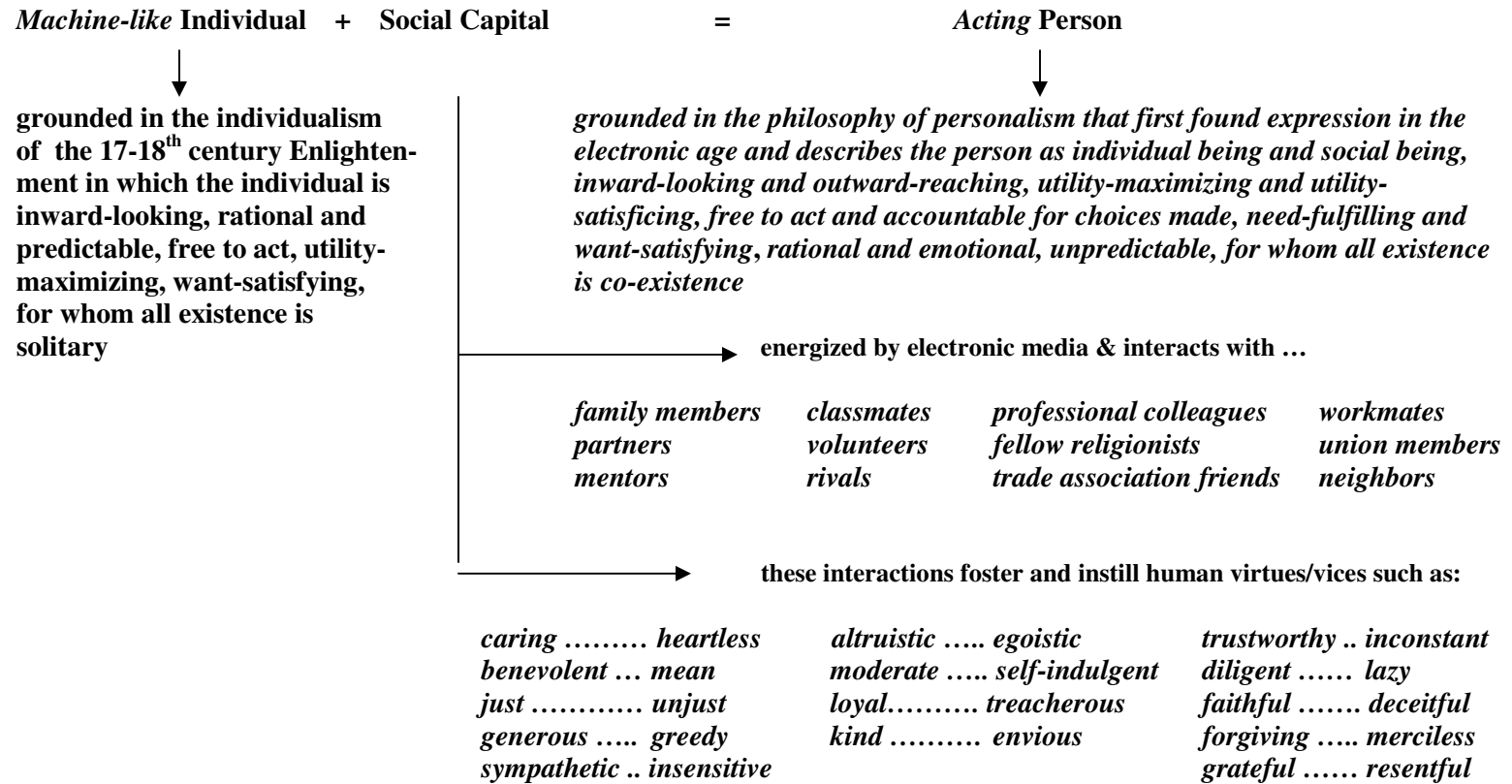
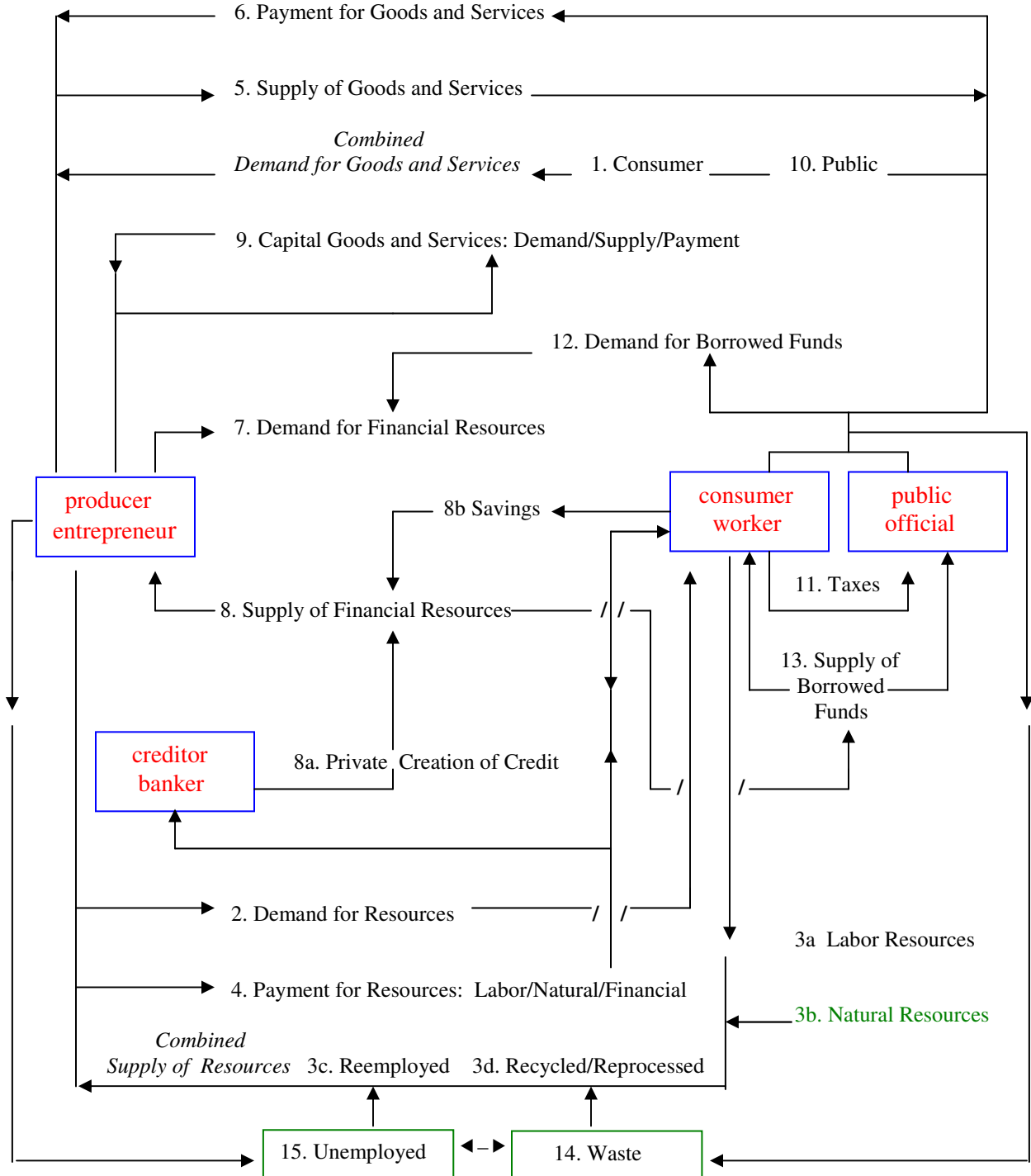


FIGURE 2. SUSTAINABLE DEVELOPMENT: NORMS & PERFORMANCE STANDARDS

<u>Actuating Principle: Positive Effects to be Achieved</u>		<u>Person-Centered Standard of Performance</u>
1. Primary:	Need of current generation a. needs of the body b. needs of the spirit	nbr of poor persons / poverty rate nbr of jobless persons / jobless rate net outmigration nbr of new business establishments (proxy) cyclical fluctuations: income/employment (proxy) nbr of persons filing for bankruptcy protection
2. Secondary:	Need of future generations a. needs of the body b. needs of the spirit	
<u>Limiting Principle: Negative Effects to be Avoided</u>		
1. Primary:	Ecological/Environmental a. carrying capacity b. natural resources	nbr of firms not in compliance (proxy) nbr of persons engaged in recycling / reprocessing nbr of available landfill sites (proxy)
2. Secondary:	Political a. subsidiary role - government b. minority/majority rights	voter turnout in local elections participation in United Way
3. Tertiary:	Economic a. loss of employment b. destructive innovation	nbr of lost jobs nbr of lost business establishments (proxy)

**FIGURE 3. MACROECONOMIC CIRCULAR FLOWS
(domestic economy)**



Product Market Flows: 1-5-6-9-10 **Resource Market Flows:** 2-3a-3b-3c-3d-4 **Financial Market Flows:** 7-8a-8b-8c-12-13