INCOME DISTRIBUTION, SOCIAL COHESION AND SUSTAINABLE DEVELOPMENT: THE ECONOMY OF COMMUNION MODEL

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Income Distribution is not attributed a distinct role that reflects the social consciousness of the owners of factor inputs in economic models of production. Economic theory distinguishes between the income accruing to factors of production and income accruing to persons. It links the two through the redistributive mechanism of the government's budget. This 'gap' in economic analysis is addressed by the Economy of Communion model of social interaction. The model is based on the idea of shared growth: all involved in the production and consumption of a commodity are expected to benefit from the growth of the commodity. This paper argues that the Communion model relates to the personal freedoms sought by liberal thinkers and tallies with the core ideas of sustainable economic growth. The realisation of the model's vision can co-exist with a capitalist system of production even though the model extends wealth creation beyond the pure self interest of capitalists and workers.

1. Introduction

'What is produced is distributed in the process of production' is a simple economic statement that implies complex social and moral connotations. The interrelationship between production and distribution of national output over time is only crudely understood in economic theory. In addition, ideological differences regarding asset ownership, wealth accumulation and income distribution render a holistic understanding of the production-distribution relationship more difficult to achieve. A recurrent socio-political agreement, effected through government policies generally determined by simple-majority coalitions, becomes essential for the attainment of a series of partial policy solutions in a parliamentary democracy.

The problematic relationship between production and distribution could be briefly stated as follows. There exists the necessity to examine the issue of how a quantity of commodities should be produced – to concentrate upon the optimal resource allocation, including sectoral shifts, devising incentives geared mainly to production, with the aim to producing the highest attainable output per time period. At the same time, it is necessary to examine how distribution could be managed to exert the greatest influence on production without causing hardships. This means the redistribution of a growing national product among those who are active in production and also those who for valid reasons, such as infirmity, are unable to participate in the productive process. Viewed thus distribution becomes an incentive or a brake to economic growth.

If a growth/distribution trade-off is unavoidable, co-operation within a society becomes not only desirable but also crucial. Political consensus, at least among the majority, is indispensable for socio-economic development; the more so if social changes that are considered radical from a community's traditional views are called for.

The distribution of the aggregate output has long been acknowledged by economists as an important element in the mechanism through which market forces function in an economic system. However, despite this awareness, the state of theoretical analysis about the subject remains uneasy. This follows from the lack of a coherent exposition in which distribution is accorded a degree of autonomy.

Thus, one can emphasise the social element in distribution without minimising the power of market forces and insist that people react as collectively conscious groups to the conditions under which the social product is allocated through primary distribution. It may be argued that it is not enough to assume income distribution as an intermediate stage between production and income generation on the one hand, and spending or allocating distributed income to consumption and saving, on the other. If this were so, income distribution can be approached through production – following neo-marginalist supply-oriented theories, or through effective demand – following post-Keynesian demand-oriented theories.

The theory of functional distribution of income concerns the distribution of the social product among the factors of production that combine to produce it. To simplify exposition, productive factors are generally limited to two, Labour and Capital where the latter term is made to represent the non-labour factors of production, namely, capital, land and entrepreneurship. Functional distribution reveals the shares accruing to factor labour and to factor capital, but not to the labourer, to the lender, investor and landowner. The size of the personal distribution can only be ascertained when the amounts of labour and other productive inputs at the disposal of every individual are known.

Besides, economic growth and income distribution cannot be abstracted from the sustainability on a global scale of the economic development pattern that evolved in the industrialised countries. The core idea of sustainable development is based on inter-generation solidarity: meeting the needs of the present generation without compromising the ability of future generations to meet their own needs.

All business is somehow, at some time, affected by ecological and socio-economic deterioration wherever they occur. Business activity takes place and actually lives on the kind of environmental forces emanating from the biosphere. Corporate welfare is also dependent on healthy social systems. Business worlds would cease to flourish without educated citizens, public safety and order, a supply of savings and credit, legal due process, or the observation of rights. These "life support systems" have to be protected and promoted – a premise which leads to a conception of the moral corporation. (Gladwin, 1999)

This paper examines the contribution of a recently proposed model of social interaction, the Economy of Communion, to income distribution and interpersonal support in a global framework. This contribution is assessed in a capitalist environment in relation to the self-motivations that inspire economic activity and to the social solidarity that is directed to countervail the personal hardships arising in everyday life.

The characteristics of the Economy of Communion model are described first. In turn, the underpinnings of Capitalism and the economic theory that explains – some say, supports – this system of production are highlighted. This is followed by an assessment of the role of profits and enterprise in a market economy, and of the various forms of legal ownership in a capitalist set-up. The innovative contribution of the Economy of Communion model to income distribution and output growth is then introduced.

2. The Main Features of the Economy of Communion Model

The Economy of Communion model was launched in 1991 by Chiara Lubich, the founder of the Focolare Movement, as one solution to present world economic and social problems. It envisages a communion of production, that is, the emergence of enterprises that care for producers, their suppliers and consumers. The model is based on the idea of shared growth: all involved in the production and consumption of a good or service benefit from economic growth, quality enhancement, cleaner environment, and a fair tax regime. In 1999, there were seven hundred and sixty one enterprises around the world practising the Communion system of management and profit sharing. Of these, ten firms employed more than 100 workers; fifteen firms engaged between 50 and 100 employees; and seven hundred and thirty six units employed fewer than 50 workers per firm. (Bruni, 1999)

The Economy of Communion model aims to give a human soul to the creation of wealth. It is directed to the humanisation of the system of production and distribution. It departs from the evangelical vision of a God, Father of Mankind, and all human beings are His children. It is this universal brotherhood which inspires the putting into practice of the moral value known to Christians as Charity (Christian Love) and to non-Christian believers as 'Benevolence'.

This vision rests on the tenet that all human beings are instinctively inclined to share or to give rather than to possess. The culture of sharing or communion is considered to be basic and lies 'deeper entrenched' in a person's psyche than the culture of possessing. All are called to respect and love others. Reciprocal charity gives rise to solidarity. Solidarity can become durable only if one's egoism is suppressed and difficulties are faced and overcome. This communal solidarity demolishes barriers that separate social classes, political ideologies, and nation states.

The Economy of Communion paradigm upholds the efficiency of the market system, the drive towards wealth creation and the generation of profits. The important difference between this social and economic model and a typical firm described in a textbook on economics lies in value judgements. The economic theory of the firm is value free. The ranking of social priorities regarding personal welfare is transferred to the domain of politics which produces the legislation controlling production and distribution.

The theory of the firm leads to a classification of primary incomes arising from the exchange of services engaged in the production of commodities. And it stops there. It is then up to the government's intervention through the tax/appropriation-income transfer mechanism and to voluntary, non-profit organisations to redistribute the primary income into personal or households' income, thus creating a new configuration of the command over goods and services in a society. Personal consumption and saving depend on the secondary, personal or household income profile.

The Economy of Communion model envisages the bypassing of this mechanism of redistribution. The actual personal or household command over goods and services emanates directly from the primary, functional or factor income distribution. The dividends are not transferred to the entrepreneurs who combine labour and capital. Instead, they are distributed according to a set formula. A third goes to support the growth of the enterprise; another third is paid to those workers who are in need or allocated to generate new employment in the firm; and a third goes to finance the spreading of the vision of Economy of Communion.

Capital invested by 'entrepreneurs' in the Communion firm does not reap direct personal financial gains for contributors. These entrepreneurs earn a salary if they are also employed with the firm. The funds invested in the firm are virtually turned into a donation or contribution although the entrepreneurs are free to sell their equity at any time. The firm behaves like a non-profit organisation but with a major difference: the enterprise strives to generate profits and be at all times efficient. It will thus create its own supporting finance and render feasible its future growth. Profits are not directed to personal gain, but rather to support others and to disseminate the ideal of an Economy of Communion.

A variant of this profit scheme allows shareholders in public limited liability companies to opt out of their right to dividends for some time and allocate their share of profits on the lines described above. In this case, the shareholder's participation in the Economy of Communion refers to a voluntary renunciation to the right to claim dividends, a decision that may be reversed.

Firms participating in the Economy of Communion network are law abiding, avoid corrupt practices and are environment friendly.

At the same time, they concentrate on the production of useful goods and services and create genuine value for society.

Those individuals who benefit from assistance do so with the specific intention of renouncing to such support once they no longer need it. Indeed, they themselves will seek to assist others in the best way they can.

The vision emanating from the Economy of Communion model is dynamic. It is not based solely on the underlying solidarity principle, deriving its inspiration from theological sources. It is also forward looking. It foresees a global trade environment where the relocation of capital chasing low wages in search of profits could one day be difficult to attain. The non-profit firm will therefore assume greater importance especially in the sector of services.

This phenomenon is already apparent in developed countries. Hence the validity of reconsidering the interpersonal relationships within firms, among industries and internationally. Such relationships are based upon the underlying mechanisms that instigate transactors to act in the market economy. In particular, it is important to address the motive of self-interest that is generally attributed to be the driving force behind utility-maximising consumers and profit-maximising firms in a capitalist system. The main characteristics of Capitalism are now examined.

3. The Capitalist System of Production

Capitalism may be defined as a social organisational system of production based on the accumulation of social surplus or capital. This system is usually described in terms of four sets of institutional and behavioural arrangements, namely: a market oriented commodity production; private ownership of the means of production; a large segment of the population that cannot exist unless it sells its labour power in the market; and individualistic, acquisitive, maximising behaviour by most individuals within the economic system. (Hunt, 1992)

With the rise in productivity and incomes, a new social ethos referred as consumerism has become dominant. This is characterised by the belief that more income alone is always synonymous with more happiness. Indeed, carried to its extreme, such a view could imply that every subjectively felt need or unhappiness can be satisfied by the purchase of additional commodities. This attitudinal set up, the outcome of a 'culture of receiving', applied to workers and capitalists alike.

Workers have to be continuously given incentives to create social surpluses. They need to produce more in order to enable themselves to buy enough commodities to render themselves happy. But notwithstanding the higher wages and the increased consumption, general unhappiness and anxiety persisted: the more one gets the more needy one feels, the harder one works the greater appears to be the need for even harder work in the future.

Capitalists, too, seem driven by acquisitive behaviour. In this endless struggle, the power base of any capitalist depends on the amount of capital that can be harnessed and controlled. The existence of a capitalist depends on the ability to accumulate capital at least as rapidly as competitors. Hence, the hallmark of capitalism: the drive for profits and their conversion into more capital.

Capitalist production is conventionally considered as being legally based on the private ownership of the means of production. But this view of private property rights exercised in capitalist production is misleading: capitalist production is based not on private property but on the employment contract. The capitalist does not just own capital inputs; the capitalist owns the firm. This 'ownership of the firm' implies the ownership of capital inputs plus a contractual role, that of hiring the workers and the other productive factors.

The firm's identity, however, may be changed by altering the identity between capital and labour, without changing the ownership of capital. If the hiring contract between capital and labour is reversed, so that labour hires capital and becomes the firm, then the identity of the firm changes without any transfer in the "ownership of the means of production". In capitalist production, therefore, the capitalist's 'authority' over the workers is legally based not on the ownership of the means of production but on the employment contract.

In economic theory labour and capital 'inputs' in a production function are symmetrical in terms of social power. Economists refer to the substitution of factor inputs without identifying who owns what. Adjustment decisions to change factor relativities (capital/labour ratios) could be made either by the owners of capital in a 'capitalist' firm, or by workers in a 'self-managed' firm.

In terms of might, however, capital and labour are not symmetrical. The market power of organised capital – shareholders of a joint-stock company represent a single market participant who can negotiate with workers individually – has been reinforced, to date, by the social power of conventional thinking that capital hires labour rather than vice-versa.

This characteristic in an age of global, deregulated trade and capital movement is inducing radical organisational changes in many countries. Surveying Europe's new capitalism, the British newspaper, *The Economist*, recently observed that hostile turnovers that were once a taboo happened in telecomm, insurance, banking and energy. Besides, venture capital, leveraged buy-outs and cross-border mergers are booming. Old companies are shrinking and new ones springing up. (*The Economist*, 2000:75-78)

Profit margins in Europe are still one half those of American companies. Therefore it may be claimed that there is ample room for improving the performance of European corporate business. But owners cling to power at the expense of minority shareholders. European restructuring is at an early stage, with cost cutting a priority. By contrast, American firms that have already been through cost-cutting exercises, are merging to expand revenues or bring together convergent industries. Radical restructuring and deregulation are impeded by structural rigidities - such as delays to reform pension systems - and economic nationalism. But the direction seems clear: a capitalism that is more transparent, more efficient and "redder in tooth and claw".

In their efforts to understand the forces at work under capitalism, economic theoreticians have identified one determining factor and deduced two conclusions that have important social and moral overtones. Firstly, an equilibrating force named ' the invisible hand' ensured that free market exchange harmonised people's interests, created 'rational prices' and resulted in an efficient allocation of resources.

It is acknowledged, though, that market deficiencies remain. One example is the presence of an oligopolistic market structure where one producer's interests are defended through the explicit or tacit collusion with others with the aim of creating a common front and acting like a single seller in the market. In this way monopolistic profits will be generated and sustained in a market characterised by more than one producer. However, experience demonstrates that attempts by governments to countervail such market failures had ended up producing inefficiencies of their own. Bureaucratic failures are nowadays seen as detrimental for output generation and enhanced worker productivity. Countries ended up having to cope with both market inefficiencies and public sector inefficiencies when the specific aim of governments' intervention was the correction of market failures.

Secondly, one outcome of price flexibility and the invisible hand mechanism was supposed to be the attainment of full-employment. Again, the experience of many years in many countries with economic demand management or/and forced sectoral re-orientation suggests that various direct interventions by governments have ended up with extensive welfare states or the collectivisation of property but not necessarily to full employment, sustainable economic growth and equitable income distribution.

Thirdly, it was held that the distribution of income as determined by the marginal productivity of the different factors of production is just. Efforts at forms of collective ownership, or governments' financial support to individuals in the various economic sectors in many countries, would suggest that this idea of fair and just rewards to productive inputs is perhaps more complex than one would like it to be. The personal and social considerations cannot be entirely divorced from the economic if pragmatic solutions to every day life are to be identified and implemented with success.

Thus, many countries have experimented with the Welfare State, that is, the creation of a society in which citizens are provided by the state with services that ensure economic security for themselves and their families. Welfare states start modestly, then commence growing in the size and the range of benefits they provide. Because of social and political constraints that render difficult substantial reductions or withdrawal of benefits once these are introduced, there does not seem to exist an equilibrating tendency that sets an upper limit to which welfare services may approach but not breach.

Experience demonstrates that rising unrequited transfers tend to encourage the abuse of publicly funded welfare schemes. Consequently, they raise unnecessarily the costs of the social welfare programmes. At the same time, citizens attempt to escape from paying the taxes and user charges that are raised to support such programmes. The end result is generally rising government sector deficits and public debts. The burdens of rising debt could be reduced through inflation. But rising prices hit the expenditure potential of households with low and fixed incomes.

In many countries, rising or/and high unemployment rates and the intensification of competition in the exchange of goods and services have undermined the faith in domestic economic management which relied on relatively heavy controls on local and international trade. In the past two decades the world has seen a return to economic liberalism. For both individuals and businesses, economic liberalism entails freedom to decide how and where to invest their time and resources and which products and services to offer for sale on what terms. It embraces the right of people and businesses to move freely within national boundaries and to choose where to live and operate. Freedom of action for people and enterprises makes it possible for market initiatives to be taken and responses to be made while these in turn provide the means through which preferences freely chosen and freely exercised can be given effect.

Liberalism implies restricting the powers and functions of governments so as to give full scope for individuals, families and enterprises. Hence one of its leading principles is that of limited government in the economic domain as elsewhere. Governments, however, have a strategic role in drawing up and maintaining a framework in which markets can function effectively, in particular through the definition and enforcement of property rights.

The extension and exercises of economic freedom makes for closer economic integration, both within and across national boundaries. In this sense, liberalism is a means to removing elements of disintegration. (Henderson, 1998; Minford, 1998).

But this movement to liberalism is still potentially fragile. While people do not support full-blooded collectivism, yet they do not necessarily yearn for economic liberalism. They are after a sort of, what may be termed, "do-it-yourself-economics" – often a batch of intuitively persuasive policies often with a distinctly interventionist flavour.

This is the background against which the main ideas of the Economy of Communion model have to be examined. The model accepts the market system, enterprise and profits as important building blocks on which human economic activity is to be structured. At the same time, the model proposes solidarity and unselfish support to all those involved in a transaction and, more so, to those in need. The objective is to instill a vision where self-help is basic to all people. All insist in carrying out their share of commitment with the aim of being economically independent and in a position of supporting others from their own generated surpluses. In turn, those receiving assistance have the paramount objective to relieve others from supporting them and strive to be of help to others themselves. These ideas are assessed in turn.

4. The role of the Market System, Entrepreneurship, Profits and Ownership in an Economy

Entrepreneurship, the market system, competition and profits are closely interrelated. They represent the networking through which output growth is encouraged in response to consumers' demand and the respective production systems in use both domestically and abroad. The resultant distribution of income reflects the distribution of the ownership of assets.

4.1 The Market System

Economic order rests on the fact that by using prices as signals, people are led to serve the demands and enlist the powers and capacities of other individuals of whom they know nothing. The success of an economic system may be considered as the outcome of an undesigned process, which coordinates the activities of thousands of individuals. The basis of economic development and the generation of wealth is this price or market system informing all, however imperfectly, of the effects of millions of events occurring in the world around us, to which all of us have to adapt ourselves and about which we have no direct information.

The basic function of prices is to inform people what they ought to do in the future in order to adjust themselves to the rest of the economy, local and international. Prices convey the most essential information and they pass it only to those concerned. As a result, the price system ensures that goods are produced in the most efficient and in the least cost way possible.

The market is directed to the production goal in a society. Till now, the attainment of other distributional goals, like the identification of and assistance to the needy, has been achieved outside the market system via the redistribution programmes of a government and by work carried out by voluntary organisations. And, generally, a distinction is made between the price effect and the income effects of such variables as wages and profits.

If prices are to serve as an effective guide to what people ought to do, then remuneration cannot be made on present or past intentions. Prices should be allowed to change in order to indicate the activities that it will be worthwhile pursuing in the future. The ability to produce those goods that are expected to be in demand in the future is not distributed according to any principles of justice. People are unequally attired to make contributions as demand changes.

Therefore, the best way to achieve both efficiency and increased welfare is to let the market mechanism operate to indicate needs and attract supply. At the same time, enhance the transmission of price signals and provide individuals with the opportunities to adapt themselves, by retraining, while assisting directly those who are in need by means of income and wealth redistribution programmes. In this way an efficiently productive and caring society can be created.

4.2 Enterprise, Competition and Profits

All people are potential entrepreneurs. They are capable of making correct decisions about activities that can yield them financial and non-monetary gains. A correct decision calls for a shrewd assessment of present and future realities within the context of which decision regarding investment can be taken. A correct decision calls for reading the situation correctly. It calls for recognising the true possibilities and for refusing to be deluded into seeing possibilities where none exist. It requires that true possibilities should not be overlooked, but that true limitations are not overlooked either.

As all individuals are capable of exercising the entrepreneurial function, entrepreneurship is not a scarce resource. It is, in a sense, costless in that no incentive is needed to activate entrepreneurial vision. However, entrepreneurial vision is not uniformly and continuously activated to take advantage of all opportunities. Consequently, it is of primary importance for a society's well being to identify those factors that switch on entrepreneurial vision and discovery.

It is therefore necessary to establish an institutional environment which can be expected to evoke those qualities of entrepreneurial alertness on which the search for efficiency in decision-making necessarily depends. This context may be best met by competition.

Following Hayek, competition may be defined as a procedure which allows the discovery of the various tastes and preferences which individuals in the market order possess and of the various mixes of inputs which will enable these decisions to be met at the lowest possible cost. (Butler, 1983). It is competition that urges producers to seek out and experiment with new ideas of demand and to satisfy the tasks and demands that may not have been recognised by other competitors. The presence of many potential competitors should stimulate an entrepreneur to move quickly and to explore new and untapped markets. Being first in the market place will reward the successful entrepreneur and the profits made will stimulate others to emulate the example.

Profits have a critical role to play in the discovery of new and untapped opportunities. The benefits and rewards for market activity stimulate people to serve the needs of others to the maximum extent possible without actual coercion. Profit is a strong means that induces people to act. Rewards have to exist; it is not possible to make believe 'as if' rewards exist when they do not. Suppliers have to learn through the process of acting competitively what consumers will pay for or what alternative productive methods will work most efficiently.

An enterprise which is insulated from market demand conditions is unable to act 'as if' it will be competitive, and is unable to learn the changing facts of the market which would enable it to serve its customers more efficiently and cheaply.

4.3 Ownership of Assets and Rewards

A capitalist appropriates profits. So does the State under a system of government ownership and administration of the means of production. Both capitalism and socialism claim to represent democracy. But in a sense capitalism and democracy fall on opposite sides of the basic social issue of voluntary contract. Similarly, bureaucrats could aim at maximising their own personal welfare while claiming to maximise social welfare.

The capitalist firm is a particular institution with no clear analogue in political theory. It is as if people in one country (the shareholders) joined together in a contractual association (the firm) to elect a government (management) to govern the people in another country (the employees). The people in the second country (the employees) agree to another contract: a contract of subjection (the employment contract) to their governors.

A socialist firm is also undemocratic. Even assuming a political democracy, the employees in a government run enterprise are an insignificant portion of the electorate. The firm's managers do not govern the majority of the citizens, even though the citizens are viewed as indirectly selecting the management in the political democratic process.

The democratic firm, where the people managed is the people having the vote to select management, is the self-managed firm. Self-management is not socialism; indeed, it is diametrically opposed to the government ownership and control of industry. The idea behind the self-managed firm is closely related to Christian social doctrine: workers have a right to share in the ownership, management and profits of the enterprise where they work.

Over the past century, Catholic social teaching promulgated the need to integrate the system of "wage earning" (employment contract) with elements of a contract of partnership. Such integration leads on to the affirmation of the necessity, at least in large enterprises, of participation in management and to grounding this necessity on human nature. Recent Church documents refer to the "socialisation of the means of production" implying not a negation of private property but that the means of production should be the common property of those who work - the workers - and those who employ the workers. The Catholic Church thereby refutes the idea of the collectivisation of the means of production. (Skalicky, 1974; Pope John Paul II, 1981; 1987; 1991).

Of course, it is one thing believing in the "socialisation of the means of production" as a matter of principle which should be the guide for social interaction. It is another thing implementing this principle to benefit from tax concessions. Thus, certain employee-ownership plans are set up primarily to capture tax advantages by management uncommitted to providing employees with a substantial equity stake in the company or to really treating employees like co-owners. In this case, ESOP's (Employee Stock Option Plans) and other plans will be little more than a passing fad. In time, some other instrument with better tax breaks will replace those plans.

The commitment shown by firms to an idea will contribute to its enduring success. But so will basic logical behaviour. Thus, self-management enterprises did not achieve the expected success because workers in factories cannot be made interested in placing capital where it is most productive. Once efficiency, that is, the least-cost principle, is pushed aside, the independent survival of the firm is jeopardised. The real test of 'industrial democracy' – even when participation is restricted solely to managing the firm - comes when decisions are to be taken regarding investment and the capital-labour ratios to be operated in order to generate work at minimum costs and at a profit. If investment decisions demand a cutback in the labour force, workers would find it hard to vote themselves out into unemployment!

Under the capitalist system, decisions regarding the combination of capital and hired labour is carried out by management, who need not own the capital themselves. Under a co-operative movement, the workers may decide the amount of capital it pays the 'firm' to hire or purchase. But under a self-managed firm, voting-workers will find it hard deciding for an option involving the discharge of workers. If alternative employment were readily forthcoming, the decision would be relatively easier, from a social point of view. But if employment outlets are not readily forthcoming, efficiency may be sacrificed. Such an enterprise could only keep going if it is subsidised by taxpayers, through state subventions, or by the consumers of other goods produced by firms which contribute to a fund whose purpose is to assist firms in financial difficulties.

Entrepreneurial decisions, particularly those on investment, are taken under conditions of uncertainty. This means that they entail subjective assessments of future developments in demand, technology and factor supply. They are simply highly skilled hunches the only check on which is the end result. They imply risk taking; this quality of enterprise decisions does not make it easy to convert them into collective decision making by voting.

Decisions to increase the capital stock of a company and at the same time retain, if not add to, the number of employees could be successful if efforts pay off in the identification and production of new products into established or new markets. This condition implies that complacency in the competitive world of liberalised trade is ruled out and that workers and management are in a constant search for new profitable outlets.

In sum, prices have an important function to fulfill in an economy. They indicate what people ought to produce and to buy in the future. They condition the production goal in a society. Entrepreneurs operating in a competitive environment are enticed by price signals and by expected profits to be inventive. They strive to meet existing and new demands at efficient costs. Profits are the reward for the correct reading of market situations and for the timely and effective response to them.

There is another consideration beside production that demands constant attention, namely, personal welfare. Such welfare depends on both financial and non-monetary factors. Financial rewards arise from the ownership of one or more inputs used in the production process. Hence the distribution of ownership of inputs will affect income and, in turn, personal welfare.

Various forms of ownership have been introduced under the notion of "socialisation of the means of production". If such instruments were inspired by ethical beliefs, then the probability of endurance and success is greater than if they were applied as tax avoidance vehicles. The Economy of Communion model is one such collective support system that is based on a belief in human solidarity and in an efficient productive system.

5. The Economy of Communion Model: An Evaluation

Several observations may be introduced regarding the merits of the Economy of Communion model with regard to its relevance to real world economies. First, the model combines elements that lead to economic growth, an enhanced social cohesion, and a narrowing of wealth and income differentials. The model gives a wider scope to ethically correct human behaviour by encouraging human activity that is inspired by a culture of giving, of sharing, of communion rather than by the prevailing culture of receiving.

A direct effect of this ideal of communion is the integration of the two distributions of income: the factor income distribution which arises from the reward accruing to the respective inputs, say labour and capital, and the distribution of personal incomes arising from the way in which profits are allotted. An extensive implementation of such a profit allocation system will induce a reconsideration of the tax-welfare payments transfer mechanism associated with the welfare state.

Second, the model is in line with the basic tenets of liberalism on a personal and economic level. The freedoms to choose, to move and to trade are important blocks of the Communion ideal. Since the exercise of these freedoms extends beyond the boundaries of a nation-state, the model absorbs globalisation on economic and political terms in its vision. National boundaries do not hem in the Communion ideal.

Third, the model can live with a capitalist system. This fact is evident not because several hundred firms are living the Communion ideal but also because the main characteristics of a capitalist system of production do not exclude the behaviour inspired by communion. Capitalism will survive if "most individuals" behave in an acquisitive, maximising behaviour. Indeed, those others who may opt for a non-acquisitive approach could induce an identical response from those brought up on acquiring as their sole objective. The Communion model is based on this idea: if people realise that there is fulfillment and happiness in sharing, they will change their acquisitive attitude and reciprocate. It is in this way that the prevailing culture of receiving, thought to be synonymous with capitalism, can be gradually transformed into a culture of communion.

Fourth, entrepreneurs are attracted not only by financial gains but also by non-monetary benefits. One such benefit could be the satisfaction arising from helping others to grow out of their difficulties. The Communion model is consonant with such an idea. What needs to be addressed is the formation of the individual. Training in life-skills formation will assist in this process.

Fifth, the model aims to achieve economic efficiency and the encouragement of personal initiative and self-help. Such objectives are personally rewarding per se. But they can also be part of collective behaviour meant to improve the output and sales of firms or sectors thereby boosting the resources available for distribution for own use and for the undertaking of new initiatives in the interest of others. Such surpluses represent the fund of resources that is applied to support workers in need and new initiatives.

Sixth, the model takes account of the environmental impact that firms and consumers incur in the process of production, distribution and consumption. This consideration reflects the model's preoccupation with sustainable development. The Communion model is people-centred and nature based. Similarly, a sustainable society "communicates its civic order and decision-making, democratises its political and workplace environments, humanises capital creation and work, and vitalises human need fulfillment ensuring sufficiency in meeting basic needs".(Gladwin, 1999: 4) The principles ruling the Economy of Communion model fit perfectly with such macro-level principles of sustainable development.

Besides, the market and the courts of law can combine to redress the results of certain market failures. Market failures arise from uninformed decisions. Market agents would be deciding on the wrong premise if some costs or benefits arising from their decisions were not considered before a decision is reached. By integrating such costs in the form of compensation, actual or potential, the courts would induce a change in the parameters on which transactors decide. Account will have to be taken of an eventual compensation for accidental harm to third parties either through the purchase of indemnity insurance, or through more attention and investment in carrying out work. In this way costs would change. So do prices, and in turn the value of goods and services produced and consumed. (Delia, 1997)

Finally, the Communion model is solidly derived from basic human values: charity, benevolence and solidarity. It emphasises a holistic development of the human personality implying personal fulfillment and the drive to self-help with the intent of sharing the surplus with others in need. The vision of Communion turns the "I" into a "We" culture where the "We" does not refer to the collusive 'solidarity' of oligopolistic market players or the elusive behaviour of 'free riders' who plan to benefit from the collectively provided public goods (Bruni, 1999). The "We" of the Communion model is a genuine interest in humanity at large and in the people – suppliers, producers, and consumers– who make up the players in the market in which transactions take place. The "we rationality" of the oligopolies or of the calculating participants in games scenarios are primarily motivated by interest in own self. The "we" approach of the Communion model is different. It is not seen as a strategy tool in the process of acquisition-consumption-retention-accumulation. Rather, it is indicative of man's social nature where human happiness depends not only on what one owns and consumes but also on genuine interest in the welfare of others and in participating in the improvement of others' welfare. Happiness is seen to be dependent on more than receiving and consuming; it is dependent also, primarily, on sharing.

6. Conclusion

Economic theorists sought to understand the underlying mechanisms that relate wealth formation, personal satisfactions, and social cohesion and support. Yet, the development of an integrated model of production and income distribution failed to attribute to income distribution a distinct role that reflects the social consciousness of the owners of factor inputs. Economic theory separates the factor incomes from personal incomes and consequently supposes a redistributing force via the government's budget.

The Economy of Communion model proposes one way of bridging this production-income distribution-redistribution-expenditure process by bye passing the redistribution stage exercised by governments and integrates the income transfers with the allocation of profits. The model is based on the search for the least-cost production set up in a market environment where competition on a global scale is operative. Enterprise is encouraged not only on a personal basis, through a culture of self-help, but also through the specific allocation of profits to assist the setting up of new firms.

The ideas of the Communion model are in consonance with the freedoms sought by liberal thinkers. But they are enriched because they emphasise the social nature of man and the close relation between humanity and the natural environment. In this sense, the Communion model tallies with the basic ideas of sustainable economic growth. Humanity has to consider seriously the way in which resources are utilised in the interest of all mankind, at present and in the future, and not solely in the interest of groups inhabiting specific areas.

The Communion model can co-exist with Capitalism. A capitalist system of production is said to require an acquisitive behaviour by most transactors. It does not need all transactors to behave like that. It, therefore, leave space for other motives to induce enterprising action. Indeed, this space is seen by the Communion model as a sound base from which to disseminate the Communion ideal. Once people realise that personal welfare is not solely dependent on acquisition and consumption, but could be even better satisfied through comprehension, collaboration and sharing then the number of practitioners who believe in the Communion model of living will increase. Wealth generation could become even more meaningful and sustainable if the personal interest of 'others' is taken into account. Applied in a global context, such a view surpasses the idea of nation states, ethnic groups and social classes. It also influences the way in which solutions to regional and world issues are sought and implemented.

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