Paradoxes of Freedom: Civil Society, the Market, and Capitalism

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Bio-Sketch: Gus diZerega's very eclectic interests include complexity, spontaneous order, liberalism, liberty, environmentalism, and interfaith issues. His latest book is *Fault Lines: The Sixties, the Culture War, and the Return of the Divine Feminine* (2014, Quest).

Abstract: Civil society maximizes individual freedom. Spontaneous orders emerge from principles expressed more completely within civil society and enable cooperation to take more complex forms than in their absence. However to the degree spontaneous orders *incorporate* activities from civil society, subjecting them to coordination by simpler feedback based on narrower values, they diminish that same freedom. Public corporations and alternative organizations are used to illustrate this argument.

Keywords: Civil society, spontaneous order, corporations, freedom, capitalism

INTRODUCTION

This paper argues civil society is the real location of individuals' freedom and neither markets nor other spontaneous orders can be equated with or entirely included within civil society. Spontaneous orders emerge from the same basic principles expressed more completely within civil society, but as these more specialized orders develop they can come to stand in an increasingly paradoxical role with regard to both individual freedom and civil society. To the considerable degree spontaneous orders expand human efficacy into new dimensions of life they can expand the realm of individual freedom. Spontaneous orders facilitate more complex forms of cooperation. However, to the degree spontaneous orders *incorporate* activities from civil society, subjecting them to coordination by their simpler feedback based on narrower values, they can diminish that same freedom. As a result, free societies generate and are enriched by spontaneous orders but can also be threatened by them.

This argument challenges important assumptions by many who, with me, value Hayek's concept of spontaneous order. To make my argument I try to be very clear in my terminology, a terminology that to some degree incorporates concepts still not commonly understood. I hope my readers will pay close attention to these concepts as I define them.

Key Terms

Civil society

Civil society is the sphere of consensual relations between non-intimates enjoying equal legal status and freedom to enter into cooperative enterprises that do not injure others' equal legal status and freedom. All are independent equals (Hardwick, 2008).

In civil society, each individual freely balances many ethical concerns along with other desires and incentives in choosing what to do. The civil institutions within which people act generate many different kinds of feedback, each biased in favor of different values. Different signals reflect many different values able to be pursued through voluntary action. No single feedback signal dominates. It is this combination of multiple overlapping and sometimes conflicting feedback signals combined with freedom of choice that creates a *sphere of liberty* within a rich matrix of values and opportunities for creativity.

People debate whether the family is part of civil society. As I employ the term the answer depends on the questions being explored, for families can exist in cultures lacking most features of civil society (Banfield, 1967; Fukuyama, 2011). In this paper the family as such is largely irrelevant to my analysis, except when considered as a voluntary association united around common values.

In terms of the vocabulary of emergence, civil society is a complex adaptive transformative system, but *it is not a spontaneous order*. Formally voluntary agreement is a value common to both civil society and spontaneous orders, but in the latter action is coordinated and constrained by a single kind of feedback. Civil society, by contrast, emerges among people enjoying equal status and freedom of association. There is no feedback signal analogous to the price system in the market.

Spontaneous order

A *spontaneous order* is the complex dynamic pattern of mutually adaptive relationships emerging from status-equals following abstract procedural rules, while pursuing independently conceived and sometimes contradictory projects. The rules generating a spontaneous order are more narrowly focused than those generating civil society, because they seek to facilitate cooperation within specific value domains such as economic exchange, scientific discovery, or deciding common public values. For example, the spontaneous order of the market requires enforceable rules of contract, alienable property rights, and laws of tort in addition to equal status and freedom of association.

The collective impact of actions within these more specialized contexts generates systemically specific feedback signals serving to guide people within it across the order as a whole, increasing their ability to make effective use of information they do not themselves possess while pursuing their plans. In the market this feedback is in terms of prices, in science it is community recognition, and in democracy it is votes.

Instrumental organization or taxis

An *instrumental organization* or *taxis* is the organized pursuit of a goal or hierarchy of goals such that we can regard its pursuit as successful or not, and judge the use of resources towards attaining that goal as efficient or not. In a spontaneous order—at every level of involvement—contradictory goals can be pursued, whereas in an instrumental organization all such pursuits are ultimately judged by their contribution to the organization's hierarchy of goals. As a consequence, efficiency is a concept central to understanding instrumental organizations, whereas it is impossible to employ the term clearly with respect to a spontaneous order. In this sense a business, political party, or research team may be efficient but the market, democracy, or science is neither efficient nor inefficient.

Systemic feedback

Systemic feedback in a spontaneous order always depicts the collective impact of many independently conceived plans and motives via a simplified signal, abstracting away from the concrete distinctions shaping any particular interaction. Consequently, systemic feedback does not reliably illuminate the motives of individuals acting within these systems or their values in different contexts. We need not be motivated by the values provided by systemic feedback to be able to interpret it and make use of it. For example, prices in the market give us guidance in more effectively pursuing our individual goals, but *why* we are willing to pay or charge one price and not another cannot be inferred from the fact that we are so willing. Prices translate complex information into terms understandable by all, but do so by abstracting away all individual information.

Votes in a democracy do the same. No vote explains why an individual voter made his or her choice. I can vote against or support a candidate for policy reasons, because of my views about their personal life, whether they are people I would "like to have a beer with," or for many other reasons. An electoral win does not necessarily translate into an endorsement of the victor's particular policies. It only signifies that a given party amassed enough systemic resources (votes) to be in a position to make rules about public values for society until the next election.

An observer faces similar difficulties, if somewhat narrower, interpreting a vote for or against a specific ballot initiative. For example, both people opposing and supporting ending California's laws against possessing and selling marijuana voted against an initiative that would have done just that. In the latter cases they did so because of other elements in the initiative. Some people who opposed the initiative did so because legalization threatened the high profits they made from selling an artificially scarce substance.

Reputation in science is the major means by which scientists can judge the likely worth of work by another scientist before they have become acquainted with it in detail. Because so much is produced there is not time to understand it all. Reputation has become a better means than any other for making an *initial* judgment as to the likely worth of a scientist's work. But reputation tells us nothing about the specific content.

Systemic success and failure

Distinguishing systemic success and failure from individual success and failure is essential for understanding this paper. *Systemic success* is having one's plans succeed in terms of acquiring resources serving as positive feedback signals within a spontaneous order. In a market this results in making money; in democracy, in acquiring votes; and in science, in acquiring recognition for one's contributions to the body of scientific knowledge. Systemic success can differ from an individual's judgment as to his or her own success or failure. For example, people may regard themselves as failures in life despite their making money, acquiring scientific fame or winning elections.

Systemic failure is losing systemic resources through negative feedback. It differs from personal failure for the same reason systemic success differs from personal success. A person might regard themselves as successful in what matters most to them despite having very little in the way of such systemic resources, or even losing money, votes, or not receiving recognition for their scientific work.

By distinguishing systemic success and failure from individual judgments of personal success or failure we can differentiate between the motives, interests, and judgments individuals have when they act within a spontaneous order and its systemic shaping of their and others' actions into invisible-hand phenomena manifesting in and through systemic feedback.

In *The Economy of the Earth*, Mark Sagoff (1988, 50-1) gives an example I have replicated for years using different examples tailored to my classes in environmental political theory. At one time, the Disney Corporation wanted to build a ski resort in an isolated Sierra Nevada valley, Mineral King. To do so they sought permission to build a highway that would cross through a part of Yosemite National Park. There was considerable statewide debate before Disney's proposal failed.

During this period Sagoff asked his students in California how many would want to ski in Mineral King if it were built. Many indicated they would. He then asked how many believed it should be built. Next to none indicated it should. (There is no logical problem in arguing that an entrepreneurial project could be profitable in systemic market terms and yet not a single consumer would have wanted the thing to be built. The conclusion that a spontaneous order mirrors individual preferences *in any sense* must be argued for rather than simply assumed.)

Significantly, whereas systemic success and failure is an important characteristic of markets, democracies, and science, civil society has no equivalent concept. The reason is that civil society has no single system of feedback that can define a systemic resource. Now to develop my argument.

CIVIL SOCIETY AS THE WOMB OF SPONTANEOUS ORDERS

Civil society is the only sphere of social existence beyond the sphere of intimates where the full range of consensual human values and virtues can be acted upon without some being penalized *systemically*. Civil society is not a spontaneous order because no single kind of feedback coordinates discovery within the system as a whole. There is no single coordination problem because there is no standard by which more effective coordination can be judged. Different kinds of feedback always present each participant with a complex value environment where he or she must make decisions. In a more than symbolic sense, civil society is the realm where the most basic human values serve to produce social networks of unimaginable complexity.

Civil society is also the primary institutional expression of liberal values. People are equals in status and are free to come to any agreements they can devise over any topic that does not assault the equal status of others. We can form a business, a church, a club, a co-housing community, agree to an outing, share expenses, trade objects or labor, go to a party, or do anything else in the wonderful complexity that arises when people are free to cooperate on anything they can agree upon. Honesty, equality, peaceful interactions, and persuasion generate civil society manifesting in unimaginable complexity and variety.

While both civil societies and spontaneous orders are moral orders—rooted in cooperation among equal people—only civil society provides a morally rich context within which the full potential of peaceful individual development can blossom in all the ways human beings are capable of attaining. This is because within civil society human choice *always* trumps any given feedback signal. Within civil society I can meet friends to work out, go shopping and choose by comparing prices, work on a scientific paper, cast a vote for city council, and volunteer at a food bank, all in one day.

Spontaneous orders are ethically thinner orders. They can be to some considerable degree realms of freedom, but they do not constitute free societies. Spontaneous orders can exist to some extent in societies with only a minimal civil society, as many of the physical sciences did in Communist Russia and as markets do today in contemporary China. Science and the market require spheres of action being freed from authoritarian direction and to that degree constitute realms of freedom of choice. But no one would describe China as a free society simply because its government allows a wide range of economic entrepreneurship or Russia as a free society because large areas of science were integrated into the worldwide scientific order. Only when all or virtually all spheres of life are so freed does civil society arise; only then can we say that we have established a free society.

To make a thought experiment, let us start with civil society, which is essentially John Locke's state of nature.[1]

Over time spontaneous orders arise and differentiate themselves as different kinds of cooperation begin to specialize into communities of participants. These participants agree on procedural rules for pursuing projects compatible with the values that these procedural rules privilege. The clearest historical example is the development and differentiation of science beginning in the Renaissance and then taking off during the Enlightenment. Market activity long preceded civil society as I have defined it, but the more closely society came to resemble civil society's conditions, the more the market resembled a *free* market, because legal privileges and barriers were removed as impediments to economic exchanges. As it developed, the relatively free market specialized into a spontaneous order coordinated by information provided through the intermediary of prices set without political intervention.

As a spontaneous order develops, areas of coordinated discovery and cooperation expand into far more complex realms than could have been the case in civil society, an expansion made possible by their specialized feedback signals. For example, contracts can safely be entered into by people who have never met. Spontaneous orders enable civil society to attain a breadth and complexity it otherwise could not.

By the same token, as a spontaneous order's systemic feedback grows in importance, the rich panoply of feedback characterizing civil society becomes increasingly attenuated. As science and the market begin to differentiate themselves, this richness of feedback becomes simplified into a single signal for those acting in organizations within them.

As science specialized, the number of professional scientists increased. Scientists increasingly became subjected to the standards of the scientific community for their livelihood. The work of devoted amateurs will probably always remain important, but it has diminished as a percentage of the whole. The scale of research made possible by specialization expanded. But as this happened, individual scientists became far more dependent on the judgments of their peers for their livelihood. Science became less an individual's exploration of reality in whatever way it interested him or her, instead developing into a disciplined focus on research issues that took for granted the adequacy of standards of scientific feedback as they had emerged from the Enlightenment. Science increasingly demands of those who practice it that they accept and work within its matrix of core values.

But science is a special kind of spontaneous order in that the value its procedural rules seek to serve is scientific truth. This vision of truth is distinct from individual hopes, dreams, wants, and fears. We do not know what ultimate scientific truth will be, if there is such a thing, but in their work scientists subordinate themselves to the standards that evolved to winnow out errors from contending explanations. Freedom in science is freedom to do research subject to scientific standards. Outside their work as scientists, however, scientists as members of civil society employ different standards for their conduct as friends, spouses, parents, consumers and citizens.

The market is the spontaneous order most associated with liberal modernity. Unlike science, in principle the market is open to serving a wide range of values, so wide that some have argued the market really is civil society (Palmer, 2002). This paper will not discuss democracy, which will be addressed in future work. My initial study of many of these issues within a democratic context appears in *Persuasion, Power and Polity: A Theory of Democratic Self-Organization* (diZerega, 2000). Here I focus on the market.

CIVIL SOCIETY, FREEDOM AND BUSINESS

For many years I was a small businessman, retailing and wholesaling my printed artwork.[2] I wanted to support myself and have time to write a doctoral dissertation. If I had gotten an "8-to-5 job" I knew I would never finish it. Adjunct teaching was too unstable for me to plan very far ahead. Creating my own business seemed a better bet. Once my business was up and running I found out that I also enjoyed helping out various communities with which I identified, performing charitable acts, and so on. To accomplish any of these goals involved using limited resources that therefore could not be used for other purposes. *Every* choice I made took place within a context in which it was my unavoidable responsibility as well as freedom to weigh different options against one another. Every decision had an economic dimension relevant to the flourishing of my business, but every decision save the most narrowly business-oriented ones also incorporated other values as well, some of which conflicted directly with narrowly economic considerations. My business existed within the realm of freedom.

If another person had owned "diZerega Graphics" he or she would have been in the same situation as I but would likely have made different choices with regard to the values they expressed. I gave to conservation groups; they might instead have given to the YMCA or a theater, or perhaps not at all because raising a family came first. Or maybe the person would have simply been selfish. These contrasting choices cannot be ranked on some universal scale of better and worse, with the owner doing a better or worse job of acting in accordance with the scale. Instead the available options enable individuals to express, empower, and develop their own individuality in cooperation with their equals.

In terms of my definitions, my business existed within civil society. It also existed within the market. If I wanted my business to last, I needed to manage it profitably; I had to take market feedback seriously, but I did not need to maximize profits over all other values. Whether or not I did was my choice. For me prices served as *signals* in Ludwig von Mises' terms, signals that enlarged my ability to pursue many different values in a way that seemed to me appropriate (Mises, 1949/1966). Market-derived prices helped me make wiser and more effective use of my resources in the pursuit of values important to me. The market enlarged the scope of my freedom and enabled me to make more effective use of it.

Freely leaving freedom

Let us suppose I abandoned academia and decided to grow my business. To do so I need to raise capital by going public and offering shares. Perhaps my family and I will initially remain the largest shareholders, but many other people also purchase shares. Let us further suppose that among them are people who believe the shares are under-valued, and that with a different managerial strategy and hierarchy of priorities the enterprise, while currently profitable, could become more so.

These people began buying up shares intending ultimately to change management to one they believe will be more efficient. They offer shareholders a premium over what shares currently sell for, a premium that is still lower than what they anticipate shares would be worth under different management. Once they have obtained at least 50% plus one of the shares, they install new management which then runs the corporation to maximize share value. If they are right they will profit from their plans.

Economists generally endorse this method of replacing management, describing it as a means for eliminating 'incompetent' managers and promoting greater efficiency in the use of resources. It is also often described as a check on the problems described in the Berle-Means thesis, which is that ownership has become separated from control. Supposedly it enables shareholders rather than managers to control the business (Manne, 1962).

I am a political scientist and I view this process differently. Without denying the economists' claims, something else has also happened. As my company fell under new management based on owners' intentions to maximize share value, it left the morally complex world of civil society and entered the morally simpler world of capitalism. The difference between capitalism and civil society is that in capitalism prices trump all other values whereas in civil society they are one of many. Corporate managers are expected to fulfill their "fiduciary duties" to their shareholders. More importantly, the market system itself seriously penalizes and ejects anyone who does not act in this way by subjecting them to takeover bids. Capitalism contains powerful internal mechanisms for eliminating any behavior that does not serve these values. In capitalism, it is capital that "rules."

My distinction between individual and systemic success now moves to center stage. The market order is that great impersonal exchange network that Hayek described, impersonal in the sense that participants need not know one another, and guided in their actions by signals emerging from the price system. Capitalism is a phenomenon of the market order. In capitalism, systemic success becomes the only measure of success, and people are compelled by systemic factors to serve it or be ejected from significant decision-making within the system. In capitalism *everyone* is akin to being an employee within a decentralized business. In such a firm, each is free to use his or her own insights to increase the firm's profit, and is rewarded or penalized accordingly. People within capitalism play similar roles.

THE END OF OWNERSHIP

John Locke and many other early liberals conceived ownership as uniting the power of control with the responsibility for use. I control what I own, and am responsible for it. With the advent of the joint stock corporation something usually unnoticed began happening to the traditional idea of ownership. *It began to disappear.* Today ownership by human beings has disappeared over large areas of economic life.

The traditional idea of responsibility over the use of your property does not hold for corporate "owners." "Owners" of corporate shares are not personally responsible for the firm's actions. Further, very few of the largest corporations have a majority shareholder. Most people own tiny percentages, particularly in the largest corporations. Unless they are majority or at least very large shareholders, these "owners" have no direct influence over what the corporation does. Decisions are made by management, and management is independent unless ousted by a proxy fight or by the Board of Directors. So long as shares do well such an ouster is unlikely.

In addition, in many cases corporate shares are owned by mutual funds. In these cases many "owners" have no idea of even what they "own." I own shares in a mutual fund that owns shares in corporations and pays me the collective dividend derived from all the shares owned. When the market prospers and the fund chooses well, I prosper. When the market does not do well or the fund chooses badly I do not do well either.

"Owners" of corporate shares are neither responsible for the corporation's actions, nor are they in most cases able to influence its actions. Two major elements in the traditional idea of ownership have disappeared.

In response to my argument, a traditional economist might argue that any "owner" who discovered the company acting unethically—or in some other way to which she strongly disagreed—could sell her shares in protest. But how does this deter unethical behavior? If I see someone robbing a person who then promises to give me some of the loot if I do not intervene, and I tell him I will not accept the stolen goods, but otherwise do nothing to stop the robbery, I have not acted very ethically.

Shares sold by people who objected to what they regarded as unethical behavior would be purchased by others either ignorant of what was happening or who did not care. In purely economic terms, selling a share for ethical reasons does not lead to increased pressure to change the objectionable behavior. Rather it *rewards* those not ethically troubled. Disaffected sellers would exert a downward pressure on share prices, enabling knowledgeable buyers with fewer scruples to buy additional shares anticipating an even greater return for themselves from the unethical behavior than would have been the case had no one sold in disapproval. When apartheid prevailed, many progressive groups urged divestment from companies doing business in South Africa. One argument often given against the strategy was that the shares would simply be purchased by others with fewer scruples.

If the unethical behavior is profitable, which is normally why it is done by a corporation, selling shares imposes a financial loss on ethical shareholders selling in protest while enabling less ethical or knowledgeable shareholders to make a greater financial gain! This kind of "ownership" *penalizes* ethical behavior as compared with unethical behavior. It is the opposite of what we normally mean when we say someone "owns" something.

Systemic ownership vs. individual ownership

If something like ownership exists, we need to look elsewhere than to shareholders to find it. A primary characteristic of ownership is control over what is owned. If ownership requires control, then it is the market (rather than shareholders) that owns corporations. *Shareholders become the market's agents.* Their job is to shift capital to where it will bring the greatest profit. Their profits are their fee for doing their job well from the standpoint of market values. In its purest form capitalism eliminates ownership in the liberal sense.

Corporations are as responsive to market dictates as a human-created institution can be. The market dominates what companies do on pain of their being taken over by other companies operating in even greater harmony with market incentives. Like the market, a corporation is theoretically immortal while individual owners and managers come and go. If we want to keep the term "ownership" in capitalism, then in this case individual ownership has been replaced by *systemic ownership*. Shareholders are employees of the system; they are rewarded to the degree they serve its values.

When individuals own property their realm of efficacious action in the world expands as their ownership increases. Ownership increases power. This is why early liberals so liked the smallholder. While not rich, the smallholder had enough independence not to be bribed or controlled by others in order to survive. His or her realm of moral freedom and responsibility remained strong.

When the market "owns" property, the same dynamic occurs. But this dynamic is not for human beings. The profits shareholders make for investing wisely are the income the market provides so that its property is well managed, very much as corporate managers obtain income for competently managing property they do not own. Bad managers are ejected, and so are shareholders who put other values ahead of profit. "Ownership" has shifted from individuals to the capitalist system, and rather than enhancing individual freedom the system requires individuals to serve its values on pain of gradually or quickly losing their fee for managing its assets, to be replaced by better managers.

If private property is thought of as an atom, in capitalism the atom has been split. The split released enormous market power previously kept in check by the rich complexity of the human character and its immersion in civil society. In the process the moral responsibility traditionally entailed by the concept of ownership has disappeared. And like splitting the atom itself, this power can be used for good or for ill.

The value released by splitting the atom of ownership is an instrumental value. When market logic and relations become independent of civil society, the only value remaining is instrumental value. Something is valuable in the market only due to its value to others. No intrinsic value exists. A system recognizing only instrumental value subordinates everything to the impersonal processes of the capitalist order.

Over time the operation of an impersonal market in the context of corporate production squeezes moral depth out of human action. Today many corporations have pretty much freed themselves from the world of human values, whereas privately held companies remain a part of civil society, still existing within the realm of freedom. Koch Industries is privately held, and Charles and David Koch can legitimately be considered responsible for its actions, good and bad alike. On the other hand, if General Electric (GE) does something good or bad, as a tiny owner of GE stock I can neither reap praise nor blame, even when that praise or blame is attenuated to reflect the percentage of shares I own. I have as much influence over GE as I do over Apple, where I own no shares at all.

The vast and anonymous network of exchanges coordinated by price signals, a network Hayek termed the "market order," is not identical to capitalism. Capitalism is that part of the market order where coordination is not only *managed* through signals by prices reflecting instrumental values. In capitalism, those signals have become *commands*. This distinction is not based on size.

Managerial responsibility

Many important economists appear to have missed this transformation in the character of ownership, or refuse to consider its implications. This is most obvious in their discussions of corporate management. If shareholders are investment agents for market values, managers are its day-to-day coordinators of production for profit.

There is a long-lasting debate over the issue of "corporate responsibility." Some have argued that when making their decisions, management should take values other than money profit into consideration. This argument has been attacked by classical liberal economists. For example, Milton Friedman (1970) argues that a corporate CEO should never use company resources for anything other than making anonymous shareholders as much money as possible. The manager is a trustee of other people's property, and so must use it in their interests. To do otherwise would be misusing shareholders' "property." By implying that no value beyond money-making should motivate CEOs, concepts like "social responsibility" has no legitimate role to play in the corporate world.

But as I have pointed out, shareholders may in fact not approve of what the company is doing even if they want to make money. When shares are widely dispersed there is no way for shareholders to make their values known, nor is there any way for the manager to take those values into consideration.

Persuasive research indicates that few if any of us other than the greedy and the pathological care mostly for money (Fleming, 2011). There is good evidence that once past a certain point, monetary incentives can even backfire in fields such as banking (Anderson, 2009). To make a very serious rhetorical point, any academic who argues money and what it can buy is people's primary incentive must admit they have objective evidence for their own comparatively inferior talents, for compared to equally or less highly educated positions in the business world most academics make relatively little money.

If like Pinocchio a corporation suddenly found itself transformed into a human being, what kind of human being would it be? It would be constrained only by the thin ethical framework of the market, and then only insofar as it could count on market rules being enforced. Everything and everyone would be valued instrumentally, as a resource. People who regard everything and everyone as a means to their purposes and otherwise without value are called sociopaths: profoundly defective people without consciences.

Corporations are essentially institutional sociopaths, but without the personal weaknesses and legal responsibilities that often bring human sociopaths to grief. The more effectively they are subjected only to market feedback, the less opportunity other values held by managers have to be given weight. Prices cease being signals to owners, becoming commands to officers who will be ousted if others notice they do not ceaselessly seek to maximize corporate profits as reflected in share prices.

Of course some corporations do good things. But insofar as they act in keeping with market dictates and Milton Friedman's logic they do them not because they are good, but because they are expected to pay off. Ethical CEOs may implement a policy because in their eyes it is the right thing to do. But if these ethical actions hurt share prices, such CEOs act at the risk of losing their positions. The contemporary battle over control of the profitable Market Basket supermarket chain is an excellent example of this dynamic (Syre, 2014).

Emphasis will also tend to be on short-term values. The complex values accompanying ownership no longer count for much among shareholders, and the logic of hostile takeovers forces incumbent managers to focus on short-term value because that is what corporate raiders do. These are systemic phenomena not reducible to simple individual choices, because the system rewards such behavior and actively selects for it.

REVEALING EXCEPTIONS

New corporations still controlled by their founders are a major exception to my contention. So are many family-held enterprises. When the original entrepreneur is still in charge, her personal values still influence how the organization operates. Having created a new business, entrepreneurs typically enjoy considerable leeway in how they act, at least so long as the enterprise remains profitable. They are primarily entrepreneurs and creators, not managers. Families often have a sense of tradition and responsibility to more than maximizing the value of their shares. They will also frequently act in ways different from what the logic of capitalism demands. What follows are three examples of these exceptions, and some challenges they faced that in two cases defeated them, and in the third likely will.

1. A family-held company turning public: Pacific Lumber

The family-owned Pacific Lumber Company was once the largest timber company in northern California. When Pacific Lumber went public to raise more capital it was already a long-established company that was both profitable and committed to the well-being of the logging communities that had arisen around its holdings. It was also widely regarded as being ecologically responsible.

Soon after Pacific Lumber went public the company was taken over by corporate raiders who increased short-term profits at the expense of long-term sustainability. Financier Charles Hurwitz, a Texan with no knowledge of or previously demonstrated interest in forestry, acquired the Pacific Lumber Company through an unfriendly takeover (Harris, 1996; Chase, 1995, 201-13). Earlier, the company had logged at a slow rate, making a profit the family found satisfactory, maintaining healthy forests and logging communities, and enjoying the support of the environmental community. But these latter values meant their stock was less valuable than it might be if values other than profit were ignored. In purely economic terms the company was "undervalued," making it vulnerable to a takeover financed by high-interest bonds.

In order to pay interest on the bonds they had used to finance the takeover, Hurwitz and his company, MAXXAM, accelerated logging to twice its former pace. All other considerations were set aside. The result outraged California's powerful environmental community and caused serious ecological devastation from landslides on denuded hills in a landscape of unstable slopes and torrential rains. Protests became a standard feature in news from Pacific Lumber's lands. Ultimately regulations were set in place to require sustainable practices by the company, which given the size of its debt could no longer operate both profitably *and* sustainably. Pacific Lumber filed for bankruptcy in 2007.

On purely economic terms, Hurwitz acted appropriately. He might even be said to have acted in a way beneficial to the economy as a whole. That was the position in discussions of the issue in the *Wall Street Journal* (McCoy, 1993). But what seemed clear within the narrow value framework of capitalism was pretty clearly not the case in a broader context. The contrast between the two judgments helps underline the difference between civil society as a thick field of human values and the market as a thin one.

2. A long-time family-held company: Cadbury Chocolates

Before going public in 1961, Cadbury chocolates had been a private family-held company for 170 years. Its culture and priorities reflected the family's Quaker values. Direct family control ended in 1962, but the company remained dominated by a family trust until the directors' fiduciary obligations to the trust led to diversification in share ownership, and therefore to loss of its dominance in the company. In 2000, the Cadburys no longer sat on the Board of Directors and the family directly owned only one percent of company shares. The stage was set for the conversion of Cadbury into the capitalist order. In January, 2010, Cadbury was taken over in an unfriendly acquisition by Kraft Foods.

The history of the Cadbury chocolate company and similar Quaker-owned firms is inseparable from the rise of the industrial British economy. Because of their devotion to ethical business and to serving society as a responsibility to God combined with personal sobriety, these business leaders not only played an important role in England's rise; they were also powerful forces for social reform, starting with Quaker campaigns against slavery. The Cadburys were also active in the peace movements before World War I, key supporters of improving the purity and healthiness of often seriously adulterated foods, and active advocates for improving the conditions of the English working class and the poor. The Cadburys put their money behind their words, most impressively through building the first large-scale "Garden City," Bourneville, which remains prosperous to this day. Their efforts were usually intended to be economically self-sustaining, but importantly, were not managed to maximize profit.

With the aid of hedge funds, Kraft Foods managed a successful takeover bid once shareholders were sufficiently atomized. Hedge funds held five percent of Cadbury shares before the offer from Kraft, and 20 percent a few weeks later, anticipating Kraft would pay still more, which they did. Shortly before the takeover, short-term investors held 31 percent of company shares. They had bought only to sell. Hedge funds are perhaps the ultimate expression of capitalism.

Someone might point out that 31 percent is still not a majority. But ordinary shareholders were little more owners than were the hedge funds. In *Chocolate Wars*, Sir Dominic Cadbury is quoted as saying that:

> the shareholder is the owner of the business. But the difficulty . . . is that they are not acting as owners of the business … There are thousands of shareholders in Cadbury who probably would have said they didn't want to sell their shares and would have voted against. But they didn't have a vote, because if you are the average shareholder, you don't hold your shares personally; you hold your shares through your pension scheme or your bank. In the case of Cadbury sixty fund managers made the decision. (Cadbury, 2010, 304)

Ironically, at the time of purchase Cadbury was actually more profitable than Kraft. In addition, while no longer Quaker, its management had continued operating in harmony with much of the company's Quaker-influenced culture, which included a commitment to the broader community of which the company was a part, and towards the longer rather than the shorter term view of company well-being. Deborah Cadbury (2010, 280) quotes Todd Stitzer, Cadbury's Chief Strategy Officer as telling her that "[w]e consciously said in 2003 that we were going to modernize and magnify the George Cadbury principle that doing good is good for business." Stitzer told her the company's founders "weren't just philanthropists… 'They were *principled* capitalists.' They worked as long-term stewards, committed to all the stakeholders in the business—the staff and the wider community — not just to gains for themselves as owners" (ibid.).

This ethical commitment to the broader community and the longer term was ultimately the company's downfall. Its problem was not incompetence. Its management outperformed Kraft's. Nor was it in failing to turn a profit. It did. The company's failing was its managers having the priorities of an actual owner, with a sense of responsibility and of the larger universe of values, which it believed the instrumental values reflected in prices were to assist rather than dominate.

Like the other major chocolate and confectionary companies started by men with a strong ethical visions, such as Rowntree and Hershey in the United States, today Cadbury is fully integrated into the capitalist system. As MAXXAM's assurances for preserving the culture of Pacific Lumber were quickly abandoned and promises set aside, the same happened with Cadbury (Cadbury, 2010, 301).

3. Corporations whose founders are still in charge: Starbucks

Starbucks provides its employees with far better medical coverage than do most businesses hiring people with similar skills. This policy is one founder Howard Schultz believes in because of his own life experiences. When the company entered a tough stretch share prices fell, and executives urged him to cut back on health coverage. Even so he continued to maintain generous health benefits. When some executives argued Schultz could say he had no choice because of the company's financial difficulties, he replied there was always a choice. For Schultz, Starbucks remained in the realm of freedom (Schultz, 2010, 213-4). Prices were signals.

Had Starbucks been a typical corporation, whose original founder was long gone, the employees' health benefits would have rapidly been cut down to the "industry standard." Doing otherwise would have been to sacrifice shareholder value to other considerations. Revealingly, Milton Friedman's argument would *support* Schultz in his decision but *condemn* corporate managers for making the *same* decision.

For better or for worse privately held companies reflect their owner's character. Pacific Lumber and Cadbury embodied long-established visions of ethical behavior and community responsibility pursued within profitable market institutions. In Cadbury's case the company was worldwide in scope. Howard Schultz's personal values explain Starbuck's generous medical coverage. They exemplify the freedom the market can bring to talented and creative people. Pacific Lumber and Cadbury also show us the ultimate fate awaiting Starbucks. When Schultz goes, its unusual attention to its employees' health will go as well, probably sooner rather than later. Starbucks today may be in harmony with the market, but it is not in harmony with capitalism.

On balance, corporations institutionalize sociopathy and give it enormous power to shape economic decisions. Within the operational logic of the corporate world everything is either a means for making money, an impediment to it, or irrelevant. Corporations demonstrate how a system of coordination can take on a life of its own and not only better coordinate people's actions that they deliberately could themselves, but do so in ways in which *every non-sociopathic participant would disapprove*.

INSTITUTIONAL SOCIOPATHS AND A CONTRAST

My previous section was taken from a wide-ranging selection of enterprises. This section focuses on a single field, pharmaceuticals. I take three examples from a single industry to illustrate how corporate logic and "ownership" by the market encourage and reward sociopathic behavior. A fourth example, taken from the same industry, demonstrates that these problems are due to capitalism, not the market.

1. K-V

Progesterone is a drug for preventing miscarriages and premature births in high-risk pregnancies. It has been available for years. The drug was long made by compounding pharmacies and has been widely employed. During this time progesterone was available for between US$10 to US$20 a dose, administered weekly. According to Jacques Moritz of St. Luke's-Roosevelt Hospital, "Progesterone is so cheap to make and we never had a problem with the compounding pharmacies making it" (Hutchison, 2011a, no page number).

Progesterone recently won US Food and Drug Administration (FDA) approval to be exclusively marketed in the United States for seven years as "Makena" by K-V Pharmaceutical of St. Louis. FDA laws prohibit pharmacies from making FDA-approved products. K-V then announced a price hike on this long-used drug: from US$20 to US$1,500 a shot (Hutchison, 2011b). Neither US$20 nor US$1500 is a typo. K-V also sent letters to pharmacies threatening them with FDA punishment if they compounded their own version of the treatment, as they had for years.

Once criticism of their actions arose from physicians, the American College of Obstetrics and Gynecology, the American Academy of Pediatrics and the Society for Maternal Fetal Medicine and the March of Dimes, K-V's people began saying for obvious political reasons that they would make Makena available to poor mothers. But the only reason for the price hike was to make as much money from families as the company believed the market would bear while not provoking a political backlash. Middle-class mothers and insurance companies would not be as fortunate as hypothetical poor mothers.

The usual reasons pharmaceutical companies give for high drug prices do not hold in this case. The treatment has existed since 1956. Progesterone has long been made by doctors using already existing pharmaceuticals, and the FDA's tests on its effectiveness were paid for by the National Institutes of Health. Kevin Ault (Hutchison, 2011a, no page number) of Emory University School of Medicine observes that "[a]ll the upfront development of the drug was done by the National Institutes of Health. You and I paid for that with our tax dollars, it's not like this pharmaceutical company is trying to recoup its investments in research and development, as is usually the reason for the price of new drugs."

The price increase from US$20 to US$1,500 boosted the total price for the treatment from US$400 to US$30,000. It guaranteed serious financial and other sacrifices by many young families, a huge increase in insurance rates for programs covering pregnancies, and almost certainly an increase in miscarriages. Many people would have to do without the drug and hope for the best. Sometimes the best would not happen.

Only a person with a vestigial conscience or an ability to rationalize anything would impose such a price hike in a medication whose sole reason for existence is to save the lives of babies. K-V is managed by such people. The firm acted as a sociopath.

As it happened, K-V miscalculated. While the FDA has the authority to crack down on compounding pharmacies it is not obligated to do so. Representatives Sherrod Brown (Democrat, Ohio) and Amy Klobucher (Democrat, Minnesota) along with medical and patients' groups led a push for a change. In late March, 2011, the US Food and Drug Administration (2011, no page number) announced that "[i]n order to support access to this important drug, at this time and under this unique situation, FDA does not intend to take enforcement action against pharmacies that compound [Makena] based on a valid prescription."

The *Los Angeles Times* (Zajak, 2011, no page number) wrote that after the FDA announcement "K-V said it would do more to make the drug affordable, but did not say it would lower the price." As K-V put the matter, "[b]ased on feedback the company has received, we are currently exploring additional ways to help provide affordable access for all patients who are prescribed Makena" (*ibid.*).

From the standpoint of increasing share value K-V acted completely rationally. A CEO who did not do this when he had the opportunity would become vulnerable to a group seeking to take over the company, oust current management, and then impose the price increase.

These kinds of sociopathic actions are regarded as rational by economists because rationality has become a free-floating concept linked to expanding income by minimizing costs and maximizing profit. All that matters is acting with maximum efficiency, which means treating everything and everyone as resources, impediments, or irrelevant. Goals are not rational. For economists push pin is as good as poetry. Only the means to attain them can be more or less rational, and market rationality is evaluated through maximizing efficiency in attaining goals defined in monetary terms.

2. Genentech

Genentech discovered a great drug for fighting colon cancer: Avastin. Happily for them, Avastin is also very profitable. Doctors later discovered its cancer-fighting qualities could also be used to combat wet macular degeneration which mostly occurs in older people (this affliction is not the most common sort of macular degeneration). The reason is that Avastin retards growth of new small blood vessels that either could feed the cancer or proliferate in the eye and destroy vision.

The problem for Genentech was that while it took a lot of Avastin to fight colon cancer it took very little to fight progressive blindness through wet macular degeneration. Treatment with Avastin for wet macular degeneration was between US$50 and US$150. But the inner logic of Genentech's corporate structure necessarily put money profit ahead of everything else. So Genentech decided to make a much more expensive substitute just for the eye. They got FDA approval and marketed it under the name Lucentis. Unlike Avastin, when used to treat wet macular degeneration Lucentis would make Genentech a huge amount of money because a course of treatment would cost US$2000.

However there was a problem. Howard Brody at *Hooked* reports that if everybody with macular degeneration used expensive Lucentis it would use up Medicare's entire eye treatment budget. Consequently, many doctors kept using the much cheaper—and to their minds just as good—Avastin.

Despite physicians' satisfaction with Avastin, when the controversy between the two drugs arose, Genentech *discouraged* testing Avastin's effectiveness in treating wet macular degeneration. The company claimed that tests were unnecessary because Avastin could not work very well (Brody, 2007).

Genentech also escalated their pressure on the medical profession, threatening in 2007 to cut off supplies of Avastin to anyone who made it available for eye use. Genentech claimed it was concerned about "safety issues," because compounding pharmacies were dividing Avastin into smaller quantities needed for eye treatment. In November 2007, the American Academy of Ophthalmology protested Genentech's decision as threatening lower-income patients and argued they had seen no evidence of safety problems. In the face of doctors' protests, Genentech backed down and said it would continue selling Avastin to physicians, and ship it to destinations of their choosing, including compounding pharmacies.[3]

In 2011 neutrally conducted tests were released indicating *no significant differences* in effectiveness existed between Avastin and Lucentis (Biotech, 2011). There was a 5 percent difference in adverse effects that favored Lucentis, but given the nature of the tests this was not considered a strong finding; it was very likely related to differences in the average age of the two groups of patients (LifeTech. 2011).

3. Medical shortages

On June 10, 2011, CNN reported that there was a growing shortage of certain important drugs in the United States. In 2010, 178 drug shortages were reported to the FDA, including cancer drugs, anesthetics used in surgery, medicines used intravenously and others used in emergency situations. Valerie Jensen of the FDA reported that "companies have told us that these injectable drugs are older drugs and not as profitable … They told us it was a business decision to discontinue production" (Kavilanz, 2011). The drugs were profitable, just not as profitable as others still covered by patent monopolies.

4. The Institute for One World Health

Victoria Hale has a PhD in pharmaceutical chemistry and worked initially for the FDA and later for Genentech. In a talk I heard her give at Pop!Tech in Camden, Maine, in 2007, Hale had only good things to say of her work experience at both places, with one proviso—she finally left Genentech because they were increasingly focused on research for the wealthiest fraction of the population whereas she, and many other scientists, had entered medical research to assist people in general, and not just the already-have-mores.

Hale's point is an important one to remember. Most people employed by corporations are not sociopaths. They may be quite devoted to serving humanity or some other value, and choose corporate employment as a place where their skills can bring in a decent income and put to productive use. But within a company, how those skills are ultimately used is not up to those with the skills but to managerial priorities. And managerial priorities are shaped by the commands of the capitalist system. So long as their contributions to the company cannot be acquired more inexpensively elsewhere, employees will be well treated.

In terms of this paper's argument, Hale's priorities were part of the value-rich matrix of civil society, whereas Genentech's were in accord with the value-thin matrix pursued within capitalism.

After Hale left Genentech she was, in her terms, "quiet" for a while, as she tried to figure out what she would do next. Ultimately she founded the first not-for-profit pharmaceutical company, the Institute for One World Health.[4] Established in 2000, the start-up's capital did not come from venture capitalists, who generally want as much money as possible on their investment. Hale deliberately avoided them. It came instead from foundations and philanthropists. She sought support from civil society. Her company needed to make money, but that was not to be its primary goal.

In her PopTech! talk Hale described Kala-azar as a fly-borne parasitic disease killing many children in south Asia and elsewhere. Around 500,000 new cases a year are reported. Before OneWorld Health began its research, a cure cost US$300, which meant that most afflicted children died, especially girls. OneWorld Health developed a US$10 cure, and the governments of India, Bangladesh and Nepal then bought enough to provide free treatment to their poor. Potentially, the disease will be eliminated in these countries because the parasite will be unable to complete its life cycle.

Malaria is another large-scale killer of human beings, particularly children. Treatments are available through the drug artemisinin. It is derived from the wormwood plant and is in short supply. OneWorld Health (undated) states on its website that "[t]o get this essential treatment into the hands of the sickest children around the world, we are using synthetic biology techniques to produce a reliable supply of artemisinin at an affordable price. Collaboration with Amyris Inc. to develop the process is successfully completed in 2009.With partner sanofi-aventis, we have scaled up the process for commercial scale manufacturing and are currently preparing to ramp up production. Our goal: produce enough semisynthetic artemisinin to treat up to 200 million malaria sufferers each year."[5] In 2011 production of semisynthetic artemisinin began in partnership with a large pharmaceutical company.

Hale's Institute for OneWorld Health is as much a part of the market order as is Genentech and K-V. But it is even more fundamentally a part of civil society. In my specialized terminology it is not a capitalist firm, it is a market place institution using price information as signals to more efficiently pursue goals the prices themselves do not determine. Its goals are those established by Hale and her associates, goals that reflect the depth and complexity of human values rather than the shallow one-dimensionality of capitalist ones. Hale's OneWorld Health has transformed the lives of thousands of poor families as she realizes her dream of putting her and others' scientific skills to use while serving humanity. Unlike the examples of K-V and Genentech, with One World Health the market serves liberty and the rich context of human values able to be pursued within civil society.

VI. Economy and ecology

Many previous examples involved actions by major corporations in different lines of business; these corporations pursued profit no matter how many people would be injured in the process. I contend such actions are not primarily the result of moral failings by individuals, though moral failings were definitely involved. Some individuals have such failings, but why do they seem to concentrate at the top of corporations? Even if bad people make the final decision, it is the system of selection that helps elevate bad people to positions where they can make the decisions they do. It is the system that protects them from the adverse consequences of their actions, and usually abundantly rewards them.

I want to suggest we are seeing an emergent quality within capitalism as *contrasted* with a market order embedded within civil society. When a spontaneous order becomes independent of civil society its simpler feedback values undermines individual freedom; it inhibits expressing the richness of human moral life by making one type of feedback dominant. Such systems select for leaders who are not bothered by doing what it takes to thrive in such an impoverished ethical environment.

But beyond critique, what new lines of research and understanding open up with this richer, more nuanced but also more tension-filled conception of the market order, both capitalist and non-capitalist, and of civil society?

Much remains that is familiar. We retain the Hayekian emphasis on the free movement of prices and freedom of entry as essential in preserving the role prices play in coordinating independently chosen plans. We retain the central importance of contract, private property rights, and money. We retain the critique of schemes to intervene in the market process by price controls, monopoly licenses, central planning, and similar interventions. We retain the ethical commitment to voluntary relationships as preferable to those which are coerced.

But in this paper we have identified at least one new challenge: how to maintain the market as a realm of freedom and not of systemic control. How do we maintain prices as Misesian signals without allowing them to become commands?

We can also see how there can be *systemic coercion*. No one gives an order, no one points a gun, but the range of values a person can pursue without being penalized by the system is narrowed dramatically. It is the system that "owns" property and the system that "gives orders." Like fire, spontaneous orders are wonderful servants and fearful masters.

The ecological model

Analyzing "ownership" under capitalism brings home the profound shift in human status in the shift from a market economy immersed within civil society to one operating increasingly outside it. But in capitalism the term "property" seems more metaphorical than analytical, and while metaphors have important uses, the best of them within the context of a social science creates a new and deeper theoretical framework. Here I think the term "capitalism as ecosystem" holds more promise.

Similarities between the market and ecosystems are frequently described from the perspectives of both the social and biological sciences (Vermeij, 2010; Heinrich, 2004; Rothschild, 1990). Markets and ecosystems are both "discovery processes" where independent actions are coordinated in ways that facilitate more successes among participants than could be attained in any other way. This happens through systemically generated feedback signals. For years I emphasized this point in my own writing without trying to take the comparison as far as I will now (diZerega, 1997). Much can be illuminated by taking this comparison as more than a metaphor.

I suggest we consider capitalism as an ecosystem. In the market as it exists in civil society prices are signals and actions reflect the moral complexity of human beings. In ecosystems, whatever organisms do, they are always subordinated to systemic demands if they are to survive. Capitalism is an ecosystem where the dominant life forms are corporations and money is the resource they seek competitively, a resource that enables them to survive and grow. It operates largely independently from human values, although it depends on human choices.

Civil society is a realm of freedom because it is *not* an ecosystem. Its many systems of feedback prevent any single system from determining who prospers and who does not. In civil society all that needs to hold about a potentially fruitful course of action is that it is compatible with equal status and voluntary agreement. Capitalism weeds out the relevance of most of these signals. What remains is profitability and—in second place—whatever values are in harmony with maximizing profit.

In this way signals in a complex order become commands within a simpler one.

From master to servant

The capitalist ecosystem as it has evolved in the United States offers little in the way of evidence that it can be dissuaded from colonizing larger and larger dimensions of civil society, imposing what Sheldon Wolin (2008) calls an "inverted totalitarianism." But another market system, equally rooted in voluntary contractual relations, offers some alternative possibilities. Its fullest contemporary expression is the Mondragon cooperatives in Spain.

Jose Maria Arizmendi was a former opponent to Franco during the Civil War who narrowly survived it, and afterward, as a Catholic priest, was assigned to the small poverty-stricken town of Mondragon in Spain's Basque region. In 1943 he established a credit union and a small polytechnic. In 1956—along with five of its graduates—he purchased a small stove-making company. They organized it as a worker-owned cooperative with 30 members.

Carl Davidson (2011, p. 4) writes that "this small start-up in 1956 contained the first secret of MCC's success—the three-in-one combination of school, credit union, and factory … Starting a coop factory or workshop alone wouldn't work: a startup also required a reliable source of credit and a source of skills and innovation."

The little company prospered and today has 8,000 worker-owners and markets household appliances worldwide, including to the United States. By the mid-1970s the original small cooperative had grown to 45 companies with 17,000 workers. In 2010 there were 120 companies with almost 100,000 worker-owners in Spain, Portugal, and France. These cooperative firms are involved in a wide variety of enterprises—from producing computer chips to racing bicycles. Cooperative retailer Eroski has kept Walmart out of Spain by out-competing it. They also possess Spain's largest R&D complex and have recently established a university. In 2009, total sales amounted to €13.9 billion; the Mondragon cooperatives weathered the economic crisis that hit Europe in 2009 with less damage than more traditionally organized companies.

As Fr. Arizmendi developed his ideas he solved two related problems that had long plagued worker-owned organizations. The first was how to enable a second generation of worker-owners to enter, given that the organization's success usually priced them out. Many early cooperatives had failed to persist because workers could not afford to buy in as the original workers retired, whereas outside investors could, thereby gradually transforming the firms from co-ops into traditional corporations. In the Mondragon cases a worker-owner is only allowed to sell his or her share to an incoming worker or to the co-op itself. This rule ensures that capital remains subordinate to the richer values able to be expressed within civil society.

Mondragon's internal financial institutions solved the problem of making membership affordable to working people. Over time Mondragon's small credit union evolved into different financial institutions, including a bank owned by the businesses and its employees, which is now a major Spanish institution with 394 branches. The bank makes interest-free or very low-interest loans to workers so that they can buy into full ownership, becoming full owners within 10 years.

Workers retire with generous pensions, sometimes 100 percent of their working pay, get health and dental care, and paid vacations. Mondragon's CEOs make no more than nine times the minimum wage paid to a worker in their particular enterprise. Most earn five times. In practice the spread is even less, because few are paid the firm-specific minimum wage. Yet these businesses compete successfully with more traditionally organized capitalist firms in Europe.

Theoretical implications

What makes the Mondragon cooperative system so interesting from the standpoint of this paper is that by subordinating the role of money in the economy to civil society—rather than enabling the market to separate itself from civil society—powerful market institutions have arisen that are *not capitalist*. The market remains embedded within (and enriching) civil society rather than undermining it. As the people of Mondragon put it, instead of capital hiring labor, labor hires capital.

In the sense developed in this paper another paradox arises. The Mondragon cooperatives have mostly attracted the attention of socialists who eschew state socialist models of economic organization (Davidson, 2011). As best as I can determine, despite their economic success and their theoretical interest, they have been ignored by pro-market economists.

The positive values usually associated with private property appear to be better exemplified within the Mondragon system than by the dominant corporate capitalist system. The worker-owners' power of ownership is connected with responsibility. They have exercised it successfully for over 50 years. Mondragon is a part of civil society in a way that capitalism is not. The working community's values have precedence over maximizing profit, because that value has lost its capacity to subordinate all other values. The market has become the servant of human values rather than its master. Mondragon offers a clear example of insights that we can better appreciate once we distinguish the market order from capitalism.

NOTES

1 That the "state of nature" is essentially civil society is what distinguishes John Locke's social contract from Thomas Hobbes's, who has no such concept.
2 Any reader wishing to see some of this artwork can go to http://www.flickr.com/photos/9832882@N06/.
3 Marilyn Haddrill, Lucentis vs Avastin: A Macular Degeneration Controversy, All About Vision; link: http://www.allaboutvision.com/conditions/lucentis-vs-avastin.htm
4 http://www.oneworldhealth.org/
5 Our response to malaria: Develop safer more effective treatments to save the lives of children; link: http://www.oneworldhealth.org/malaria

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