

## CHAPTER 6

# TO REALIZE VALUES WE NEED TO PROCURE GOODS, THE MOST IMPORTANT OF WHICH ARE SHARED

When doing the right thing we want to realize our values. In the previous chapter we were concerned with all the values that might come into play. That is the awareness part. Now we turn to what we do when we try to make those values real. And that requires becoming aware of the goods that we acquire and generate. So we move up the awareness part.

Suppose someone cherishes the value of friendship and finds himself lonely. So he is aware of valuing friendship. He can just live with that ideal but he can also act in order to make the value real, that is, to valorize “friendship” in his life. The question is then how he can do so. The answer seems obvious: in order to make the value “friendship” real, he needs to approach people to generate a friendship somehow. In that way he transforms the ideal “friendship” into an actual friendship. The same transformation is required for someone valuing personal love. Without a relationship this person does not stand a chance of having love. It furthermore has to be a special relationship in order to generate the kind of love that this person is seeking.

The point is this: the friendly or loving relationship is a good in the sense that it is something to gain and something to lose. This person either has such a relationship or not. It is a good as it services to realize all kinds of values, like friendship, love, or both, companionship support, attention, and the possibility of parenthood. Accordingly, in order to make the values “friendship” or “love” real, we need to acquire a good like “friendship” or “a loving relationship”; a good we cannot buy and that the government cannot procure for you.

Values need to be acted upon to become real, and an important way of realizing them is to acquire or generate goods. Goods enable us to realize

values. They can be things like a cup of coffee or a computer, but they can also be intangible things, like relationships, communities, ideas and artistic expressions.

Goods are good for all kinds of things. You and I can “have” or possess goods, although often not in a legal sense. “Having” a relationship is the same as “possessing” it. People have houses and they have kids and a home. Goods are whatever we have that enable us to realize values.

### **Really?**

This characterization of goods may seem odd at first. It certainly is when you are accustomed to thinking of goods as things you can hold onto, like a cup of coffee and a computer, or when you think of goods as things that you can buy or sell.

I now will do two things to convince you that we are in need of a broad category of goods, a much broader category of goods than what shows up in a standard economic account. Sure, in the conversation of economists you will come across intangible goods like services (think of a class or a therapy session) and the hard to grasp collective or public goods, like safety, or cultural heritage. However, we need to go even beyond these classes of goods to include goods such as friendship, home, society, faith, art and science. You better think twice before continuing from this point, since the consequences are far reaching for the way you and I conceptualize our world and understand phenomena such as the arts, poverty, richness, altruism and so much more.

### **The first consideration comes by way of another reading of Robinson Crusoe that shows the importance of company and conversation. Why not call them goods?**

Defoe’s story about Robinson Crusoe, who got shipwrecked and found himself all alone as the sole survivor on an island, is standard fare in an introductory economics course. It perfectly illustrates, for example, the tradeoff that we need to make between consumption now and consumption later (by planting seeds from his harvest now to have a greater harvest later), investments and division of labor (between him and Friday, the fellow that he rescues from being the meal for a bunch of cannibals). In this reading, Robinson Crusoe is the archetypical homo economicus; a perfect example for anyone who wants to understand how homo economicus operates.

In another humanistic reading, the story turns out to be a human drama. This is the story about Crusoe’s struggle with his father and his seeking faith. It is about the purifying experience that spending twenty eight years on an island can be. That is what makes Robinson Crusoe a *Bildung* novel.

Though it is not so strange that economists read their perspective into the

novel. Already in the very beginning of the novel Crusoe does a cost-benefit analysis, weighing the advantages and disadvantages of his stranding on an island. But a careful reading shows that the accounting of Crusoe is quite different from the accounting that is customary in standard economics. For these are his lists:

<i>Good</i>	<i>Evil</i>
Still alive	Cast away
Singled out to be saved from the wreckage	Singled out to be miserable
I am not starved	Divided from mankind-solitaire
There are no wild beasts	I have no weapons
It is warm	I have no clothes

He could have added that he had been able to secure plenty of supplies from the shipwreck, including a few bibles (which served him well in his search for his faith). He also found some coins in the ship, but they are useless in his economy. (Note that economists latched onto a story that has no use for exchange! Strange, isn't it?)

His account stresses his social situation or, better said, the lack thereof. All alone he is barren from any social interaction. That is why his encounter with another human being after a long period of loneliness is so important to him. Friday is not only someone who can do his share of the chores, but he is also company for Crusoe. Crusoe teaches Friday some English so that they can *have conversations*. The conversations have a great deal of value for Crusoe, a social value as we can observe after the previous chapter. He feels better, even richer because of them. Of course he does. We humans are in need of company and conversation. They are basic needs.

Were you to wear the glasses of demand and supply, exchange and price, costs and benefits, you do not see such things. With the value tinted spectacles, the values of company and the conversations are becoming pronounced.

In a valued based approach to economics, friendship is a good. And so is a conversation. They resist having them. That means they do not come free; Crusoe has to make efforts and some sacrifices to acquire them. And they are good for all kinds of things.

**The second consideration comes after answering a question.**

I have made it a habit to ask classes of students and audiences at lectures to name their single-most precious possession. Sometimes I begin by asking them to name their drive. In one class, every single student mentioned money

as the main goal. One guy wanted it to be on the record that he was going for lots of money. Only one female student took exception and said that she wanted to be happy. The guy pointed out to her that she needed money for that. She had to agree to that. There we were: money is what moved them.

And then I put the big question to them: what is your most precious possession, what is the last thing you want to lose? The lots-of-money guy wanted to know whether it had to be something tangible. I told him that it was up to him. He immediately had his mind made up: his most precious possessions were his family and friends. Others followed suit. One student thought of her freedom, another mentioned her brains. And as almost always happens in such a round, a few named their health as their most precious possession. No-one spoke of money, cars or something tangible. One time someone mentioned her iPhone but—judging by the burst of laughter among the students—this was clearly not a serious option. Sometimes the answer surprises me, like when a guy from Botswana mentioned his fear as his greatest possession. I doubt whether “fear” is a good (after all, how does it resist possession?), but I understood his reason for saying so when he explained that his fears are what give him his urge to accomplish something.

So here is my question to you, my reader: what is your most precious possession?

Would you even consider something that you have bought, or something that the government has provided? Is it something you own in a legal sense?

Let me pause here, as I would do in class.

Strange, isn't it? Money may be what people want, yet money does not buy what is most important to them. You do not buy friends and family with your money. Yes, money helps to secure your health, but then again, you do not own your health legally.

Leaving out what is most important to us does not make a great deal of sense. Standard economics does not consider family, friends, freedom and such as goods. The value based approach does. Doing so will change a great deal in our worldview.

### **What are goods?**

Aristotle defined goods as “the means of life and well-being of men” in his work *Politics* (Aristotle & Ross, 1995). So goods would be the means to realize values. And so we are back to the definition I gave at the beginning.

In the late 19<sup>th</sup> century, Carl Menger, an Austrian economist, probed the nature of a good and concluded that whatever satisfies a need, qualifies as

a good. That opened the way for a wide range of goods including families and friendships. But he shrank away from that consequence and decided that economists had to restrict the definition of good to those categories of goods that lend themselves for exchange in the market place. Later, economists had to break this restriction in order to allow for collective goods (Menger, 1871).

A value based approach stresses the values that goods enable us to realize and recovers the wide range of goods that qualify, including collective goods and all the other goods that cannot be priced and cannot be bought and sold at a market.

Goods need to be acquired or generated and the acquisition requires some kind of sacrifice. To speak of “having” or “possessing” a good only makes sense if a good resists possession. When we happen to see a splendid sunset it would be strange to claim that sunset as “ours.” It would be different if you have to climb a steep mountain in order to see a particularly beautiful sunset: in that case you might say that it is yours to cherish. In general, goods require an effort to acquire. We have to give something up to “have” them or to enjoy the benefits of goods. Even a sunset requires some work in order to be able to enjoy it.

Therefore, I define goods as follows:

*Goods are tangible or intangible things that an individual, a group of people or a gathering of people possesses; they are good for all kinds of things and their possession requires some kind of effort or sacrifice.*

*Goods are important to us, because they enable us to realize values.*

The time is ripe for a general notion of “goods.” We are already accustomed to thinking of experience goods and imaginary goods. The lottery sells an illusion, that is, an imaginary good. And a fair or festival is all about experience. But is that really it? Just try to determine what you buy when you pay for a ticket for a museum. What is the good you are buying? An experience good? Continue reading and you will realize that it is not just that. You can be certain that values play a role!

### **Goods that are most important to me, and you.**

In an earlier version of this chapter I proceeded to list the types of goods and started off with the goods that are usually recognized as such; those are private goods—or the goods we buy—and collective goods. Only later did I introduce the shared goods. Then I realized that by doing so I went along with the standard scientific approach that makes us consider things from a distance, speaking of “the system” or “the processes out there.” But my approach is

to consider the world from the standpoint of the subjects themselves, of us, that is, as a people trying to make a life, realizing values. So I had to delete everything I had written and start to make sense of the life you and I live. Let me give it a try.

My day starts when I get out of bed. Please join me, and imagine yourself doing so also. The first thing on my mind is not that I have to buy or sell something, as the standard economic perspective would suggest. Come to think of it, the buying and selling of things is not much part of the day of a family man, a politician and an academic. I am rather focused on doing things with the members of my family, at the university and in the city hall. Most of the time, I am engaged in conversations of all kinds. I talk with Ph.D. students, other students, colleagues and research assistants, and I teach classes, of course. In the city hall I have endless meetings with civil servants, citizens and politicians to discuss a wide range of topics. At other times I am working on this book, reading and writing emails and, every now and then, I have to cope with faculty meetings and the like. In the evening, if I do not give a lecture somewhere, have a meeting or meet with a friend, then I look forward to having dinner with my family. At the end of the day I will not talk about the amount of money I have earned or spent. I do not even think about it. If I were to reflect on my day, I would instead care about the qualities of the time spent with my family, of the classes and lectures I've given, of the interactions and conversations I've had, and whether or not I am still politically alive and about the worth of my friendships.

If I were to follow Crusoe's example, I would try to assess what my activities have contributed to the goods I care for, such as the good "family," the good "collegiality," the good "knowledge," the good "conversation," the good "academic community," the good "democracy," the good "fairness" or the good "friendship." All those goods are important for me. They are good for a variety of my values.

I do buy a few things, off and on. All the things I buy are instrumental and usually serve the realization of the goods that are really important to me. The gas that I buy gets me to the places I need to be. The food I buy nourishes me so that I have enough energy to get through the day or it serves to accompany a conversation with colleagues or other people. The vegetables I buy are ingredients for a family dinner. By paying the interest on the mortgage I am able to share the house with my family. Every so often I buy a book that I need for my research. There have been days that were all about a purchase, like the day I bought my house. But most of my days are about conversations, teaching and meetings. The things I buy during those days are subsidiary and instrumental.

During the day I also benefit from a variety of collective goods, such as the roads, the sanitary sewer, the water supply, police protection, relatively

clean air and the university system. I am very pleased with these goods, when I think about them. Usually I am not aware of their values. They, too, are instrumental for the goods I really care about. I am not living and working for the sake of the university. I need the university in order to have a good academic community, to be able to teach and to have “good conversations.”

“Yeah, but you are privileged. You do not have to worry about how to survive.” This is a standard reaction. It usually comes from people who are as privileged as I am, in the sense that we do not need to worry whether or not we will have food on the table the next day and a roof over our head. Sure, I would respond, when people are in survival mode, like when they are in a war zone, going hungry, trying to immigrate, scrounging for food, searching for a shelter or seeking a residence permit, it is all that is on their mind. But they, too, are seeking to overcome the mode of surviving in order to “have” a life. Having a life implies being able to focus on conversations, companionship, a community, knowledge, a skill and all those things that render life meaningful.

Accordingly, doing the right thing is about acquiring all kinds of goods, most of those—and the most important of those—we cannot buy and do not own legally. Standard economics is all about private and collective goods, about property rights. So that domain is covered. We now need to understand the other goods as well. What are their characteristics? How do we acquire them? How do we value them? Can we order them?

### **The most important goods are “shared goods”**

Let us have a look at the good “a good conversation.” It happens to be a good that is important to me: I am always trying to make it happen, at home, with friends and at the university. It was also what Crusoe was looking for. There he was, all by himself, trying to survive, but with no one to talk to. People who have stranded at islands all by themselves, or who are locked up in isolation, are known to have a hard time being without any conversation. Alexander Selkirk, a well-known castaway at the time of Defoe was actually unable to speak and socialize after his rescue and ended up living in a cave in his backyard. He had been on the island for only five years, versus twenty eight years in the case of Crusoe. The advantage of the latter was that he was able to have conversations with this Friday guy, a cannibal whom he had saved from a cannibal feast. Even though they did not speak the same language, they quickly developed a language that they both could understand enabling them to communicate. After some time they shared feelings, discussed what needed to be done and so on. Crusoe enjoyed the company and appreciated the ability to have a conversation with another person. This was presumably also true for the other fellow.

What does the companionship mean? Even when this person does not help Crusoe in adding to the amount of goods for his consumption—he may

put in some work but has to eat and needs a place to stay, too—he may still decide that he is better off with his presence because of the possibility of having a conversation with someone. He may even come to that conclusion in the event that the amount of goods available for his consumption actually declines. He gladly gives up some bread and meat in exchange for the conversation.

The bread and meat are private goods in the sense that he raised the sheep and planted, harvested and milled the grain. Those goods are his and it is his decision to share them with Friday. If Friday were to grab them without asking, he might get angry and throw him off the island.

The conversation that they are having is another matter, for it is theirs. *They share the conversation.* It is a *joint production*. Friday makes an effort and so does Crusoe. A conversation in which he does not participate is not the same as one in which he is paying attention to what the other is saying, responds and contributes himself by telling things. The more effort they both put into their conversation, the better Crusoe will feel and the better Friday will most likely feel as well. (He finds himself whistling again while walking along the beach and catches himself looking forward to the evening's meal because of the conversation they will be having.) It matters to him that Friday enjoys the conversation as well. They do not only produce the conversation together, they also “consume” it together. The enjoyment is mutual. Their conversation is what he and Friday share. It is a shared good.

Maybe it is strange to call a conversation a good at all. From an economic point of view, however, it is not all that different from a good like bread. A conversation requires the input of time, effort and human and social capital. A conversation does not come about effortlessly. It is not free either. Even if the direct costs are zero, there will be opportunity costs (the benefits of alternative activities that are forsaken). And like bread a conversation gives satisfaction. Thus far a shared good is like a private good. The conversation, however, cannot be a private good because no one can claim sole ownership of it. Crusoe cannot claim that the conversation is his and exclude others, including Friday, from enjoying it. A conversation is not *divisible*. We cannot say: “this part is mine and that part is yours, I give you this for that.” A conversation cannot be exchanged; it cannot be bought or sold. It is shared.

A conversation is not a collective good either. A pure collective good is both indivisible—when you and I are the collective, I cannot consume it without your consuming it as well—and non-rivalrous—my consumption of the good cannot be at the expense of your consumption. Although a conversation cannot be split up and although Crusoe cannot have the conversation by excluding Friday, Friday and he can easily exclude others (like the members of Friday's tribe) from their conversation. Their conversation is between them; it is theirs. Maybe one of them will give it up for another conversation when the



occasion presents itself. Crusoe may exclude Friday, as he actually did after being rescued. Conversations have rivalry and exclusion written all over them. A conversation, therefore, is a good that does accord neither with the class of private goods, nor with that of collective goods. It is a shared good. Both Friday and Crusoe enjoy having or owning it.

The good “conversation” comes in different qualities, of course. A conversation with a lover will have a higher quality from one with a stranger. A conversation with a colleague can go deeper and can be more intense than one with a layperson. And the participants may not benefit equally from the conversation. It helps him in his conversation if Crusoe were interested in the phenomenon of the wild man; in that case he will get one kick after another from talking with Friday. Otherwise he may find Friday’s talk mainly strange and incomprehensible. Participants may put in different efforts and therefore get something different out of their conversation. It remains a shared good, though, as no party can appropriate it entirely or exclude the other.

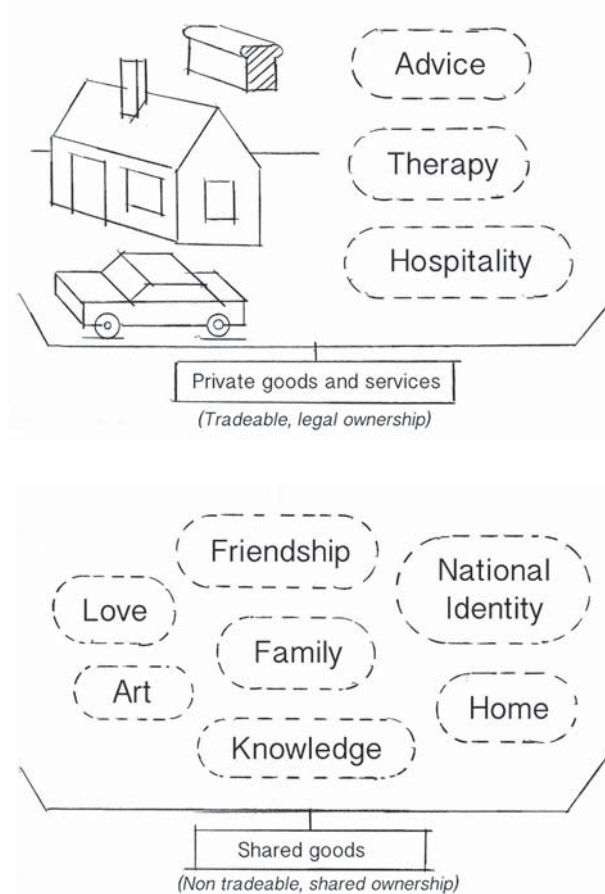
A shared good as defined here is different from the notion of a common good, or a commons, in the standard economic discussions. Common goods are accessible to all—they are non-exclusive—but they allow for rivalry. Economists tend to see great problems for the sustenance of common goods because of the free rider problem. Take the sea, for instance. This is a good that all people have in common. The whales swimming in the sea are a common good. Catching them is lucrative. Here the free rider problem occurs because whale hunters have an incentive to catch as many whales as they can. When they voluntarily agree to limit the number lest the whales die out, individual whale hunters have the incentive to exceed that limit to have more than the others. They are said to be free riding (like what people do when they do not buy tickets for public transport). The point is important since common goods lose their footing in the classic economic analysis because of this problem.

However, the problem does not apply to shared goods! When one party shirks, by pretending to be in the conversation while being instead with his thoughts somewhere else, the conversation will be different because of it and will have less value than a conversation to which all parties contribute. When there are more than two parties involved, one party may shirk and let the others do the work, but risk losing the conversation. When Friday and Crusoe are having a conversation, you may want to join in. Imagine they let you in and you subsequently shirk by not contributing yourself. Apart from what they will think of your passivity, you will benefit differently from the conversation than they do, if you benefit at all. You may gain some information, some insight maybe, but because you will not partake in the conversation, it will not be yours. You can only have a conversation by partaking in it. (Of course, you can exploit a conversation that others are having, drawing gainful information

from it, but then you cannot go home and tell your partner about this wonderful conversation you had.)

Once you have identified shared goods as goods, you will notice them all around. Friendship is an obvious example, as is “home,” “family” and “collegiality.” “Trust” is a shared good, as is “knowledge,” “music” and “art” (about which more later in the chapter). A “community” clearly is, and so is a “team” or “team spirit.” When people list their most important possessions, they are almost always shared.

When I lecture I like to use “knowledge” as an example. “Knowledge” is presented as if it were a package of information, ideas, models and the like; as if you can take it over, buy it as it were, to make it your own. But that is not how “knowledge” works. I will point out here that I try to convey knowledge in a hopefully interesting, maybe even inspiring, exposition. Why do I do so?



**Diagram 6-1** Private goods and services, and shared goods

It is certainly not for the money, since the pay is usually limited. My reason for doing so is that I want to share my knowledge. But that is not going to happen if I am the only one doing the work. The people sitting in front of me are actually having to do the hard work because they have to make sense of the noise that I make, transform that noise into something that has meaning to them and appropriate that somehow. Of course, I have to make an effort seeking a connection with what people already know and, of course, most of what I have said will get lost anyhow. But hopefully some of us will share part of the knowledge conveyed.

It is the sharing that renders “my” knowledge relevant and valuable.

### **A shared good is usually a practice**

It is not only that knowledge, like the knowledge contained in this book, needs to be shared in order to become knowledge; most knowledge also requires a continuing activity. When the general response to what you just read is “sure, friendship is a shared good” and that is it, then this knowledge will quickly be forgotten and get lost. Knowledge is an active good; it is a practice. In doing, the knowledge becomes valuable. So people have to think when it comes to the notion of shared goods, apply it in situations, in their research, in their conversations. Some people need to probe it further, explore the valuation of shared goods, differentiate types of shared goods and so forth.

Friendship, too, is a practice in the sense that to sustain, enjoy and further the friendship friends have to do things, all kinds of things. They may have to talk with each other, think of the other, bring the friend up in conversations, share important experiences and do things together. The phone calls and the outings serve the friendship; they are activities intended to valorize the friendship.

**The practice of a shared good, therefore, consists of all activities and interactions that are directed at generating, sustaining and valorizing the good. Put differently, the shared good stands for the practice that constitutes it.**

Think of the concert pianist, the dancer, the craftsman: they all have to practice their skill day in and day out in order to sustain and further it. Likewise we have to practice our knowledge, friendships, family and art in order to be able to say that we “have” them.

### **The (creative) commons**

The notion of the shared good points out that when we go through our daily life we do all kinds of things, go to meetings, have chats, read, exchange compliments for the sake of sustaining, furthering and valorizing shared goods of

all kinds. The valorizing refers to the realizing of values, all kinds of values.

When going around, seeking to realize our values, we benefit from ongoing practices out there. Other people have developed ongoing practices generating a certain genre of music, a scientific discipline, an artistic environment, a social space, websites, some of which will be of interest to us. Such a practice is called a commons. You benefit from it by participating in and contributing to it.

A commons is out there, available to anyone who is willing to make an effort. The traditional commons is the pasture that surrounds the village. It is free for all villagers to make use of. The common room is the place where people get together to share conversations. The sea with the fish in it is a commons. Wikipedia is also, as are all open sources on the Internet. The commons is optional: you have the option to make use of it, or not. Other terms are a common pool resource, or a creative commons as in the case of the arts (Ostrom, 1990).

We make use of commons all the time. A painting has value partly because it shares with other paintings the commons of the arts. The commons of the art, that is, the institutions, the conversations and the activities that constitute the worlds of the arts, is the resource that feeds and informs the value of the painting. Whether I listen to music by Pink Floyd or watch a Shakespeare play or a French movie, I benefit from others who like the very same music, theatre and movies. The entrepreneur makes use of all kinds of commons, like skilled practices, a culture of hard work and of loyalty, a vital financial system, knowledge practices and so on. It is almost impossible to get the value of art realized in an environment that lacks a commons for the arts, or to be entrepreneurial in an environment that lacks an entrepreneurial commons.

A commons is a practice. It is not a practice that is for sale, so it is not a private good. It is most likely not a collective good as it is not provided for by the government, and requires the participation of many, but not all. People can make use of the commons without anything in return. You and I can consult Wikipedia or any open source program with no strings attached. That is why Hardin in his famous article *The Tragedy of the Commons*, concluded that a common is unsustainable (Hardin, 1968). The only safeguard from overuse would be the privatization or collectivization of the good. Privatization involves the creation of private property rights (cf. the discussion on intellectual property rights); such rights turn the good into a commodity that can be bought and sold. Collectivization implies that the government takes over and makes the use of the common subject to public law. The government can allocate rights to usage and regulate and finance the production of the commons, which then has become a collective good.

But a commons can also remain a social practice, as is the case with

Wikipedia, open source programming, and the creative commons in cities and other places. Even though many only make use of such a commons, some people are apparently willing and able to sustain and further the commons. The latter contribute and apparently derive some satisfaction from doing so.

Because a commons is open to outsiders, it is not a shared good as defined here. A shared good excludes people who do not participate and contribute. A commons is shared by those working on it, participating and contributing, but it does not exclude outsiders from using it.

A commons is something social. The term contains the Greek term *koinonia*, which was understood to have the following five characteristics:

“(1) participation must be free and unforced; (2) participants must share a common purpose, whether minor or major, long term or short term; (3) participants must have something in common that they share such as jointly held resources, a collection of precious objects, or a repertory of shared actions; (4) participation involves *philia* (a sense of mutuality, often inadequately translated as friendship); and (5) social relations must be characterized by *dikaon* (fairness)” (Lohman, 1992).

All these characteristics appear to apply quite well to the commons of an artistic conversation. The artists are free to participate, (1) those who participate share the objective of furthering the case for their art form (2) and share things like a (usually) informal association, coverage in certain media and a tradition as laid down in art-historical accounts; they will care for each other in some way or another (3) and within the arts the norm is to be fair in dealing with other participants (4). The same applies to scientists, and I gather that people working with open source software will recognize themselves in these five points.

### **Ownership of shared goods requires contributions**

How to acquire a shared good? The knowledge example and the discussion of the commons already gave a clue. Let me elaborate with the shared good “friendship” as an example.

Like a good conversation, a friendship has shared ownership (of the friends involved), is costly to acquire (friends need to make sacrifices) and is good for the realization of all kinds of values. How do you acquire a friendship? It is not by way of a purchase: friendships are not for sale (“hey, I am too busy; want to take over a friend of mine?”). It is also not driven by some governmental program.

I once had an Asian student who came over to the Netherlands to do a PhD with me. Before he came he had been living with his family. At our first meeting I instructed him that he had to make friends. “How do you do that, Sir?” he wanted to know. I involved other Ph.D. students to address the

question. How do they make friends? Just asking someone to be a friend is not going to work. That much we agreed upon. Paying someone is out of the question, of course.

A friendship requires the sharing of experiences, doing things together and doing things for each other. That was clear to all of us. “Friends have all things in common,” the ancient Greeks would say. But that does not mean that having a friendship is a passive thing. Clearly, potential friends have to do something in order to acquire a friendship. And friends have to keep doing things to sustain or to strengthen a friendship. That is the practice a friendship stands for. Aristotle pointed out that some degree of reciprocity is required. One friend does one thing for the other, and the other does something else at another time. They need to help each other, by lending a listening ear, helping the other to move, making dinner, giving support and so on. All actions and gestures that serve the friendship somehow **contribute** to that friendship.

**Contributions to a shared good are intended to sustain, enjoy and add value to a shared good. Contributions are a key activity in the practice that constitutes a shared good. In order to claim a shared good as yours, you need to have a willingness to contribute.**

**Contributions** will play a critical role in the framework that I am developing here. In an exchange situation, people pay an amount of money in exchange for a private good. Economists speak of **willingness to pay** to indicate the willingness of people to pay a certain amount of money. **Willingness to contribute** indicates the willingness to contribute to a shared good. In this case there is no immediate return of something, of equivalent values, as in an exchange. When someone makes a contribution to a friendship, say by paying a sick friend a visit, the giving friend does not get anything in return except for the affirmation of the friendship. The receiving friend is made to understand that in order to sustain the friendship he will have to make a contribution somehow sometime later as well.

To repeat: **willingness to contribute** differs from **willingness to pay**. In the case of the latter, the expectation is a return of equivalent value. In case of willingness to contribute the expectation is that the contribution will add values to a shared good.

In the case of shared goods the notions of consumption and production—those that do so well in the case of private goods—fail to make sense. The consumption of a private good implies the destruction of value; you eat the ice cream and when you consume your computer, the price of the thing goes down. When you “consume” a friendship, its value may go up. By making use

of your friendship, you are actually producing it. The more time Friday and Crusoe spend conversing, the more likely they are to enjoy their conversation. Converse frequently but lightly and you have “companionship.” Converse a great deal and you have a relationship. Converse more and you have friendship. Converse even more, and you will have love. Or not.

Because the value of shared goods depends on the inputs of all owners, we can speak of the **co-creation**, or **co-production** of the good. Put differently, shared goods require some form of collaboration.

As I noted earlier, standard economists will subsume all these effects under the category of externalities. They are, in other words, external to the market exchange and the pricing that a market exchange requires. To this I would retort that the market exchange is rather an epi-phenomenon, that is, external to the social practice that constitutes a shared good, or a commons. Standard economics misses the point entirely, and therefore cannot distinguish the most important goods that we try to realize each and every day.

### **Valuing shared goods.**

Because shared goods cannot be bought or sold and do not have a price, their values are not quantifiable. But people weigh the values and the qualities of shared goods anyhow. They will assess some friendships to be more valuable than others. They will tend to contribute most to shared goods that they value most. At least, that is, when they are doing the right thing.

Weighing the values of shared goods and acting upon that is a matter of *phronesis*. Awareness of the values involved and all kinds of knowledge are required. One challenge is the assessment of the values that shared goods realize. A good conversation, for example, is good for social values when it realizes warm feelings, a sense of companionship or even friendship. It may also realize cognitive values when it generates new insights and ideas. Knowledge is required for the right contribution to the conversation and for a proper understanding of the situation.

The value of a shared good is far from fixed. The value of a conversation will change all the time. Each contribution, or lack thereof, will change its value, even if in a minuscule way. The conversation differs from the one we were having yesterday because of what has happened in between.

I realize that these observations do not exhaust the topic of valuation. For example, when people are unaware of the values of friendship, or family, they are likely to miss doing the right thing. The hard working businessman may later regret that his hard work was done at the expense of his family life; and although he will tell everyone that he does what he does to support his family, he may risk losing his family for being away so often. Likewise, people may neglect friendships, the reading of serious books, or a spiritual life to only regret doing so later.

That is why an important component of the value based approach is

awareness: we need to be aware of our values and we need to be aware of the goods that enable us to realize those values in order to do the right things.

### **Categories of goods**

Goods come in all shapes and forms. We buy them, acquire them by contribution and then there are goods out there to enjoy without individual effort (like the clean air). It appears useful to indulge in some categorization to allow for distinctions among this great variety of goods.

#### **A few definitions**

**Goods** are those tangibles and intangibles that have value for people, and for the possession and enjoyment of those goods, people would be willing to sacrifice resources. Goods resist possession. Goods are good for the realization of all kinds of values.

**Shared goods** are shared by a few people or a group of people without a clear legal definition of ownership. As a rule, no single person or legal identity can claim ownership of a shared good. The members of the group enjoy the fruits of their shared good; they cannot exclude other members but usually exclude non-members. Rivalry is conceivable both inside and outside the group. Shared goods come about by way of contributions of the stakeholders

**Private goods** are goods held in private ownership. The right of ownership gives the right to exclude others from enjoying the fruits of the goods and, when a market exists for the good, transfer the ownership of the good to others. The ownership can be shared in the sense that several individuals have a legal claim to the ownership. The ownership is well defined legally in the sense that a court of law should be able to determine what belongs to whom.

**Commodities** are private goods in the situation of exchange. In such a situation, goods are for sale and for that purpose are priced.

**Collective or collective goods** are goods held in ownership by a collective, usually a state or another political entity. Their possession has a legal status. They are marked by non-rivalry in consumption and non-excludability. Their benefits are quasi universal in terms of countries, people and generations. Global collective goods benefit humanity in its entirety.



**Common goods** are goods that have no clear legal ownership. They are held in common by an unidentified group of people, countries or organizations. No one can be excluded from enjoying its fruits but there is rivalry between potential users: when someone catches a whale, another cannot catch that same whale.

**Club goods** are goods that can be acquired by becoming member of a club. We owe the identification of this kind of good to James Buchanan (Buchanan, 1965). Club goods are characterized by exclusion (non-members are excluded) and rivalry (there may be a waiting list).

**The (creative) commons** are a source, like an ongoing conversation out there. People can participate in it and draw benefits from it, but how and to what extent depends on the conditions of participation (or of membership).

We first distinguish goods on the basis of ownership. Some goods we own privately, others collectively, the important goods we share or have in common with others. And then there are the goods we simply enjoy, like a service, or a beautiful building. This division follows closely the definitions given above. Accordingly, when you and I trace the goods we possess, we will identify the following categories:

- **Private goods** include all commodities we have bought and of which we have the property right. I am thinking of my clothes, my computer, my car, my house, the shares I own, but also the electricity I buy, the haircut I received, the visit to the museum, my stay at a hotel the other week, and the (paid) advice I received recently on the mortgage for my house. This category covers the goods and services in standard economics.
- **Collective or public goods** are all the goods (or practices) that I enjoy together with the collective of which I am part. I am thinking of the clean air that I breathe, the protection I get, the peace I enjoy, the democratic institutions of my country, the educational system, Dutch cultural heritage and world heritage, the infrastructure of my country, and the highly subsidized public transport.
- **The (Creative) Commons** are all the practices to which I have access, possibly with some effort. I am thinking of all the art practices to which I have access, the scientific practices, street life in Amsterdam, and all kinds of local practices in my hometown (such as the weekly farmers market).
- **Club goods** are goods or practices that require membership. I am

thinking of my soccer club, the philosophical society that I am chairing, the association of cultural economists, and the choir of my wife.

- **Shared goods** are the goods and practices that I share with others. For me they are my family, my friendships, my colleagues, my team in city hall, all kinds of knowledge and all kinds of art, some music so much more than other music, certain movies, Christian practices, soccer games that I played, all kinds of memories.

Another distinction focuses on the values these goods enable us to realize. The question to ask here is: “what is this good good for?” When we hold on to the four dimensions of values as articulated in the previous chapter, that is, personal, social, societal and transcendental values, than this suggest the four dimensions of “personal,” “social,” “societal,” and “transcendental” goods.

The problem is that goods are good for a variety of values. An eggplant can nourish me personally, but it just as well can be good for a family meal and thus for social values. My philosophical practice serves maybe all four dimensions of values as it is good for my curiosity, for the community that it gives me, for its impact on society (awareness!) and for its transcendental significance. The following diagram collects a variety of goods that appear to fit, more or less, under the label “personal,” “social,” “societal,” or “transcendental.”

The criteria are that you can “possess” the good—legally or otherwise—, that you (can) partake in the practice that the good represents, or that you can enjoy its fruits or services. The listing should illuminate the immense variety of goods that we can distinguish as soon as we look beyond products and services.

### **Art is not for sale**

Let me illustrate the preceding discussion by applying the concepts to a world that has preoccupied me for the last twenty years, that is the world of the arts. How to identify the notion of a shared good, a commons in that world? Here, too, we are up against a standard economic perspective.

One way to ruffle the feathers of standard economists is to assert that art is not for sale. It was fun to assert as much in a symposium with people of auction houses. After all, the art market is all about buying and selling art, isn't it? Sure, people can buy paintings, but that does not mean that they buy art doing so. “What nonsense,” the auctioneers and the economists will respond. Having bought the painting, someone has ownership. Really? The problem is that they follow standard economic reasoning and therefore think in terms of private goods and property rights. If they were to recognize shared goods and the way a commons works, they might understand the point.

This is how I illustrate the point to my students. My question is what is it that they pay for when they buy a ticket for an art museum. Having other lessons in mind, they often mention “experience.” They think that a museum sells an experience good, that is, the experience of art that they pay for. But they cannot pay for experience, just as they cannot buy the knowledge that the class conveys. So what do they pay for?

The answer is “access”: the ticket gives them access to the museum and it allows them to do whatever they please during opening hours. People may choose to use the bathroom, to spend the entire time in the cafe of the museum or in front of a single work of art. That is completely up to them. What they pay for is “access.”

The experience comes about only by the kind of work visitors are willing to do while wandering through the museum. When they walk around mindlessly, without making a serious effort, they will experience little to no art. Art requires an effort, such as looking, seriously looking, and some degree of reflection or exploration. Bringing in knowledge may help. Having the skill of looking and interpreting will contribute to the experience, too.

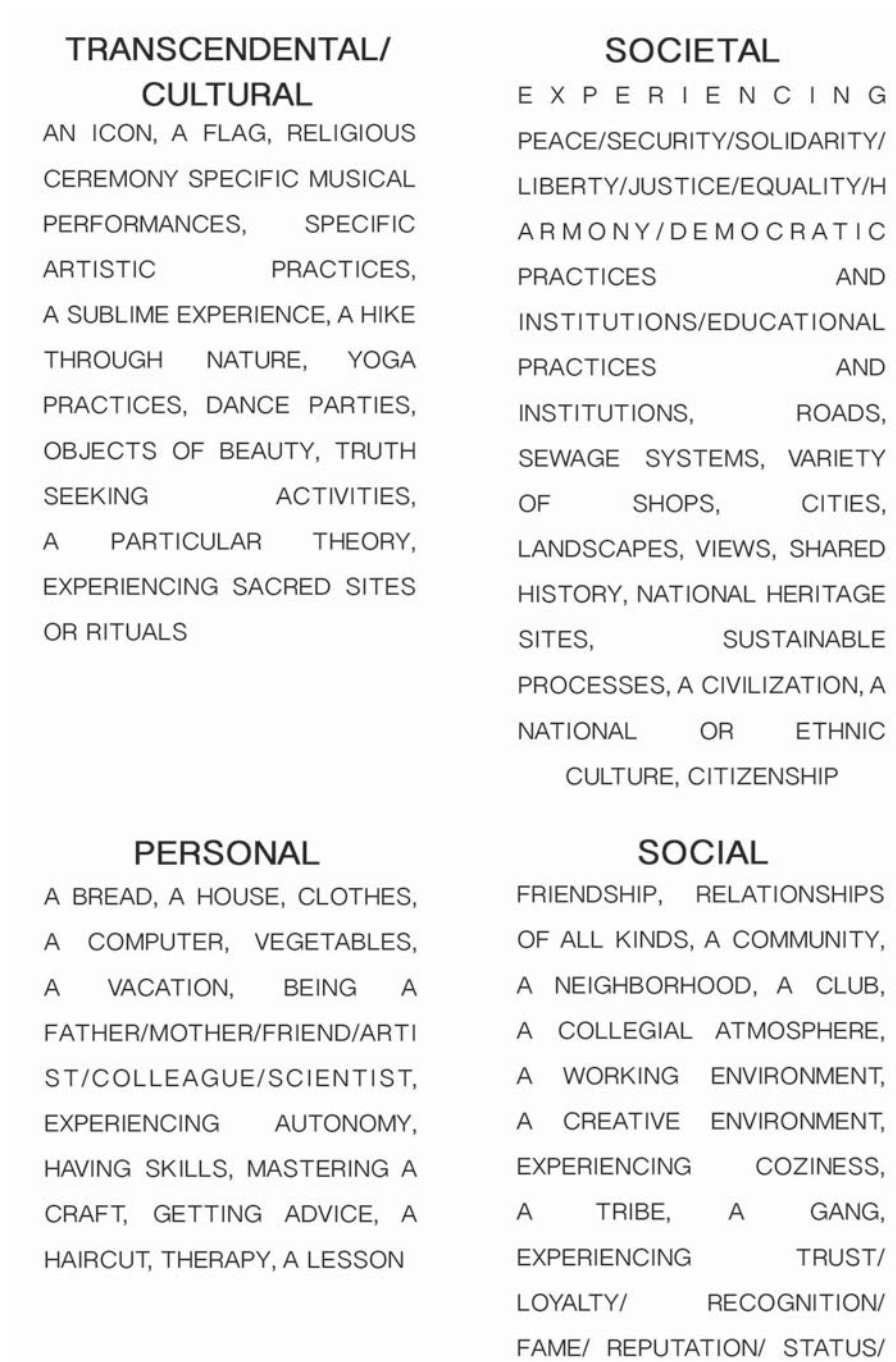
The visitors may subsequently become aware that art is a shared good. When they appropriate the art—by doing the work—they may realize that they share the ownership with lots of others. These co-owners are the curators, art historians, museum directors, artists, art critics and all those who are partially involved as art lovers or, like themselves, as casual visitors to an art museum. Art is a common practice. **Art is a conversation.**

Museums choose to exhibit certain paintings—and not most others—because they figure prominently in the conversation that is called art. Visitors will experience the art only if they are willing and able to participate in that conversation, when they gain some understanding of how and why an art object figures. That is their participation in or their contribution to the conversation that is art. Accordingly, experiencing art requires work, a contribution of some kind. It is not enough to just put money on the table. Art comes about in a process of co-creation.

**Art is not a product. Art is not produced. Art is not consumed.**

**Art is a conversation. Art is a common practice. Art is co-created or co-produced.**

Because art is not for sale, I am critical of directors of museums and theatres who focus all their energy and effort on selling tickets. Because the art that they exhibit and perform only comes to life when the viewers are willing and able to contribute, they rather should focus their energy and effort to get



**Diagram 6-2** Four domains of (shared) goods

people to contribute somehow. They should ask themselves how to stimulate people to talk about what they have experienced, how it will be part of their life, as a shared good that they cherish. They then should develop a strategy that people are willing to contribute to financially or with their time and effort. It is in that way that they realize the values of their venue, rather than by selling tickets.

### **Intrinsic and extrinsic values of art**

How about the **intrinsic** and **extrinsic** values of art? I touched on the subject in the previous chapter and announced that I was in need of other concepts to clarify the distinction. The main concepts that I needed are those of art as a shared practice, as a conversation, as a practice. Some values are intrinsic to the practice, in the sense that they have a meaning only within the practice that is art. You need to be in the conversation in order to appreciate those values or qualities. (The next chapter picks up this point and develops it.)

The conversation that is art is also good for all kinds of other practices. It can be good for edifying people, for strengthening communities, for national identity, for the work ethics in a company, for love, for a spiritual experience maybe. In all those cases art realizes values of other goods or practices, that is, external to its own practice. That is why they are called its extrinsic values.

Let me collect the arguments that warrant the statement that art is not for sale:

- The knowledge about art is shared, and has to be shared in order to be useful.
- The knowledge will be alive and active only if it is sustained in a conversation.
- The conversation is limited in the sense it is generated within a limited but usually not very well defined group of people.
- The conversation is owned by those who participate in it.
- Ownership does not imply economic rights like the right to sell, but rather social rights like membership, status, recognition and the respect of other participants.
- To participants the conversation is a good from which they benefit.
- Participants contribute to the conversation when they participate in it somehow.

- They “produce” the conversation jointly with other participants.
- “Consuming” the conversation, in the sense of drawing on—can also signify a production of—or contribution to the conversation.
- Intrinsic values are those values that are to be valorized within and by the practice that is art. Extrinsic are those values that the arts valorize for other practices.

When in the standard economic perspective artists who forsake an income in order to practice their art—who seem selfless in an unaccountable way—the identification of art as a conversation, or a commons, makes us realize that they gain a sense of ownership of the conversation with their sacrifices. In exchange for their generous gifts they gain membership and status as an artist, and that is apparently worth a great deal to them. But it should also be clear, that their work can only come alive when others are willing to participate and contribute to it. For art is not of the artists and it is also not of those who buy art objects. Art becomes art by being shared as art.

### **The life of goods**

The example of art alludes to another characteristic of goods: they have a life (Appadurai, 1988). They come about in (co-)production, they are shared, other people join, and they may change hands by means of a transaction.

Where standard economics attempts to capture it all with the moments of production, distribution and consumption, the value based approach alerts us to the complexity of the processes and practices that constitute those moments. What indeed is consumption of an artwork, or an eggplant for that matter? One needs to know what to do with either one. Chewing on the eggplant just purchased is not consuming it. Cooking it with some kind of recipe works better. And then the question remains, with who will the dish be shared and with what kind of conversation. Likewise, buying an artwork is not consuming it, contrary to what is suggested in standard economic accounts.

The value of a good will be influenced by what happens in its life. When an artwork is sold at a high price at one point in its life, its life will be affected by that event. Sometimes its artistic value will be appreciated more because of the high price. In that case we speak of the **crowding in** of artistic value because of the high price. However, it is also possible that the artistic value will be appreciated less if insiders consider the artwork to have been commercialized by the high price and lose interest. Then the artistic value is **crowded out** (Frey & Oberholzer-Gee, 1997).

### **Contested commodities**

It has been pointed out that various goods are ruled out for a commercial transaction (Walzer, 1983). Examples include body parts (like kidneys and

wombs), votes and children. Buying and selling of such goods would be immoral. The take away is the insight that markets are limited, that not all goods are to be commodified.

This chapter aimed to demonstrate that the most important goods cannot be commodified because they can only be acquired by means of contribution and have to be shared with others. The key insight is that the claim that all goods in our financialized world are getting commodified is a gross exaggeration.

Then again, body parts, votes and children are potential commodities because they can be priced and exchanged for a monetary amount. The ban on their exchange betrays a valuation, a condemnation of highlighting the instrumental values of such goods. Such condemnation is cultural. At other times and still in some parts of the world, pricing children is accepted practice, and so is buying votes and selling one's kidney or renting out one's womb for a price.

Why cooperative and social behavior is normal and selfish behavior less so Listen to standard economists and you start to believe that we are all selfish people who are always out for personal gain. Even the warm, compassionate person turns through the glasses of standard economists into someone who is simply incorporating the utility of others into her own and subsequently tries to maximize her personal utility, just like every other normal egoistic person does. From a standard economic perspective, cooperative and compassionate behavior is an anomaly that is hard to account for.

Cooperative behavior becomes normal and easy to account for when we bring shared goods into the picture. In striving for a good life, people need to make contributions to a range of shared goods. They contribute to their family, to their friendships and show social behavior in order to sustain "trust," "collegiality" and other shared goods. In addition they participate in or contribute to one commons or another. Scientists will go out of their way to participate in and contribute to the commons that is their discipline; so do musicians, actors and visual artists. Furthermore, people make great sacrifices to be part of a religious practice, for example by becoming a monk, by investing a great deal of time, or by donating large sums of money. All this shows up as social and cooperative behavior. It is social because it is meant to realize a social or societal good.

Whereas standard economists are puzzled by so-called altruistic behavior, in the value based approach much of such behavior is understood as valorizing certain values by contributing to a shared good. Soldiers who are willing to sacrifice their life, do so because they want to do their part in sustaining "democracy," "freedom," "my people," "my nation" or whatever value they see realized in the territory or nation that they fight for. People who give up a career for the sake of assisting poor people contribute to the societal good

“solidarity” or “justice.”

The standard economic perspective is blind for social behavior because it only distinguishes private and collective goods. It is for this reason that it conveys the impression that people are mainly self-interested and inclined to free ride when and where they can. And sure enough, herdsmen may overgraze the common grazing ground and factory owners will pollute the air when they can. Then again, skilled people contribute to the development of open source software, correct entries in Wikipedia, join local political parties, serve on boards of sport clubs, volunteer as teachers in homework classes, organize neighborhood feasts and join the church choir. British and Japanese people queue at stops of public transport and Japanese people will not even consider dropping a cigarette butt in a public space. Social behavior is quite normal and that is because shared and common goods are common. They even make up a big part of our daily activities.

What motivates social behavior is a sense of ownership, to be able to say that the commons or a shared good is “mine” or “ours.” The more intensely ownership is experienced, the greater the sacrifices people are willing to make.

Asocial behavior would be the shirking of social responsibilities. People may deny shared ownership to justify not contributing. Or they may think that they get away with asocial behavior. Whether or not they do, depends on qualities of the social environment in which they operate. The correction will be social and will come in the form of disapproval and social exclusion. American culture is such that people are frequently asked what they do for the common good. Having answered a few times “nothing at all” may be enough of an incentive to donate a sum to a good cause or join a board of a social or cultural organization. Most cultures reward social behavior by awarding distinction or reputation. The Dutch King hands out medals.

More importantly, ownership of social goods and being part of a commons give satisfaction and add to a sense of a good life. As we noted earlier, people mention shared goods as their most precious possessions. Realizing such goods must feel good. And the realization is only possible—so we found out—by contributing and participating, that is to say, by social behavior.

Here *phronesis* operates, too. We need to weigh the value of one good against another and we need to figure out how much effort is needed to sustain a sufficient sense of ownership. We can sacrifice too much, or too little. How much effort do we need to invest in order to sustain the respect and love of the others? There are trade-offs. When scholars put more energy into family life, they can contribute less to the commons of science and, in doing so, may lose out in terms of reputation and satisfaction as scholars. They have to weigh their options, may even make some implicit or explicit calculations, yet are cooperating and contributing either way. That is, they have to take others in the commons into account in order to know whether what they do constitutes a contribution.



**To repeat: private and collective goods are instrumental**

All this does not mean that the notions of private goods and collective goods, and the exchange in market places are of no consequence. The buying and selling of art objects, the pricing of paintings, the attribution of property rights, the selling of tickets, the claims and challenges of authenticity, they are all instrumental for the realization of good art. It is good that economists and legal scholars pay attention to that instrumental part of the world of arts. However, that instrumental side is just that: it is instrumental. Most important for the realization of the values of art are the conversations, or the commons, that constitute art. Most relevant is the way art is realized as a shared good. And that is not done by buying art, but by contributing to art.

## CHAPTER 9

# REALIZING VALUES IN FIVE DIFFERENT SPHERES: INVOLVING OTHERS

We need to acquire or produce goods in order to make values real. Scientists need to write papers to realize their knowledge or research, artists need to generate a piece of art to realize their art, and shoemakers make shoes to display their craftsmanship. We form friendships, start a marriage, develop collegiality with colleagues and work on welfare programs in order to realize values that are important to us. Goods are the way to something of importance.

In order to be able to acquire or produce such goods, we are in need of sources, as made clear in the previous chapter, and a great variety of sources, at that. We make use of our talents, benefit from a stimulating culture, apply our skills and are glad with a loving family and caring friends because they support and encourage us.

The question that we need to address now is how we can acquire all those goods and sources. Put differently, the question could be why we find it often so difficult to realize the important goods? Why do we so often end up with the wrong things? Why do we so often experience a lack of one thing or another, like money or love?

Here we have reached a critical juncture. Up till now, we could reason from the perspective of the individual or a group of people seeking the right thing to do. We could more or less ignore other people. Only when we came across the notion of shared goods, we saw the need to involve others. But when it comes to the valorization of our values and goods the “other” becomes critical. Valorization is inevitably and necessarily a social process; it requires that others recognize a value in what we do or offer.

Our inquiry into what it takes to do the right thing takes us now out in the

open, to involve the “other.” We need to get others interested in the goods we generate. That is obvious in the case of a good like friendship because what is a friendship worth if no other person is interested in it? We have to make friends to have a friendship. The same applies to an idea: for what is an idea worth if only one person has it? An idea gains value when it is shared with others. An artist may be full of his own work, but what does that work mean if there is no one to appreciate the work?

The necessity to get others interested in a good is obvious if the owner, or creator, wants to realize other goods with that good. The shoemaker is in no need of the shoes he makes but needs bread, clothes and such. So he has to figure out how to swap his shoes for those other goods. In that case a good is a means to generate other goods. His challenge will be to get the owners of those goods willing to give them up in exchange for a certain number of his shoes.

Getting others interested in your goods is what valorization is all about. Valorization of a good requires that others recognize that the good is good for them. A pair of shoes could be of use, for example. It possibly could be good for more things, like social or esthetic values (I am thinking of the Uggs in chapter 5). Valorization of an idea may require a certain kind of conversation, usually as part of an existing conversation. Others have to get interested in the idea, in what it means, what it implies, what its applications could be, for such a conversation to come about. They must recognize the value of the idea.

Valorization is a matter of design, or strategy. You and I have to figure out how we are going to go about making our values real, whom to get involved and what we can expect from them. Will they be willing to pay? Or is it more important that they participate in a conversation? Where to go? With whom to speak? In what way? What to do? What are the options? What is the right thing to do?

### **The standard picture**

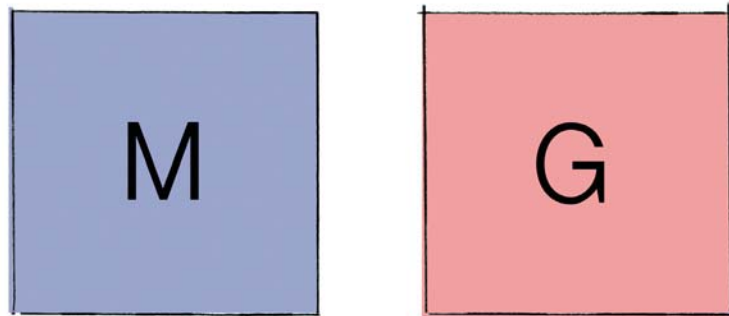
When people are under the influence of standard economics, they will automatically think of the market as the main option for the valorization of their goods. The idea here is that you and I go to a “market” to offer our good for a price in the expectation that other people are willing to pay the price in exchange of that good. Valorization in that case implies the realization of an amount of money (the price) in transactions with others. At universities the managers currently speak of valorization when they want us, the scientists, to sell our ideas or to get sponsors for our research. Valorization would then be equivalent to “selling.” An alternative option is to get a government grant.

This gives the standard picture of the market and the government as the two options for valorization. In the market prices rule, the government is

all about rules and standards. Standard economics is fixated on exchange in markets, on the forces of demand and supply, on the role of prices, on products. Governments have a role where markets fail or turn out to be unstable or unjust.

Markets or governments: that is the question that motivates most discussions in economics and policy. Should there be more market, or should the government step in? Should the government control more, or should the government let go? *Laissez faire, laissez passer*.

We can depict the standard perspective as follows:



**Diagram 9-1** The two standard logics: Market and Governance  
 M stands for the market and G stands here for the government (later we extend the meaning of G to stand for governance, or governmentality). Economists know a great deal about how the market works. In order to understand how governments work, you better consult those who study public administration and legal scholars. The market is where private goods are traded. G provides public goods.

The conversation that motivates the standard picture makes us think about issues like the efficiency of markets, the possibility of a general equilibrium in a system of markets and about the effectiveness of government interventions. We are made to wonder about the workings of the market and get sucked into discussions on the pros and cons of economic policies, of the need of intellectual property rights, or not, of government subsidies of the arts, or not. In the discourse of standard economics all this makes perfect sense, of course. But step away and consider your own experience. How much sense does the talk about markets and governments make? Does that tell us how we realize friendships? How about a home (versus a house)? And can it tell managers how they realize trust in their organization? Can it account for valorization of political ideas in the society? Does it tell us how people realize art, scientific knowledge or religion? I would say it does not.

The following anecdote should make clear why the picture of M and G is incomplete and is in need of other dimensions.

**How an artist involves others to realize the value of his art**

A befriended artist who teaches at the art academy in town had asked me to talk about art and money with a group of his students. They all were involved in a project about the highway as a special kind of space. Apparently they had weekly discussion evenings to which they invited guests. I was surprised by the number of students present, and then detected a few people who more or less looked like me: older and dressed up, that is. Later I found out that they were representatives of the Transportation Department that was financing the project. I sat down next to them.

A 35 year old guy—the age I was guessing, but he looked older than the others—was doing the talking. At first I had difficulties figuring out what it was about. Slowly I put the fragments together and determined that it was about an art project of his. Apparently he had designed an algorithm for the exploration of a city. By applying the algorithm, as seemed to be the idea, you would discover a city in a totally different way from how you would see it with a tour guide in hand or as a local inhabitant following the habitual routes. The presentation triggered an animated discussion about the technique of the algorithm, the personal and the political ramifications, the artistic qualities and about what it is to experience a place—or should we say space? It was a discussion that is quite typical for a gathering of artists.

At one point during the discussion the befriended artist invited me to comment. I asked the question that might be expected from an economist: “How much have you made with your project?” Artists can be direct; these certainly were. “What a stupid question,” one student with a braided hairdo yelled. Another joined in: “Why is that important?” “Yeah,” added another, “I really don’t care.” Having the advantage of age and function, I insisted: “No really, what did you make so far with this project? I am interested to know what others have been willing to contribute to it or pay for it.”

The guy muttered “300 euros.” He sounded like he was exaggerating. “How long have you worked on it,” I asked him then. “On and off for half a year, a couple of months work so far, I guess. “How then do you support your family?” (I had picked up that he has a kid.) “Well, I have a small administrative job and my wife works.”

I could think of all kinds of other options for him. He could sell his algorithm, to a tourist agency maybe, to Lonely Planet or another alternative tourist guide. He could have an app for the smartphone made. It might be a hit and make him a rich man! He could also approach the government people next to me, so I thought at the time, to find out whether his project could qualify for a subsidy. All these seemed to be obvious ways for him to realize

the values of his project. Yet, they were not his options. So what is he doing to involve others and to get others interested in his work?

My task at the meeting was to point these students towards various options that M, the market, has to offer them to valorize their art. Much of what I said, seemed new to them. The resistance remained strong, though. A tough crowd they were. Yet with all their resistance they showed me that I was not doing justice to their practice. They were actually telling me that they had other ways to valorize their art, even if they were not explicit about those. Those other ways were obvious to them. It was the spheres of the market and the government that were elusive to them.

The ways that are so obvious to the artists are lost in the standard perspective simply because they are not included in the framework. So to do justice to the ways of artists we are in need of more dimensions. On the basis of this experience and many others in the course of time, I have concluded that the framework needs at least three more dimensions that artists, and ultimately we all, use to valorize our goods.

#### **First is what I call the social sphere.**

Note that the artist was sharing his work with a group of enthusiastic and ambitious future artists. He got them to take his work seriously and even got them to talk about it. Why is this noteworthy?

Millions of artists are making art and only a small fraction of all that work is being considered and even a smaller fraction is talked about. All these artists aspire to be in the conversation, to get other artists to pay attention to their work, but only very few make it big. This artist got his project at least in this conversation. The teacher had invited him, so apparently he was interested in the work. The students were willing to engage in a discussion. The work might even influence them in their own work. (It actually had an impact on me as it got me thinking how I approach foreign cities and made me realize how habitual I am in my ways in my own city.) For this artist, being able to present his work that evening is important. It is an achievement. It valorizes his work in some way.

Getting in the conversation and getting recognition for work is something he accomplishes in the **social sphere**, that is, in the sphere where people socialize and are in conversation with each other. In this sphere they get others interested and involved, they persuade or seduce others to contribute with their time, emotion and intellect, and maybe even money (in the form of gifts). For that purpose they develop networks and have various relationships with others, some of which are professional, others more intimate. For this artist, this sphere is crucial.

#### **The cultural, or artistic, sphere**

In having the discussion about his work, the students and he are practicing

their art. They use the terms that are meaningful in the conversation that is called art, they appeal to shared values (“innovative,” “political,” “interdisciplinary,” “cliché,” “interesting,” “authentic,” “critical”) and use the codes for that conversation (like the mentioning of certain names—Marcel Duchamp, Joseph Beuys, Vincent van Gogh—while avoiding others and using exemplars from the field—in this case other action-oriented art). If we had been in an academic seminar, the discussion would have been entirely different since academics engage in another kind of conversation with other terms, values and codes.

For the artist, the conversation that constitutes action-oriented art—a sort performance art—is a source. Within the context of that kind of conversation, his work stands a chance to become valuable. So he needs that conversation to valorize his art.

**Then there is the sphere of the *oikos*, or home.**

Often overlooked, especially when the standard economic perspective prevails, is the *oikos*, the home. (It is included in economics, *oikos nomos*, meaning the law of the household.) I didn’t see it at first either. For the artist, the home plays a critical role in the valorization of his life as an artist (less so for a piece of work). His home is his life with a family, with himself. He first has to convince himself to do his art and to make sacrifices doing so, like taking a meaningless job and forsaking a larger income. That is part of the valorization of his art, convincing himself. Then he needs to involve his significant other: he has to convince his wife to support him in doing what he is doing. Imagine the discussions at the kitchen table. “When are you earning some money with your art.” “Give it some time. Van Gogh also needed some time before his work became successful.” “Yes, but I am not his brother, and we have a kid to take care of.” “I know, I know. I also am not happy with how it is going. But you know how important this work is for me. Next week I am going to talk about it at the academy. Who knows what is going to come out of that.” She sighs, and lets the issue rest. And off she goes, to earn the income that they need to pay the rent, the basic livelihood and a family vacation from time to time.

Home stands for *oikos*. And as I already pointed out, the *oikos* is a crucial sphere for the valorization of all sorts of goods. It is not that the family needs to appreciate the works and ideas of its members but it sure helps if it supports them in doing what they are doing. Most people start the process of valorization at home, among family. Kids seek approval for their artwork from the parents, or make sure that they get fed and sheltered while doing their thing. When they grow up they may make sure that they have their *oikos* as a last resort to turn to when everything else fails. At the end of our lives, when we lie in our grave, we may find out that the most appreciation for all we did

comes from those with whom we shared our *oikos*.

In the experience of this artist each sphere is significantly different. The sphere of the *oikos* and the cultural and social spheres are obvious to him. He knows all too well that he needs support from his wife, that he needs to work in order to get other artists to pay attention to his work and that he needs to participate in the artistic conversation appropriate for him. It is the spheres of the market and the government that are difficult for him to grasp. He had no idea how he could market his concept and earn money with it. Whom to approach? Which organization might be interested? He had no clue. And he had not even considered the options that the market offers. It took some serious persuasion from me to get the students interested in the market. It was not the sphere where they fancied themselves. If they could choose, most of them would opt for the *oikos* and the social sphere to valorize their art. Interestingly, the two options depicted in the standard perspective—coming to all of them as an afterthought—are the options that they need to have pointed out to them.

**Getting the artist to see the option of the sphere of the market:**

The artist could consider getting other people, or organizations, to pay for his algorithm. In that case he would seek an exchange: the use of the algorithm or even its ownership in exchange for something that has value for him, like food or clothes or gas or an amount of money that allows him to buy all that. When he seeks an exchange, he enters the sphere of the market.

Practically, that means that he has to approach individual people or people in an office, in a gallery maybe, and tell those people about his idea, convince them that the idea is of value to them and then agree on a price.

An exchange occurs when the other is **willing to pay** or, to put it differently, is willing to give up some other goods in order to acquire this one. The question here is: why should someone else be willing to pay for his art? The artist in this anecdote appears to have no clue of the answer and that is why he ignores this option. That shows that participation in the market calls for imagination and some creativity: the artist, or some intermediary, needs to imagine someone else, a stranger maybe, and then imagine his or her values in order to propose a deal. He might imagine, for example, that an organization like Lonely Planet, could be interested offering the algorithm to its customers and would therefore be willing to pay for it.

The exchange is instrumental, at least in principle. The exchange serves the goal of acquiring other goods; the price that another will pay is good for money with which he can pay the price of goods that he is in need of. The exchange is not so much about the relationship with the other—it could be, but it is not necessary—but about the possibility that the good offered has



value for the other.

**And then there is the option of the government or governance.**

The artist can also apply for a subsidy or a grant. He can download the appropriate forms from a government website, or talk with government officials to discuss the possibility of support. He then enters the sphere of the government. When he approaches foundations for a grant, he more or less gets into a similar process. In both cases he involves others, not for what they may value themselves, but for the function they have and the system they represent. When he deals with governments and foundations he needs to take into account the procedures, the criteria, the rules and regulations. He may need an accountant to help him to account for his expenses. And he will be dependent on the judgment of committees.

He could also subject himself to the governance of an organization. That may happen when he offers his creative skills to a firm or gets to teach at an academy or another school. In that case he valorizes his skills by persuading people of the firm or school that he is worth a salary. The firm or school will have application procedures, functions, salary scales, conditions of sickness leave and the like. The firm may claim the rights to whatever he creates as an employee. The academy will have requirements about his art production. A high school wants him to show up in time or may have requirements as to his teaching skills to boot. In all such cases he subjects himself to the logic of G, that is, of governance. He will get a secure and stable income in return.

So now we have expanded the standard economics frame consisting of just the market and the government—or better, governance—with the social sphere, the cultural sphere, and the sphere of the *oikos*. I draw it as follows, with the *oikos* as the base and the social sphere in the center holding all spheres together. The cultural sphere could be a third dimension; I draw it to encompass all others to suggest that everything that is done in either of the five spheres, is embedded in a culture (as I suggested in chapters 1 and 2).

Someone saw in this picture a bicyclist riding a unicycle while keeping the market and the government in the air. She noted that the S is the back of the person; that back has to be very strong in order to maintain the balance between all spheres. So right she was, as will become clear.

M stands for the sphere of the market, G for the sphere of government, or more general, the sphere of governance (as I will clarify below), S for the social sphere, O for the sphere of the *oikos* and C for culture. Each sphere has its own characteristic logic, that is, a collection of rules, norms, institutions, relationships and values that makes certain actions meaningful and renders others strange, unheard of or objectionable, that is, illogical.

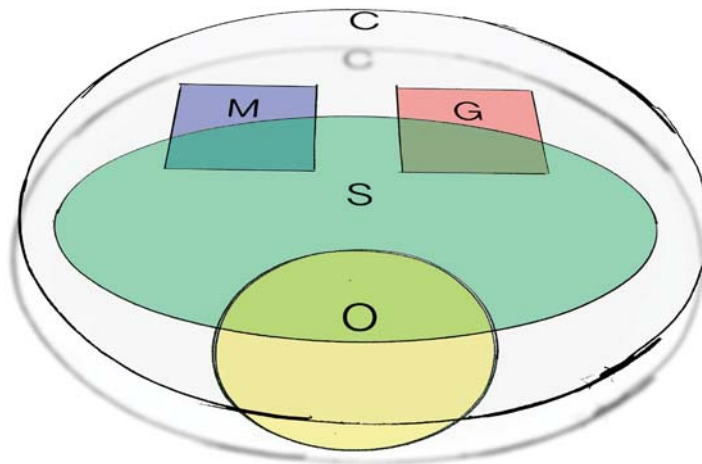
The M is the sphere for exchange. It is where the logic of the quid pro quo

rules, where goods become products, or commodities, with a price attached, where people or organizations buy and sell, where money functions as a unit of account and a means of exchange. It is the sphere of commercialization, of profit seeking, of interest, of competition, of efficiency, of entrepreneurship and of free choice. It is the sphere in which people become sellers, buyers, customers, consumers, traders and merchants. It is sphere in which goods get valorized as private goods, that is, as goods that are privately owned.

G is the sphere of governance. It is where governmental logic operates, which is a formal logic based on rules and regulations, standards, accounting procedures and laws. It is the logic of bureaucracy. Governments work with this logic, but so do all organizations, some more than others. Foundations work with this logic and so do commercial organizations of some size. In this logic, people become functionaries, managers, employees, subordinates, civil servants, clients, patients, subjects and citizens. It is good for the valorization of collective goods, that is, goods that are collectively owned.

S is the social sphere. Its logic is social and therefore informal. Prices do not figure, neither do rules and regulations. Social logic is the logic of reciprocity, of contributions, of gifts, of participation, cooperation and collaboration. It is the logic of relationships and of networking. In the social sphere people are partners, friends, acquaintances, colleagues, members, comrades, contributors, donors, supporters and participants. In the social sphere people generate shared goods such as social and cultural goods. In the social sphere (creative) commons come about and conversations take place.

The logic of the *oikos* is akin to the social logic but it is different because it presumes kinship or a shared fate. It is the logic of interdependence, of



**Diagram 9-2** The Five Spheres: Market, Governance, Oikos, Social and Cultural

loyalty, of family ties, of intimacy and of love. In the *oikos* people are parents, children, uncles, aunts, nephews, cousins, family members, soul mates, close partners, friends of the family and intimate friends. The *oikos* is good for social and intimate goods.

The logic of the cultural sphere is cultural. In the cultural sphere we transcend all other spheres, relate to the Good, the Beautiful, the Truth, to God or to Karma, harmony, the Sacred, or whatever suggests transcendence. It consists, among others, of religious, artistic, and scientific conversations, or practices. In this sphere people relate to their cultural values, celebrate rituals together, honor sacred objects and share a common history. This is also the sphere where people tap into the sources of the civilization in which they partake.

The following two chapters will probe the spheres further and deeper and will provide a more complete picture. They will discuss the overlaps, the encroachment of one sphere upon the other, the phenomenon of crowding in and out, and a few more of those matters that are relevant when people or organizations are determining their strategies in order to do the right thing. In the remainder of this chapter I will show how the model came about, how it makes sense of historical developments and how it can affect our worldview.

### **Becoming aware of a need for this model of five spheres**

The idea to distinguish spheres came many years ago when I worked with P.W. Zuidhof, then a Ph.D. student, on a paper about cultural heritage. We needed a sphere for gift giving and called that the third sector because that was the common nomenclature at the time for the philanthropic sector. When I presented the paper at a conference of cultural economists, Michael Hutter referred me to the work of Luhmann, a German sociologist (with the warning that he might be too much for what I needed) and suggested I add a sphere for the family (Luhmann, 1997). At first I drew that sphere on top, with the social sphere in the middle, but after reading Gudeman, a befriended anthropologist, I decided that the *oikos*, as I then called it, should be at the base of all spheres, that is, below them (Gudeman, 2008). That came as an insight and caused a revolution in my thinking. From then on I taught myself to use the *oikos* as the point of departure of whatever train of thought. You must have noticed the effects in the preceding chapters and will continue doing so in the remaining chapters. So much of what people do is for the sake of the *oikos*. Life starts at the *oikos*, involves significant others—spouses, parents, children, close friends—revolves for a great deal around them, has often a good *oikos* as a major goal and usually ends there as well.

Later I began to recognize the need to express the cultural dimension. When I teach the culture of economics, a course that I taught already for

fifteen years or so to students of philosophy, I discuss the social and rhetoric aspects of economics. My argument is that scientists need to operate in a social setting using a social logic and that that setting may affect the way they practice their science. That is the sociology of science and clearly connects with the social sphere in the model here. But it is not just that logic that applies since scientists use special scientific terms, follow scientific codes and respect scientific values, that is, they practice a particular rhetoric. All that does not show in a model with just four spheres. I was in the need of another sphere. Because I imagine that sphere as transcending the social, I could draw it above the other four spheres, in a third dimension. When I connect the anthropological meaning of culture (C1) with the meanings of culture as civilization (C2) and art (C3) I see the sphere of C as encompassing the other four.

The model of the five spheres serves various purposes, as I began to realize when using it. It will gradually become clear in this and especially the next chapter that it not only helps to account for a great variety of phenomena, but it also encourages an analysis of the characteristic practices in each sphere and of their differences. Gradually it has shaped my worldview. I present the model in almost all lectures that I give and make use of it in my political function to motivate my policies.

The differences between the spheres are crucial for the model to make sense of and to signify what we do when we realize our values. I have found that they can help make people aware of alternative options, of different strategies, when they recognize the differences between the five spheres. Our artist could benefit if he were to step out of his comfort zone in spheres C, S and O, and recognize the opportunities that G and M have to offer him. The differences are also helpful to account for the hostility that the art students demonstrated towards M, or me, when I brought up M. Apparently they were focused on S, the social sphere; the practices of M and the values that they associate with M, clashed with the social practices that they value. That made them feel hostile. Hostility is incidentally also the response of M lovers towards G. Listen to free market economists speaking about governmental practices such as taxation, regulation and laborious decision making, and you can notice the disgust vibrating in their voices. There is more hostility around. Quite a few artists I have run into seem to have a thorough dislike of the *oikos* and it's, in their experience, suffocating and suppressing practices. They are more comfortable in S.

Hostile feelings are a clear indication of important differences. The model should make sense of all such sentiments, and I think it does, as chapters 10a and b will show. We will see more need for the model when we try to figure out how we generate shared and common goods. We will not be able to

make sense of those if we stick to a model with an M and a G only. We are in need of an S, a C and an O to understand how we realize the goods that are most important to us. We also need S to understand how creative commons such as those of the arts, religions and the sciences come about and how they function. The “M and G only model” blinds us to the realization of social and cultural goods.

All this is not to say that it is easy to get people to see the merits of thinking in terms of five spheres. The pull of the framing in terms of M practices is powerful. Especially economists are inclined to apply the instrumentation that they have developed to comprehend the practices of M to any other practices. Accordingly, they propose that politicians are striving to maximize votes and that partners in the *oikos* are entering a kind of exchange when dividing chores (Becker, 1976). Such an economic perspective annihilates the differences between the spheres and makes everything look basically the same, as if everything is subject to the logic of M.

A similar tendency I detect among sociologists. In their case social processes are all that count. They see, for example, the socializing of traders in the market and the role of social factors in markets, such as status and the need to belong. Politics is for them a social process and so is family life. For them the S covers all.

I will not deny that overlaps among spheres occur, that the logic of M may operate in S and O, and that S works in M and G. They actually can be most significant and I will deal with them in the next chapter. However, first we need to be clear about what makes the spheres different, and why those differences matter when we are realizing our values.

### **The spheres through times**

The differences may become more clear when we take a quick run along the course of history. For all we know, human life started out in the *oikos*. The first people moved in small and tightly connected groups. They were entirely dependent upon each other (Sahlins, 1972). They shared what they gathered and hunted, and respected clear lines of authority based on age and skill. Their realization of survival, of a sense of belonging and spiritual life all occurred in these small groups. The ties were close. The others were all well known. Dealings with other groups were rare or non-existent. These groups operated first of all in O.

Yet, humans are cultural beings. Equipped with the faculties of language and imagination, they have to articulate expressions and design symbols that give meaning to their common experiences. Cavemen began drawing on the walls of their caves, developed rituals to cope with the vagaries of fate, and developed the method of the narrative to render their actions meaningful, to give them continuity through time. Accordingly, the activities in the *oikos* were

embedded in a cultural sphere.

The groups evolved into tribes in which we notice the beginnings of social practices next to those of the *oikos*. In S, members of an *oikos* relate to members of other *oikoi* and do so socially, on the basis of reciprocity. The S constitutes the public sphere, a sphere in which all people have access but where they do not relate on basis of kinship or family values. Tribal members created rituals together, collaborated and swapped goods and services. Yet, there was no need for money as a means for interacting; no need to keep count of the what for whom. The elder usually ruled on the basis of *phronesis*. There was no need yet for governmental practices with rules, regulations, enforceable contracts and the like. A tribe operated in O, in C and in S. It even did so when it interacted with other tribes. As the French anthropologist Marcel Mauss describes in his famous book *The Gift*, the Trobriand tribe entertained an intricate gift exchange to maintain stable relationships with other tribes (Mauss, 1967).

For all we know, market practices emerged quite early on. Strangers might come by offering wares of interest to the people in the tribe, or local community. And here something remarkable happened, something that children still experience when they go out of the home with a few coins in their little fists. Instead of asking someone of your *oikos* for something you wish, you now go up to a total stranger to ask for something of value to you to discover that the stranger, an unknown other, is willing to accept something from you in return, something like a few of those coins in that fist. How can that possibly work? Why not attack that stranger and take the goodies away from him by brute force? Why not take the goodies when he is not looking? How can you tell what is needed for getting a deal done? Why does that amount of coins suffice and not another amount? What is the worth of those coins anyway?

For many people these questions might seem silly, as the answers seem so obvious. But they are not necessarily so obvious. The artist in the opening anecdote had no idea what he had to offer and what to ask in return. The possibilities of M continue to elude so many, especially those working in cultural organizations.

The social sphere was getting more diverse and more elaborate in Athens at the time that Aristotle wrote down his reflection on the polis. Where people gathered in cities they came in need of the goods and services of so many other people, so many that they could not get to know them all very well. And they needed other people to make a living for themselves, to bring about a full and meaningful life.

According to Aristotle the *oikos* was still the pivot around which practical life revolved. The *oikos* was to provide for shelter and as much of its food and other necessities as possible. Autarky was the objective. And the position in one's *oikos* and the wealth of that *oikos* determined the position someone had

in the public or social sphere. Heads of well to do households clearly did much better than, say, slaves and women, who had no public position.

The men were supposed to partake in political life that took place at the agora, the central square of the city. Political life is social as it involves discussions and arguments with fellow citizens. The polis (city), therefore, had quite a rich C and a developed S with plenty of social interactions. The G showed up in the form of governmental structures and institutions that the Athenians had put in place. Athens had a sphere of governance. Some citizens had governmental functions and there were laws to regulate daily life and the interactions among citizens. The S was needed for the philosophizing that made these Greeks famous, for the realization of theatre and artwork, that is, of the C. Athens must have had a highly developed civil society, that is, a strong S outside the *oikos*, with a great variety of intense and intensive conversations going on in order to produce such everlasting beauty and insight.

Problematic for Aristotle was the trading that took place in his Athens. He named it *chrematistike* and considered it unnatural since the exchange of goods with complete strangers for a price conflicts with what he considered the natural way of doing things. To him the *oikos* was meant to provide all necessities. That had to be the natural state of affairs. Exchange did not seem natural to him. He had problems with the idea that people use other people as instruments for the realization of their own values and that they reduce the nature of goods to a quality that they are not, that is, a price expressed in monetary units. Even so, he grudgingly admitted that *oikoi* were in need of the goods to be acquired by means of *chrematistike*.

The G becomes more important when we move closer to current times. Governance was central for the mercantilists in their picture of the world. Strong governments with powerful armies and warships could amass great wealth, so was the idea (and still is albeit with different attributes of power such as size, large domestic markets, innovative power, ownership of vital sources and yes, also military power). Governments stood for central authority, rules and regulation, taxation, control and the law.

We credit Adam Smith for the distinction of M as a distinct sphere with its own practices and its particular importance for the realization of values. He articulated practices that were anathema for Aristotle and so many thinkers and religious scholars after him. How could the pursuit of self-interest be justified? Does the prioritization of profit not corrupt social interactions? What good could come if the interactions between people were left to an invisible hand, without the intervention of governmental authority?

Historians such as E.P Thomson and Karl Polanyi narrate the impact that the emergence of M as a common practice had on traditional communities (Thompson, 1991 and Polanyi, 1944). Just imagine what it means for people growing up in a farm, expecting and being expected to farm in their

own *oikos*, to face the breaking away of some members in order to work for an outsider for a monetary payment. It must have meant a dramatic change in the lives of *oikoi* at the time. E.P Thompson narrates the revolts that occurred in the 18th century when locals would attack the miller on his way to the market with the flour that he had ground from local wheat. The locals perceived this action of their miller as a “selling out to strangers”. Their social logic clashed with the logic of the market (where selling to strangers for a good price is perfectly normal).

In his narration Polanyi is in need of a distinction of spheres, too. He distinguishes four spheres, one of exchange (the M here), one of redistribution (the G here) and one of reciprocity (the S here). In addition he addresses house holding, the O in the model here. He needs especially the S to indicate that market type interactions are not “normal” as a run of the mill economic analysis would suggest and that other, social, interactions once overwhelmed market exchanges. The latter started to grow more dominant only in the 16<sup>th</sup> century. (My good friend Deirdre McCloskey tends to fume when the name of Polanyi comes up as he, according to her, grossly distorts the history of markets and underestimates their role; she is probably right--she usually is on such matters--but the more important point here is not the timing, but rather the very phenomenon of frictions that occur when the emphasis shifts from one sphere to another.)

In the last two hundred years or so, the market has acquired a strong presence in the collective mindset. People in the modern world grow up in awareness of the importance of markets for earning an income and acquiring goods. We all learn how powerful M is when it comes to the exchange of private goods and the size of economic capital. The widespread resistance against the dominance of M corroborates the point.

An important factor is the increasing capacity of modern societies to measure market outcomes. Turnovers, profits, the value of assets like machines, buildings, shares, bonds and bank accounts; they all come in numbers. The financialization of our world means that we can count an increasing number of transactions and possession in financial or monetary terms. And that conveys a sense of hardness and concreteness to M. For it is a strong belief in instrumentalist thinking that numbers are factual and therefore concrete and hard. It makes one believe that all that cannot be counted in monetary terms is “abstract” instead of “concrete,” “soft” and thus not “hard.” That makes anything that comes about in O, S, and C “abstract” and “soft,” at least in an instrumentalist way of thinking. The value based approach turns that worldview upside down or inside out.

Even so, the impressive accumulation of economic and financial wealth that the modern world has witnessed in the last two hundred years attests to the great impact of M and the innovative and entrepreneurial practices that



brought about all of that. The M is a crucial sphere for us to valorize our value as workers (in the labor market), to buy computers, houses, clothes, therapy, vacations and all kinds of other goods that we need so much, and in order to acquire the means to buy. People in most parts of the world do not know any better than that they have to engage in practices of M in order to get what they want.

However, we also learned that the practices of M can be destabilizing, can even bring about crises and can have unintended consequences such as inequalities and injustices. The Great Depression of the thirties continues to linger in the collective memory (in Western countries at least) as an episode of grand market failure. I doubt that the recent recession (2008-2014)—or shall we continue speaking of the financial crisis?—will have the same impact. At the time the answer to the crisis was sought in boosting G. Communists in the Soviet Union had already embraced the practices of G as a way to outwit M and bring about more welfare for everyone. They sought a scientific solution to the problem of allocation and perceived governmental practices as essential in the implementation of such a solution. Socialists and social democrats looked for a solution in a combination of M and G. John Maynard Keynes propagated government expenditures to compensate for a fall in domestic demand. Jan Tinbergen took a more systematic approach with models to show that governmental policies can influence economic outcomes. But for the government to be effective it had to grow bigger.

Accordingly, governmental practices increased dramatically in the decades that followed, with increasing budgets for welfare programs, and, in the sixties and seventies, in waves of rules and regulations. In most developed countries, governments grew in size to claim up to half of Gross Domestic Product. They ran utility companies, took care of education, healthcare, telecommunication, the post office and cultural activities such as museums, theatres, and libraries; they subsidized cultural and social activities as well as entrepreneurial activities. They protected companies against foreign competition and prosecuted violators of the anti-trust laws. In the eighties governments began to embrace M as a governing logic and the process of privatization and liberalization began. Even so, governments continue to contribute between 40% and 55% to the total of national income.

Governments signify bureaucracies and bureaucracies make up G. Every private party seeking gain, profit or pleasure in M will have to deal with governmental bureaucracies. Just try to get into India or the US as a tourist or businessperson and you will notice.

The sphere of G becomes even more dominant when we take business organizations into account. Although the inclination is to relegate them to the sphere of M—since they buy and sell—they actually operate internally

in accordance with governmental logic. They also, after all, have bureaucracies assign functions to their employees, maintain a system of accounting and operate by way of all kinds of rules, procedures and contracts. They all stand for what could be called a managerial culture. Such a culture came about in the second half of the 19<sup>th</sup> century when feudal and paternalistic practices no longer sufficed for complex organizations like the railways, and it took flight in the thirties of the 20<sup>th</sup>\*\* century, when MBA schools shot up (Chandler, 1977). Management is about organizing, guarding and implementing a governmental logic and for that, advanced education was deemed necessary. The emphasis on management in the business world also gave plenty of opportunities to consultants to assist managers in being systematic, structured, and evidence-based in their strategies. When consultants got hold of institutions like universities and hospitals, those, too, became subject to the managerial culture.

When we imagine G as the sphere of all organizations, public and private, it may be possible to realize that G involves us more than M. Most of our interactions take place within organizations or with organizations. A great majority of workers receive their paycheck from organizations; transactions within large multinationals constitute the greater part of international trade. The influence of governments is pervasive. We are ruled and regulated by them, receive income or benefits, pay taxes and fines. So although in the collective mindset M is dominant, in their daily lives most people depend more on forces in G than on those in M. The bias probably occurs because transactions in M are measured and most interactions within G are not.

Throughout the 20<sup>th</sup> century, the logics of the market and governance have received most attention in public and scientific discourses. Economists made everybody else believe that the market logic is all that matters, whereas business economists discussed the shaping of governmental (or managerial) logic to profit optimally from the market logic. Lawyers and public administrators were focusing on governmental logic as it functions in governments. The social sphere and the sphere of the *oikos* all but disappeared from sight. Sociologists did a valiant attempt to keep their logics in the public picture, but in the eighties their discourse became increasingly marginalized.

### **Spheres of regulation, coordination and discipline**

The historical perspective makes clear that the five spheres have distinctive principles of regulating, coordinating and disciplining human actions and activities. No matter how much freedom we have or desire, we are in need of (outside) correctors, of signals that tell us whether we are doing the right thing, or not. As children we are in need of some serious disciplining from time to time, and even as adults we need to hear from our spouse, the police, a judge or a manager that we have to do something about our conduct. For

politicians and governors one of the key questions concerns what mechanisms are best to get people to do the (politically or commercially) right thing. How to prevent them from abusing welfare provisions? How to get people to be entrepreneurial? How to get them to be efficient and productive? How to motivate people to do right?

The inclination, once again, is to focus on the disciplinary and regulatory mechanisms that M and G provide. The picture of the five spheres calls attention to the regulatory and disciplinary forces of the three other spheres.

The cultural sphere is good for intrinsic motivation. A cultural setting stimulates and gives meaning to certain actions and makes other actions senseless or even bad. In C you find out whether your beliefs make sense, or not; whether your idea is meaningful; whether a contribution or action resonates with the prevalent culture (as in C1 and C2).

The sphere of the *oikos* appeals to loyalty and the norms of kinship; when you violate them other members may get mad at you and in the worst case you risk exclusion. The Amish *oikos* will ban members who choose to join regular society. In the *oikos* parents have a stern talk with their children, will ground them if necessary, and otherwise may correct them all the time. (“Close your mouth when eating.” “You are not going out before you have done your homework.”) Children may do the same with their parents, at least in some cultural settings.

The social sphere provides mechanisms of social control, of approval and disapproval, of shaming, of teasing and revering, of attribution of guilt, of reputation and recognition, of exclusion, and of authority, power and hierarchy. Social mechanisms are probably most pervasive in daily life. When I injure the feelings of someone, that person or someone else, may let me know in such a way that I feel badly about it. When I am aggressive in traffic, my wife usually yells at me. When I am too full of myself, a child lets me know. When I give a bad talk, I will not be invited again. When I treat a colleague badly, I will pay for it later, for example by her support of a measure that is bad for me.

The market regulates by means of prices and financial rewards: a high reward is a sign of doing well. In the market some profit and others lose. The market punishes bad ideas and bad products, and rewards good ones. Markets make good entrepreneurs rich and throw others in poverty. As economists like to say, the market provides incentives to do the right thing. And it does so without the involvement of any authority. Accordingly, it does not restrict the freedom of those who participate in it.

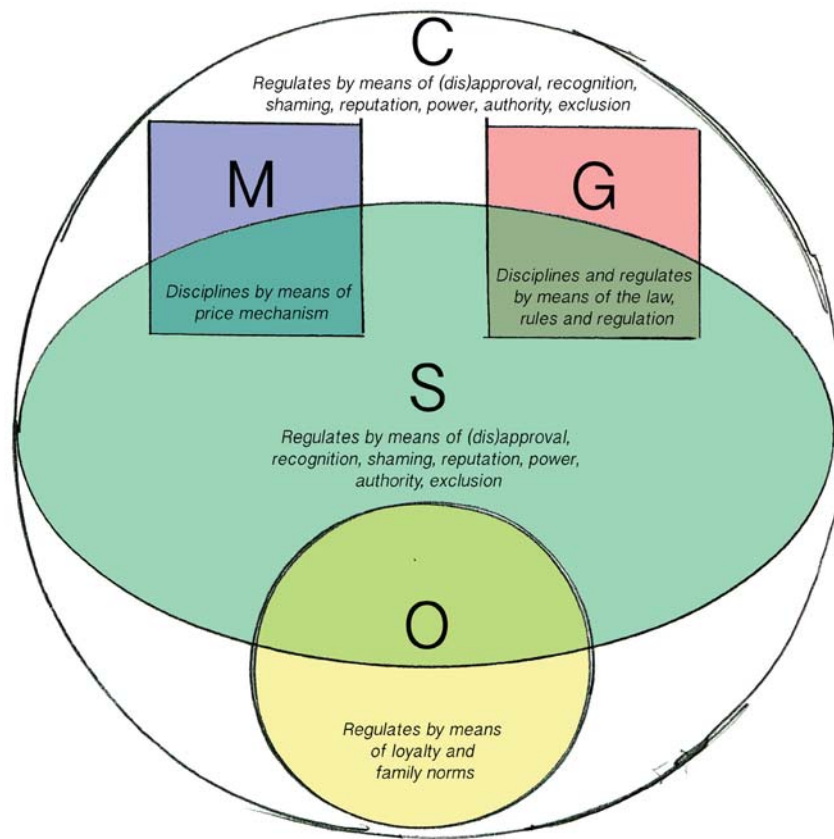
That is different in G. The governmental sphere regulates by means of rules, programs, accounting procedures and monitoring, that is by restricting actions and activities of people. Bureaucracies punish and reward by way of rules, judgments of committees, or decrees of authorities. Governments apply

the law and make use of the judiciary if necessary. In G we get speeding tickets, may be thrown in jail, disallowed to build as we please, cut trees at will, or merge with another company.

The mechanisms of M and G are widely acknowledged. This model of five spheres expands these two with three other mechanisms of regulatory, coordinating and disciplinary mechanisms.

**Worldviews**

Others have pointed out the need to differentiate between spheres beyond those of the market and the government. Mostly they do so to call attention to the existence of a society, of social processes, that is, and sometimes to



**Figure 9-3** Five systems of control and regulation

remind us that we operate in an *oikos*, too (although that is not the term they use). I refer to the philosophers Hegel and Habermas, the sociologists Paul DiMaggio and Viviana Zelizer, the anthropologist Stephen Gudeman and the historian Karl Polanyi. Most of them do so in order to explain things better,

to give a more accurate picture of the real world than the one-sided pictures in which M, or G, dominates.

My objective is a moral one as it is my purpose is to figure out what is the right thing to do. What is the right strategy for the realization of values? I offer the model of the five spheres to inform worldviews of people and organizations seeking the right thing to do. Yet if we can use the model for individuals, groups of people and organizations, then we can use it for politicians as well; the only difference being that politicians are in need of a strategy to realize societal values. Main political movements turn out to stress one sphere or another, as I will show.

The model may be used to counter the idea that M is all that matters and to argue that there is such a thing as a society (as the former British prime minister Margaret Thatcher, a fervent advocate of M, once famously denied) (Thatcher, 1987). The issue that got us going in the case of the artist was the outright rejection by the art students of my appeal to M logic. To them selling an artwork is not what art is about. They object, therefore, to the dominance of M logic. They are not alone. Suspicion towards and resistance against the market logic is strong. I notice it all around me. A book that is critical of the market tends to sell well. *What money can't buy: the moral limits of markets*, by the Harvard ethics professor Sandel was a bestseller (Sandel, 2012).

Usually the discussion stops with the criticism. A good question to ask, I would suggest, is why the criticism is so loud and so persistent. Markets are clearly operating all over and we all are benefiting from them as they enable us to valorize the goods we produce and the services we provide, and we acquire goods and services that are useful for us. So why all the criticism? One reason for this is that markets do not always work very well and generate unwelcome outcomes, like pollution and inequality. Another reason is that people do not recognize all what they do in the sphere of the market. Whether it is their intimate interactions, their friendships, their social activities or their conversations about art, they cannot make sense of those in terms of the market. When people see the spheres of the social sphere and the *oikos*, at least some of their criticism is resolved when they perceive that they are justified in surmising that there is life beyond the market. In the case of the artist the social and the cultural sphere as well as the sphere of the *oikos* help to make sense of his behavior and show that he was valorizing his work even if that was not in the spheres of the market and the government.

Additionally, having a picture of the S, we can more easily recognize movements that occur in the social sphere. Especially the digital environment thrives on social initiatives to which people contribute without monetary compensation and which operate with a minimum of G. Think of open sources, of Wikipedia and the like. S is also the domain of the share economy in which people share cars, machines, homes, rooms and so on. S is the domain where

communities are active, where people start cooperatives and use social money. It is also the sphere where colleagues support each other, where scientists share ideas and research findings, where musicians make music together and where people pool resources to help each other out. The more you explore S, the more you will see.

The purpose of the picture with the five spheres, therefore, is to make sense of all possible strategies that people follow when they valorize their values. When you make it your own, you may find out that it will affect the way you perceive the world around you. You will still discern markets working and governments operating but you will probably pay more attention to what people and organizations do in the social sphere and, as far as people are concerned, in the *oikos* in order to do the right things. It will get you interested in the possibilities as well as the limitations of each sphere, of the frictions that occur when people switch spheres, and the misunderstandings that result when it is unclear in which sphere someone is operating. And you may wonder, as I do, whether the spheres as they function now in current societies are sufficiently in balance or whether some kind of correction is called for.

You will also notice that the model of five spheres enables us to address all kinds of other questions. For example, when the question comes up why the level of trust is going down, we might consider processes in S besides what happens in M and in G. The S factor, incidentally, was generally recognized as problematic when the former Soviet countries embraced the M; it was surmised that they lacked the strong civil society that is needed for a good functioning market and an effective government. The inclusion of S and O furthermore indicates that other coordinating mechanisms are at work besides the pricing mechanism of M and the regulatory mechanism of G. I refer to the socializing and moralizing forces in S and O. And when the discussion turns to the qualities of life, to issues of meaning, to the question of civilization (“are we experiencing a loss of civilization, or not?”), we need to distinguish a distinctive cultural sphere.

Those forces are not always recognized. A while ago I addressed a large audience together with a well-known and eloquent Dutch economist. I presented the model. He thought it was all “nonsense”—he likes to be provocative. His example was the traffic. “Listen,” he said to the audience with a dramatic tone in his voice, “when we regulate traffic, all we need are rules and prices. Because of the rules people drive on the right side of the road, or the left in some countries, and stop for traffic lights. The price of cars and gas prevents overcrowding of the roads.” And then he turned defiantly to me. That was an easy one. “Arnold,” so I responded (I was prepared this time!), “ever driven in Iowa City, Naples, Mumbai and, say, Amsterdam? Did you notice how different the traffic is in those cities? In Iowa City people drive slowly, they are considerate of other drivers, stop for stop-signs and traffic

lights and they yield to others. In Naples you have to ignore those behind you and forget about looking in the rear-view mirror—and take whatever space you can, to notice that the Italians are gracious in defeat. Mumbai is just one big chaos where it is not clear on which side of the road you need to drive, where no one seems to care about what the others are doing, where you better ignore traffic lights if you want to keep going and where it is perfectly normal to get stuck in a massive traffic jam. In Amsterdam there is a continuous war between cars and bicycles, with the latter violating all possible traffic rules to beat the cars. In all cases, the official rules are more or less the same, and in all cases, prices operate. Yet the traffic is dramatically different. This shows that the most important regulating forces are social, or cultural, in kind. People are socialized in the way they manage the traffic.” Arnold decided to ignore the point and barged ahead with another point. This confirmed my impression that economists have a hard time seeing the spheres of S, C and O, even if you point it out to them.

Not only economists have a problem perceiving the workings of S, C and O. My guess is that most people do. When it comes to their worldview, most people will mainly see a world with M and G. After decades of belief in G, M appeared to become more popular. Whereas in my student years the discussions were about what the government should do, nowadays the discussions are about what the government should not do. At least that was the case until the recession that started in 2008. It was believed that governments had grown too big and too bulky, that taxes were too high and welfare programs too generous. Ever since the late seventies free market ideologies are back in vogue and free market ideologies such as Milton Friedman and Friedrich Hayek were once again widely read and discussed. The trend was to withdraw governments from all kinds of activities. This resulted in the privatization of all kinds of government organizations (such as in telecommunication, utilities, maintenance, health care, transport and education) and the liberalization of various markets from government control, the financial sector being a prime example.

In the model, this shows up as a shift from G to M. As noted earlier, the Great Depression had motivated a move towards G. Keynes advocated more and bigger governments, a larger G, that is (Keynes, 1963). They saw in a large G a counterbalance to an unstable and too powerful M. However, they did not go as far as communists who advocated the abolition of the M logic altogether. Accordingly, developed, non-communist countries moved first from M to G, then moved back to M, to return to more G during the financial crisis of 2008-2014.

You would expect liberals (the European label for free market advocates) to celebrate the embrace of M by politicians from the eighties onwards. But that is not necessarily the case. The reason why I could figure out with the help

of my model and the dissertation about neo-liberalism by Zuidhof (whom I mentioned earlier in the chapter). Neo-liberalism is a commonly used term to characterize current policies. It is said that current social democrats have turned into neoliberals and that the policies of the EU are neoliberal as well. The definition of neoliberalism, however, remains usually unclear. Most people I ask can't tell its difference from liberalism. They come as far as identifying neo-liberalism with Chicago economics and its emphasis on selfish behavior and free markets. The model creates clarity. Zuidhof helped me by making a connection with Foucault's notion of governmentality that I subsequently adopted (Foucault, 1975).

Governmentality is what characterizes neo-liberals. They are people who operate in G, or think in terms of G, and adopt the logic of M as a strategy in their politics. Neo-liberals, therefore, are governors, or people who identify themselves with governors, who advocate free markets and entrepreneurship, as managerial solutions for societal problems (such as high unemployment, inefficiencies and high prices). They are the politicians who want to liberalize markets and privatize government organizations. Yet because they are governors, they also seek ways to somehow stay in control. That is why we have witnessed a surge in supervisory institutions, regulations and accounting procedures. All those are anathemas for true liberals who prefer to minimize as much government as possible and safeguard the autonomy of individuals, especially of entrepreneurial individuals.

Typical was the response to the financial crisis starting in 2008. Instead of propagating *laissez faire*, as a true liberal would do, politicians as well as people on the street called for massive government intervention. The logic of G had to come to the rescue of what was perceived to be a failure in M logic. As a consequence, governments rescued banks, even nationalized them, and formulated a massive set of new rules and strengthened the supervision of the sector.

In the academic world I see a similar trend. Even where academic governors speak about the importance of valorization of research in markets, and where students have become our customers, the number and influence of rules and formal procedures are only expanding. In recent years European universities have suffered greatly under time- and money-consuming accreditation procedures. It is all about control and accountability, that is, values of G. In that area of my life, I experience G indeed as a capital G. A colleague of mine speaks of a Soviet system. I am reminded of Kafka, since nobody can give me the rationale of the procedures and everybody tells me that we have to do it whether we like it or not. (I can't help revealing my bias here. I would argue that universities should focus on S, on the fostering of academic communities and experience G practices as undermining the S in the academic world.)



Whereas conventional wisdom would probably state that the M logic is dominant nowadays, I would argue that G logic rules in everyday and public life. When something goes wrong, like an airplane crash, a large fire, high unemployment, a failing bank or personal misfortune), most people look to the government for a solution. When journalists ask for the solution when someone has discussed a problem of any kind, they usually imply asking what the government should do about it. Bring a politician on stage together with any other citizen, and everybody wants to know what the politician has to say. Only pop stars may succeed in drawing the attention away. When people or organizations are in trouble, they expect the government to help them out. This is certainly the case in northern European countries, but such a mentality is also strong in countries like England and the US. In southern European countries people customarily whine and complain about ineffective and corruptive governments, but that practice betrays rather a longing for strong and effective governments than for no government at all. Advocates of mere *laissez faire*, *laissez passer* may have a large audience but find few followers when it is time for action.

Of course, it is a matter of political belief to stress one sphere over another. People recognize their values more in one sphere than in the others and will be inclined to advocate strategies pertaining to that sphere. The model is not going to determine who is more right than others, although I surmise that the final conclusion will be that there is a need for some balance. That still leaves room for discussion as to what the perceived imbalances are and how to correct for those. Politics is the working of *phronesis* at the level of societies and beyond. People apply it in cafes, in classrooms and in public squares. It is in the corridors of power that *phronesis* is really at work, with consequences for all citizens.

The model allows for rough characterizations of political movements, based on their faith in or valuation of one sphere above the others. The table on the following page provides a summary.

### **In conclusion**

The model of the five spheres provides a picture of the world in which we all operate in order to realize our values. It directs our attention to the others we need to involve in order to do so. Also, it points out to us that we have various options, various strategies that we can follow. It is not that one strategy excludes the other, but we need to be aware of the consequences of choosing one strategy rather than another. The choice may matter for the values that we ultimately succeed in realizing.

The model provides a set up for a view of the world. It inspires us to look beyond market and governmental practices and to recognize the role that social relations have in daily life. The social and the cultural sphere and the

sphere of the *oikos* are essential for the generation of social and cultural goods, for all the goods that we need to share with others. Without a clear view on those spheres we cannot make sense of social and cultural goods, and will fail to get a clear understanding of how artistic, scientific and religious practices, among many others, work.

Having the overall picture, we can now turn to the intricacies of each sphere and to the interactions among and between them.

#### **Simple characterizations:**

**Liberals** (in the classical sense) celebrate the forces of M and are critical of the actions of G for the sake of freedom.

**Keynesians** or **the liberals in the American** sense argue that a strong G is needed to compensate for failures of M for the sake of stability and justice.

**Socialists** argue that G should dominate M for the sake of justice and the power of the people.

**Neo-liberals** are governors (that is, they are positioned in G) who see practices of M as solutions for their problem.

**Communists** seek to displace M with G; in communism all goods are state owned.

**Communitarians** stress the importance of S, of social arrangements, and downplay the role of M and G.

**Corporatism** stresses cooperation between organized labor and organizations of enterprises with secondary roles for the market and the government.