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Since the fall of the Berlin Wall, the historical opposition pitting supporters and opponents of capitalism against one another has been replaced by confrontation between supporters and opponents of economic globalization. The former attribute all virtues to it, the latter charge it with all evils. But it is not easy to untangle the knot of causes and effects, and single out the particular impact of globalization. According to Martin Wolf, economic globalization is the motor of progress and its opponents are dangerous nostalgics and madmen; according to René Passet, it is nothing less than a plot to divide up the world in an orderly fashion to the benefit of a few. Neither of these stirring accounts is sufficient to explain the nature of globalization.

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For supporters and opponents of free trade alike, four factors have driven the internationalization of production and commerce: technical change; the opening up of emerging economies like China and India to the outside world; the concentration of energy resources in a few regions of the world; population aging in rich countries. Any alternative to the present economic system must take these factors into account.

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Behind the controversy over economic globalization lies another question, much more decisive for the future: the need for a fair distribution of energy and natural resources among all regions of the world. This issue has been avoided up till now.

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Ideologies Die Hard 98  
In contrast to the natural sciences, the foundations of classical economics have hardly budged in over two centuries. The dominant economic thought reminds thus more of an ideology that gives legitimacy to the existing institutional order rather than of an experimental science, and it is precisely why it is still so dominant. The collapse of Communism deprived this ideology of its only rival and other forms of criticism remain fragmentary.

There Is Nothing Scientific About the ‘Doxa’ 106  
Though classical economic theory reigns supreme in the universities, its postulates are very much debatable: they are based on false hypotheses, only seem to be scientific, confuse means for ends, do a poor job of taking the evolution of technical systems into account, under-estimate the importance of history and are based on analogies with mechanical systems that are themselves outdated.

The Economy Only Makes Sense When It Observes Its Real Agents 112

The economy is not composed of abstract laws but rather of concrete agents and the relations between them. Businesses and states are the two main agents; businesses are constantly being transformed and the same holds for state regulations.

Not All Goods and Services Are Meant to be Traded in Market 116  
Rather than transforming everything into a commodity, the notion of ‘public goods’ removes some of the goods and services from the free play of the market, even when they are supplied by private businesses.

The Biosphere Is the Blind Spot of Classical Economic Thought 118  
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From the Accumulation of Goods to an Economy of Happiness 127  
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Towards a Responsible, Plural and Interdependent Economy 131  
Heirs of the great 19<sup>th</sup>-century cooperative tradition promote still today an interdependent economic life in which agents simultaneously pursue financial, social and environmental objectives. New practices and challenges to the presuppositions of the dominant economy have been fermenting for many years, but this movement has so far been unable to constitute a credible global alternative.

When the Economy Becomes Thrifty 139  
Our economies consume a great deal of energy and raw material. The efforts that have been made to unhitch economic development from consumption put us on the path of a new approach to time and space, and reveal our own ignorance concerning the ecological impact of our way of life and highlighting the role that global value chains and territorial economy will play in the future.

Towards Territorial Ecology and Functional Economy 155  
Economic life cannot be thought of as series of activities that are separated from one another; like the components of an ecosystem, exchanges must be organized among themselves. In order to save raw material and energy, we must think in terms of services provided rather than in term of products. These two observations lead to a renewed

approach to territory and capital, and highlight *normalization* as the essential role played by public agents.

5. From the Economy to the Œconomy 165

Œconomy, Returning to the Source

Up till the 18<sup>th</sup> century, one spoke of ‘œconomics’, not ‘economics’. “The rules of household management”, œconomics was, according to the botanist Carl von Linné, “the art of putting all of the goods of nature to good use”. It is this definition that we must rediscover.

The Art of Bifurcation 170

Like great ocean liners, societies advance rapidly but turn slowly; large organizations are good at innovating along the margins but are incapable of calling themselves into question; the radical innovation that is today necessary must thus come from the outside.

Actors, Scales and Steps of a Strategy of Change 173

Systematic change is difficult because it relies on multiple conditions that have to do with the actors, scales and steps of the strategy. These various conditions are described and illustrated in the case of the œconomy.

Conclusions: The Definition and Specifications of the Œconomy 185

At the end of this first part, we may define the œconomy as the branch of governance that concerns the production and distribution of goods and services according to regimes of governance adapted to their nature and purpose. The specifications of the œconomy bring together the principle conclusions of the first, analytic part of the book, in order to provide a foundation for propositions advanced in the second part.

**Part Two – The General Principles of the Œconomy 189**

1. The Œconomy, A Branch of Governance 191

Lessons of Governance, Lessons for the Œconomy 191

Governance is the art of self-management in human societies. At each stage of their history and in order to meet new challenges, societies must invent new forms of regulation, new modes of governance. Those who fail to do so are punished by crises and wars. All regulation has a cost, and this cost can become intolerable. Analyzing the œconomy from the point of view of governance allows us to understand current malfunctions and offers keys for understanding the (quite predictable) crisis that broke out in 2007-2008.

The Œconomy Must Draw Its Inspiration from General Principles of Governance 208

As a branch of governance, the œconomy must satisfy the five fundamental principles of governance: legitimacy and rootedness; democracy and citizenship; multi-level management; appropriate institutional arrangements, coproduction of the public interest. This will be the interpretative framework used in the remainder of the book.

Governance and Economy in the Age of Globalization 213

The planet is our common home. The economy can thus no longer be conceived at the scale of a single nation. It must contribute to forging awareness of our common destiny – which does not mean, however, a unified world market that ignores local specificities. The world economy must allow for a fair distribution of wealth and a free circulation of knowledge and know-how. It must, at the end of each cycle, return the system taken as a whole in a better state: it is the stocks that count, not the flows.

From the Art of Governance to the Art of Economy 219

The interest of applying the art of governance to the economy is to be found in four dimensions: the art of reconciling unity and diversity, the art of managing relations, sorely lacking in classical economic theory but of great importance; the art of conceiving cooperative processes and apprenticeships far removed from free competition; the art, finally, of conceiving various forms of regulation and “rules of the game” that would transform myriad interactions into global regulation.

Relations between Human Beings and with Nature: An Issue Shared by Governance and the Economy 233

Today's world suffers from a threefold crisis of relations: relations between individuals, relation between societies and relations between humanity and the biosphere. In order to contribute to overcoming this crisis, economy must transform our systems of production and consumption so they foster and strengthen concrete interpersonal relations. In the case of consumption, it also must distinguish between activities that maintain these relations and those that subtract resources from the ecosystem.

The Economy Draws Upon Several Types of Capital 239

Classical economics, centered on substituting capital for labor, obscures the diversity of flows and capital affecting the economy. We should distinguish between three types of flow (labor, natural resources, information) and four types of capital (material, immaterial, human and natural). These forms of capital are all mixed, both public and private at the same time. We need to develop new measurement tools to monitor how they evolve.

2. The Various Categories of Goods and Services and the Regimes of Governance of Each of Them 247

Introduction: The Various Ways to Classify Goods and Services: the “Share-and-Divide-Test” 247

Not all of the goods and services produced are equivalent and there is no reason that all should fall under the same regime of governance. But how are these goods and services to be classified? Traditionally, they are distinguished by their purpose or by their mode of production. These distinctions are useful but insufficient. A new classification based on their nature is offered here. On the basis of a “share-and-divide test”, goods and services are classified into four categories.

**Category One Goods, Which Are Destroyed By Being Shared 259**

Category one goods are diverse: monuments classified as part of humanity's heritage, climate, domestic and wild biodiversity, oceanic fishing stocks, large natural spaces. They generally have a value for humanity as a whole but are specific to a particular territory. Those who benefit from them are not those who preserve them. Many of them are necessary for the production of commercial goods. All of these characteristics argue for a regime of governance combining several forms of action and several scales of regulation.

**Category Two Goods, Which Are Divided by Being Shared but Are of Finite Quantity**

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Water, soil and fossil energy belong to this category. Their regime of governance is based on a twofold principle of justice (in the distribution, since the available quantity is finite) and efficiency (in the extraction, management and regeneration of these goods). Energy is a good example of the implementation of negotiable quotas and water a good example of the implementation of the principle of active subsidiarity.

**Category three Goods, Which Are Divided By Being Shared but Are of Indeterminate Quantity 278**

These are classic goods and services which owe the major part of their value to human creativity, intelligence and labor. In their case, the market remains an unequaled regulation mechanism but on condition that it ensures the traceability of the production process, formulates new ways of arbitrating collective and individual preferences and reduces present transaction costs.

**Category Four Goods, Which Increase in Being Shared 288**

Love, knowledge, experience, farming seed stocks, social networks, culture and all that concerns living only exists through sharing. It is illegitimate to seek to reduce their natural abundance and destroy their very conditions of production by claiming to transform them into commercial goods and services. Their regime of governance is based on free access and collective ownership.

**Summary of the Regimes of Governance Applicable to the Various Categories of Goods**

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**3. The Legitimacy of the Economy 297**

**The Economy Must Be Legitimate 297**

As the Chinese political theorist Lu Jia once said, legitimacy is the feeling that power is exercised according to just principles and by appropriate leaders. The question of the economy's legitimacy thus arises in regards to the system itself as well as to its agents.

**Economic Activity Must Target a Need Felt by the Community 301**

Businesses cannot hope to base their legitimacy on such generalities as 'the creation of wealth' or the 'creation of jobs', and their leaders cannot claim for themselves the right to

define the common good. In order to be legitimate, businesses need to concretely show that they contribute to the common good and that their activities are meaningful.

The Exercise of Economic Power Presupposes Respect for a Principle of Fairness  
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When citizens have the feeling that their economic leaders do not fall under the same justice and do not follow the same code of honor as the rest of society, the resulting discrepancy undermines the trust upon which the economic and social systems are based. What's more, fairness cannot exist without voluntary restraint in the balance of power between countries and unless countries are treated similarly independently of their power.

The Legitimacy of the Economy Is Based on Shared and Recognized Values and Principles 314

The common ethical ground is formulated in the Charter of Human Responsibilities. It is the foundation of the social contract in a globalized system. Respect for this ethical foundation is not an afterthought or a moralization of the economy; it is the very condition for trust in the system and its actors.

To Be Legitimate, Power Must Be Efficiently Exercised by Competent and Trustworthy Leaders 318

The question of the responsibility of the leaders particularly arises in the case of large companies. As the impact of their activity exceeds by far the interest of stockholders and the national territory, the notion of responsibility must necessarily be extended to other stakeholders and transcend national frontiers. We can contribute to this by changing the way in which leaders are appointed and remunerated and by establishing the principle of 'international law for international actors'.

Legitimacy Presupposes the Implementation of the Principle of Least Constraint  
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All regulation implies that we obey to some rules, but these rules must be as unconstraining as possible, they must be duly justified and must not conflict with common sense or pursue an arbitrary aim. This is why everyone perceives, for instance, the right to match idle labor and unsatisfied needs in a society, to reuse seeds, to preserve local uses or to refuse GMOs as a natural right. Any law that forbids these things is ipso facto illegitimate.

The Economy Must Contribute to the Fulfillment and Well-Being of All 333

The legitimacy of the economy depends on its ability to pursue the society's objectives. Production and exchange do not only provide revenue; in order to contribute to the well-being of all, the economy must offer all people the conditions of a dignified life and the possibility to create, acquire social capital and achieve coherence between what one does and what one believes.

The Economy Must Contribute to the Construction of a Peaceful World Community  
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The present economy has two faces: it can bring about peace, with the interdependencies that it creates, but also war, with the competition it exacerbates. The œconomy must contribute to creating a global community. One of the best means for doing so is to jointly elaborate regimes of governance for the four categories of goods.

What Would Become of an œconomy That Most People Considered Illegitimate?

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From civic disorder and ecological crisis to geostrategic tension and protectionist withdrawal, there is no lack of catastrophic scenarios.

4. œconomy, Democracy and Citizenship 347

On Formal and Substantial Democracy 347

Substantial democracy is the means by which each person participates in the definition and management of the collective destiny and feels like a citizen, with the balance that that implies between rights and responsibilities. In a globalized context and confronted with complex challenges, formal democracy has grown away from substantial democracy at the national level: it must be revived, reinvented and provided with new tools. The role of public power and the ways in which it is exercised must be redefined.

The Conditions of Renewed Political Debate Concerning the œconomy 354

The œconomy as defined here is no longer discussed in the political sphere. Most debates are confined to oppositions inherited from the past that hold little interest for the future. Public action concentrates on short-term regulation. It would be better to focus on the long term and examine which œconomy one wishes to bring about.

Conceiving and Leading the Strategy for Change, the Great Transition towards a Durable Society 358

In keeping with the principles presented in the first part of this work, the strategy for change must allow the various actors to be brought together, mobilize the various levels of governance – from the local to the global – and run through the various stages of the change process: becoming aware of the problem, elaborating a shared vision, seeking allies and choosing the first steps.

Organizing the Global Debate Over the œconomy 368

The global scale is the weak link in the policy debate; but it is possible to launch this debate by starting with those value chains that have a concrete significance for everyone, including health, the habitat and food chains. Two actors might play a major role in organizing this debate: a redefined World Trade Organization (WTO) and the World Association of Cities, UCLG.

5. The Territory, Pivotal Actor of the 21<sup>st</sup>-Century 373

The Territory, Cornerstone of the œconomy 373

In the 1960s, forecasters announced the end of cities; and yet the very opposite occurred: today's economic development is focused on large urban spaces. One can truly speak of a "revenge of the territories", called upon to become the foundation stones of governance and the œconomy.

The Territory as Agent 380

An agent is not necessarily an institution and the "territory" must not be reduced to local authorities. One is not born an agent; one becomes it by creating a shared understanding, by basing trust on dialogue and by acquiring a vision of a common project. A prerequisite for doing so is to consider territory, not as a geographic space, but as a system of relations.

Territorial Œconomics and the Mobilization of Capital 386

As living collective beings, territories are characterized by a virtual membrane distinguishing internal and external exchange, as well as by their ability to regulate exchanges with the outside world. Knowing a territory's "metabolism" – that is, the various kinds of flow that it generates – allows us to optimize available resources. This means that we need a new approach to issues like taxes and currency.

Territorial Œconomics and the Mobilization of Resources 393

The œconomy implies recourse to four categories of capital and the territory plays an essential role for each of them. Particular mention is made of immaterial capital, of cooperation and the construction of social relations, and of natural capital. Today's economy throws a veil of ignorance over territorial metabolism; the œconomy must raise this veil.

Territorial Œconomics and Regimes of Governance 408

The analysis presented in Chapter II concerning regimes of governance for the four categories of goods and services showed that territorial management was always essential, whatever the category. The territorial œconomy is the result of the combination of these various regimes.

Territorial Œconomics, Democracy and Citizenship 410

A territory can become an agent at the local level and by means of a process of debate involving all concerned parties (and, in particular, those who benefit or are threatened by economic globalization). Once it has made this initial investment, it can mobilize a wide variety of means on behalf of its strategy, and its capacity will increase over time. It is also at the local level that one can go about reducing the present contradiction between our convictions as citizens and our choices as consumers.

6. The Institutional Arrangements of the Œconomy 419

What Is an Institutional Arrangement? 419

An institutional arrangement is a stable group of relations between or cutting across institutions. These relations can be formal or informal. The art of designing institutional arrangements is about defining these relations and conceiving them in such a way that the

group spontaneously goes in the direction of the objectives that one assigns it. Two types of arrangements are essential for the œconomy: the territory and the value chain.

The Specifications of the Institutional Arrangements of the œconomy 428

These arrangements consist of eight dimensions: pursuing the general objectives of governance; respecting the principles of governance; facilitating relations and taking the long term into account; strengthening awareness of being a community; making it possible for everyone to achieve coherence between what he believes and what he does; reconciling greater unity and greater diversity; guaranteeing the exercise of actors' responsibility; contributing to the intelligibility of the world; complying with the regimes of governance specific to each category of good.

Global value chains and value chain agreements 434

A global value chain is a system of relations covering the whole life-cycle of a family of products, including consumption and recycling. The evolution of systems of production, the growing concern about sustainable development, the new social values about consumption and the gradual expansion of global standards and norms prepare the way for new value chains. Public authorities at different levels dispose of various means for pushing ahead for new agreements, which may give a new role to institutions like the ISO, the WTO and the UNCTAD.

The Territory and the Territorial œconomic Agency 452

Transforming a territory into an agent requires a specific institution in charge of the whole process. The proposed solution is to create Territorial œconomic Agencies. The functions and operation of these agencies are deduced from the general specifications of the institutional arrangements and they might be modeled on English Community Interest Companies (CIC). Their objective will be, for example, to strengthen relations between local agents, oversee participative research about the “territorial metabolism”, manage the transition towards a functional economy, audit existing regimes of governance in the different categories of goods, oversee the global management of human resources, use energy in an optimal manner and organize inter-generational solidarity.

7. Money and Finance 467

Money, Finance, Energy, Three Facets of the Same Reality 467

The process of “financialization”, whereby the financial sector takes control over the whole economy, is the result of technical change (the IT revolution), demographics (the development of pension funds) and policy making (uncoupling of gold and the dollar). It has a considerable impact on peoples' lives, businesses and values, as shown by the subprime crisis. In the past, money, finance and energy were thought of as three separate spheres; today, they are three facets of the same reality.

Putting Money and Finance Into the Service of Communities and a Real Understanding of Exchange 480

We need to put things back into their place and start afresh from the fundamental function of money: maintaining the cohesion of the community by a short flow of

exchange. Each community might dispose of its own currency and, inversely, the existence of a currency might help to construct a community. At the same time, however, the preeminence of *monetary* exchange throws a veil of ignorance over what is really exchanged, and there is a last resort creditor who is never repaid: the biosphere.

Subordinating Money and Finance to the Objectives and Principles of Governance

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Money and finance poorly serve the objectives of governance. They do not preserve harmony between humanity and the biosphere. They contribute to peace through the interdependencies that they strengthen but, in the absence of trust, these interdependencies threaten to become a source of conflict. They do not promote social cohesion and make us loose the sense of long term commitment. They do not preserve the interests of future generations.

Which Strategies of Change Should Be Chosen and What Actors Will They Depend On?

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When reviewing systematically the various social and political actors concerned by money and finance, it becomes clear that none of them is in a position to formulate a general alternative. There is, however, sufficient criticism of the present system – including criticism from within the system itself – to make new coalitions possible. These may be capable of conceiving what were in the past unimaginable global alternatives. It is the global vision that was lacking when the 2008 crisis called upon major systemic change. The proposals that are to be made are situated on two levels: a new organization of exchange and the reorientation of saving towards long-term investments.

Multidimensional Currencies 514

The reality of what actually is exchanged is concealed by our one-dimensional concept of money, where the same currency serves as a unit of account and as a universal means of payment. The spreading use of electronic purses allows us to design a currency with four dimensions, measuring the quantity of labor used within a given territory, the quantity of labor supplied from the outside; the amount of fossil energy and of non-renewable natural resources. The very nature of fossil energy invites us to distribute the right to use it according to individual quotas, negotiated first at the scale of a territory then, step by step, up to the planetary scale.

The Management of Time: The Value Reserve and the Operation of Financial Markets

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How can we transform short-term individual saving into the long-term investment? What investments should be promoted in order to increase our well-being and the harmony with the biosphere? How could the return on investment be guaranteed? How can we replace money in its traditional role of “value reserve”? How should the financial system itself be designed to move us in this direction? The text ends with a series of concrete answers to these difficult questions.

*Translated from French by Ethan Rundell*

