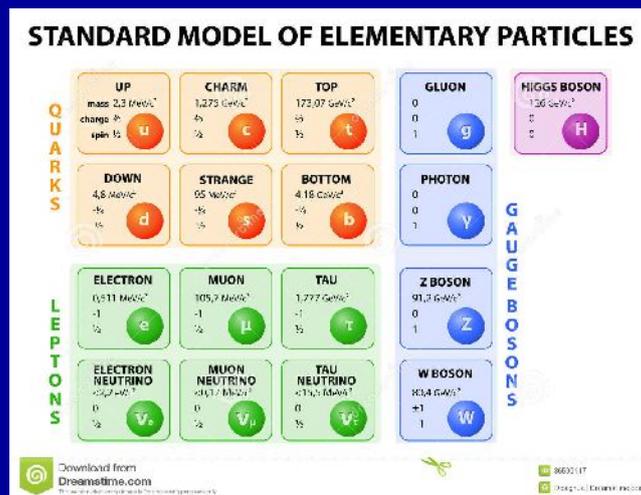


Laszlo Zsolnai  
 Corvinus University of Budapest and  
 European SPES Institute, Leuven

# Economic Actors and the Ultimate Goal of the Economy

Las Casas Institute for Social Justice,  
 Blackfriars Hall, Oxford  
 July 7-8, 2017

## Physics Envy



**Mainstream economics** employs a rather **simplified ontology**. Economic actors are grouped into three categories, namely **individuals/households, firms, and the state**. Among these actors only **monetized transactions** are considered. The ultimate goal of the economy is defined as **maximization of income or wealth**.

„There are **more things** in heaven and earth, Horatio,  
Than are dreamt of in **your philosophy**”.  
**Hamlet (1.5.167-8)**

We need a **richer** and more **sophisticated ontology** in economics.

## Problems

- (1) Which are the **main economic actors** in today's economy?
- (2) Which are the **most important interactions** among them?
- (3) What is the **ultimate goal** of the economic system?

## Economic actors (1-3)

**businesses** (corporations, unincorporated businesses, social enterprises)

**financial institutions** (central banks, commercial banks, investment funds, pension funds, insurance companies)

**public service organizations** (education, health care, utilities)

## **Economic actors (4-7)**

**households** (super rich, upper class, middle class, poor, marginalized)

**local communities** (cities, towns, villages)

**virtual communities** (facebook, linkedin, twitter)

**political bodies** (parlaments, central and local governments, international organizations)

## **Economic actors (8-11)**

**legal institutions** (courts of justice, law firms)

**cultural institutions** (churches, universities, R&D organizations, art institutions)

**media** (print, online, and audio-visual)

**civil society organizations** (environmental, human rights, cultural)

## **Economic actors (12-15)**

**professional associations** (chambers of commerce, etc.)

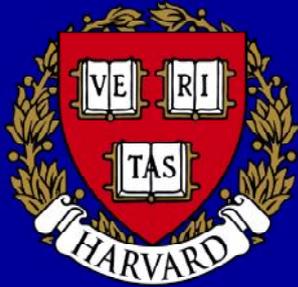
**trade unions**

**clusters**

**robots** (financial, physical)

**Ontologically different economic actors** such as individuals, organizations, communities, networks, and robots represent **different motivations** and **level of moral capabilities**.

## Coordination mechanisms



János Kornai



**market:** voluntary, horizontal, mutual interaction

**bureaucratic:** non-voluntary, hierarchical, mutual interaction

**ethics:** voluntary, horizontal, one-way interaction

**agression:** non-voluntary, hierarchical, one-way interaction

## **The dynamics of interactions**

**Crowding out  
or  
crowding in?**

**M & E = market coordination may crowd out ethical coordination**

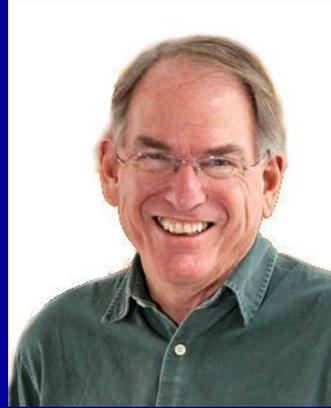
**but**

**E & M = ethical coordination may crowd in market coordination**

## The moral economy



Samuel Bowles



## The Case of Israeli Kindergarten



## Substantive view of the economy

The ultimate goal of the economic system is **not** to produce material gains but to provide livelihood for those who are involved.



**Karl Polanyi**  
(1886-1964)

**Sustainable and just prosperity** can be considered as the ultimate goal of the economy against which the performance of the economic system should be measured.

## **A non-aggregate measure of prosperity**

$$\mathbf{P = (S, E, H)}$$

where „S” is **sustainability** (measured by ecological footprint), „E” is **equality** (measured by the Gini coefficient), and „H” is **human wellbeing** (measured by human development index)

**Better ontology can provide a basis  
for **developing** more **ethical** and  
**effective** economic actions and  
**policies.****

**Thank you!**