

ISSN 1390-7719



REVISTA  
**PU**<sup>99</sup>  
**CE**

PONTIFICIA  
UNIVERSIDAD  
CATÓLICA DEL  
ECUADOR

ESCUELA  
MULTILINGÜE DE  
NEGOCIOS Y RELACIONES  
INTERNACIONALES (LEAI)

3 DE NOVIEMBRE DE 2014 - 3 DE MAYO DE 2015  
QUITO, ECUADOR

 **Publicaciones**  
PONTIFICIA UNIVERSIDAD CATÓLICA DEL ECUADOR

## CONTENIDO

Revista PUCE, Pontificia Universidad Católica del Ecuador, ISSN 1390-7719  
Número 99, 3 de noviembre de 2014 - 3 de mayo de 2015

<b>IMPACT OF THE INTRODUCTION OF A FLATTER STRUCTURE ON JOB SATISFACTION OF THE DIRECT SALES TEAM OF A BANK</b> EL IMPACTO EN LA INTRODUCCIÓN DE UNA ESTRUCTURA MÁS PLANA EN LA SATISFACCIÓN LABORAL DEL EQUIPO DE VENTAS DIRECTAS DE UN BANCO <i>María Belén Arteaga Romero</i> .....	1
<b>PANORAMA DE LA POLÍTICA EXTERIOR ECUATORIANA (2007-2013)</b> OVERVIEW OF ECUADORIAN FOREIGN POLICY <i>David Guzmán</i> .....	23
<b>ANÁLISIS PROSPECTIVO DE LA MICROEMPRESA Y ARTESANÍAS DEL SECTOR ALIMENTICIO DE TUNGURAHUA, ECUADOR</b> SMALL ENTERPRISE AND HANDICRAFT FORECAST IN THE FOOD SECTOR OF TUNGURAHUA, ECUADOR <i>Edwin Santamaría-Díaz, Edwin Santamaría-Freire</i> .....	43
<b>A LA INTERNACIONALIZACIÓN DEL CAPITAL LE IRÍA BIEN LA INTERIORIZACIÓN EN LO DOMÉSTICO</b> THE INTERIORIZATION INTO THE DOMESTIC WOULD SUIT THE CAPITAL INTERNATIONALIZATION <i>Ivonne Téllez P.</i> .....	79
<b>THE SENSE OF THE ECONOMIC SYSTEM</b> EL SENTIDO DEL SISTEMA ECONÓMICO <i>Lourdes Aguas</i> .....	95
<b>INSTITUTIONAL CAPACITIES FOR LOCAL CLIMATE CHANGE ADAPTATION IN THE PAUTE RIVER BASIN</b> CAPACIDADES LOCALES PARA LA ADAPTACIÓN AL CAMBIO CLIMÁTICO EN LA CUENCA DEL RÍO PAUTE <i>Michelle Arellano M.</i> .....	115

# THE SENSE OF THE ECONOMIC SYSTEM

EL SENTIDO DEL  
SISTEMA ECONÓMICO

**LOURDES AGUAS<sup>1</sup>**

*Recibido 20 de junio de 2014  
Aceptado 17 de agosto de 2014*

1. Pontificia Universidad Católica del Ecuador, Facultad de Comunicación, Lingüística y Literatura, Quito Ecuador; Universidad Andina Simón Bolívar, Maestría Gerencia para el Desarrollo (maguas302@puce.edu.ec).



# THE SENSE OF THE ECONOMIC SYSTEM

## EL SENTIDO DEL SISTEMA ECONÓMICO

*Lourdes Aguas*

**KEY WORDS:** social systems, sense, economy, substantivism, diverse economies.

**PALABRAS CLAVES:** sistemas sociales, sentido, economía, sustantivismo, economías diversas.

### ABSTRACT

In this paper, I have chosen a series of observational tools developed by Niklas Luhmann in his theory of social systems as a method to interrogate the meaning and functioning of the economic world. By combining them with Karl Polanyi's writings on substantivism, alternative boundaries to current (formal) descriptions of the economy in both international and national domains are distinguished. There is an urgent necessity to redefine the "sense" of social systems so that functions within such systems are given equal analytical importance. In this regard, rendering visible other forms of economic activities and acknowledging the limitations of the formal approach play an essential role in questioning the way in which we observe the economic system.

### RESUMEN

En este artículo he elegido una serie de herramientas de observación, desarrolladas por Niklas Luhmann en su teoría de sistemas sociales, como un método para cuestionar el significado y funcionamiento del mundo económico. Al combinarlas con los escritos de Karl Polanyi sobre el sustantivismo, se distinguen límites alternativos a las descripciones actuales de la economía (formal) tanto en ámbitos nacionales como internacionales. Hay una necesidad urgente de redefinir el "sentido" de los sistemas sociales de tal forma que las funciones dentro de dichos sistemas tengan igual importancia analítica. En este contexto, hacer visibles otras formas de actividades económicas y reconocer los límites del enfoque formal juegan un rol esencial al cuestionar la forma en la que observamos al sistema económico.

## INTRODUCTION

"We can conceive of differentiation as the process of reproducing systems within systems, boundaries within boundaries and, for observing systems, frames within frames, and distinctions within the distinguished. This presupposes the stability of boundaries as a result and as a condition of evolution."  
(Luhmann, 1997).

The differentiation process upon which we are embarking today revolves around the study of a very familiar, yet exceptionally unknown, term called economy. I am motivated to write about this topic by Luhmann's<sup>2</sup> concept of "sense" as that which, on one hand, brings about the selective creation of all social and psychic forms and, on the other, facilitates the generation of "complexity"<sup>3</sup> within the systems. "Sense" is precisely the foundation for the generation of each and every experience.

The current economic system has, over time, become a synonym for market. In pursuit of a different "sense", however, it is important to recall that economy has historically responded to a multi-faceted and trans-cultural notion related to "household management" (deriving from the greek: οἶκος "house" and

πέλω "distribute or "manage"). Economy, as Karl Polanyi (1944) suggests, has two meanings: One is associated with its substantive purpose - using and managing the means which are indispensable for existence - and another is related to its formal or theoretical significance, whose foundations derive from the notions of individual profit and resource scarcity. Although, exchange mechanisms have traditionally been embedded in society - that is, market has constituted one means among many of incorporating economic activities within society - according to the formal approach, market has been transformed into economy's one and only equivalent.

The concept of "autopoiesis", a notion created by Chilean biologists Maturana and Varela (1984) to explain the organization of living organisms,

2 Throughout this paper I will be using terminology from social systems theory (found in quotation marks) to describe economic phenomena.

3 When the elements within a system become abundant, the number of relations reaches such a size that they cannot be controlled immediately by the system. The concept of complexity thus points to the fact that all of the elements of a unit cannot be in relation with each other simultaneously.

offers a way to understand how such a transformation occurred. Living systems, according to Maturana and Varela, are characterized by their ability to produce and reproduce by themselves their constitutive elements, those which define them as a unity. Social systems theory extrapolates this notion to the social domain suggesting that the relations among the elements of a given unity are responsible for generating and regenerating the unity itself. In other words, just like a living cell undergoes the mitosis process in which it replicates its DNA to form other cells, according to social systems theory, the economic system – for instance - is also autopoietic for it is capable of reproducing the elements which validate the market economy approach while ignoring other forms of economic language. This, however, could entail a limitation for if we fail to pay attention to the diversity of economic practices in our descriptions and analyses of society we are contributing to the naturalization of the “common sense” notion that economy equals market transactions.

In order for “autopoiesis” to take place, a specific form of “communica-

tion” needs to occur. According to Luhmann, “communication” is conceived of as a specific operation, inherent to the systems, that is composed of three selections: message, information and understanding. “Communication” exists only when the information at play is understood. In every “communication” understanding constitutes a premise for new “communications”. Thus, social systems use “communication” as a particular way of reaching “autopoiesis”.

What makes “communication” probable is the adoption of specific means that are generally accepted (see “generalized symbolic means of communication” – GSMC).<sup>4</sup> In terms of the “sense” of the formal economic system, money – through price as its regulating instrument - currently functions as the one and only commonly accepted way to exchange goods and services. As long as this type of “communication” perpetuates itself, social systems will continue to reproduce their constitutive elements under the same patterns. Here, what I am stressing is that our ability to observe and describe society draws the limits under which a system, in this case economy, can operate.

4 Generalized symbolic means of “communication” (GSMC) refers to particular structures that provide successful probabilities of “communication”. The approval of the selections does not depend on a concrete situation but on the existence of a generalized regulation, which coordinates the selections. Examples of GSMC, according to Luhmann, are: power, money, laws, etc.

Throughout history, four forms of differentiation have been developed: 1) differentiation of similar partial systems (segmentation); 2) center-periphery differentiation; 3) hierarchical differentiation between strata; and 4) "functional differentiation" (Corsi et al., 1996). Luhmann suggests that "functional differentiation" is the more complex existing form of distinction. Therefore, partial systems - such as science, economy, art, education and religion - are unequal because each develops a specific function. Due to their "operational closure,"<sup>5</sup> there is no overlap, for each observes society from its own standpoint and is structured upon distinctions,<sup>6</sup> which do not admit external interferences in the execution of its function. How, then, do we perceive the functioning of the economic system today? and, more importantly, what elements are being left behind?

I plan to use some of social system's concepts such as: "sense," "autopoiesis," "functional differentiation," and "communication" to point out to the way in which the economic domain gets naturalized in a particular way and how to interrupt the process of naturalization. The paper is structured as follows: The first section is about the formal economy and specifically about how the boundaries of what counts as the economy were configured to mean narrowly "market economy." The second section is about breaking off that boundary drawing and describing the particular alternatives offered by a Polanyian analysis. The third section on price and value is about a specific, but crucial, analytical process of opening up the debate; a kind of case study for how to perform part of the work on substantive economy.

## PART I: FORMAL ECONOMIC OBSERVATIONS

Luhmann (1997) has suggested that the predominant relation today between human beings and social systems

has to do with inclusion and exclusion patterns generated through the logic of "functional differentiation." Thus, for in-

- 5 Operational closure means that the operations responsible for the production of new elements within a system depend on previous operations within the same system. This closure constitutes the basis for the system's autonomy and facilitates its distinction from the surrounding environment.
- 6 Binary codes are specific types of distinctions characterized by their ability to exclude third values. This implies a rigid reduction of a vast array of possibilities in two unique options which relate themselves through negation.

stance, one cannot “communicate” within the economic system without money, just as one cannot “communicate” within the justice system without a birth certificate. The same can be said about those immigrants living around the world who are not able to “communicate” within the welfare system of the countries where they reside - whether because of their “alien” status or their “invisibility” caused by the absence of legal documentation - and hence cannot access public services from which citizens benefit. One exclusion often leads to other exclusions, so what we are observing is a society integrated, as a consequence of globalization, but in a negative way.

“Functional differentiation” acknowledges that every function needs to be developed because each and every one is fundamental for society. Hence, for example, the legal system provides justice (which the scientific system cannot), the economic system produces payments (which the legal system cannot) and the scientific system produces truth (which the economic system cannot). Each of the systems, therefore, deals only with one function. In theory, one function cannot prevail over others. However, in spite of

the aforementioned operational closure, the economic system is the one system that has greater incidence over other partial systems; indeed its variations can provoke vast changes within society (Izuzquiza, 1990). Consequently, though the complexity of society has derived in “functional systems”, we have not, until now, been able to overcome the overlapping existence of hierarchy and function. The economy remains the privileged social system.

Currently, for instance, one of the economic system’s foundations -the assumption under which the World Trade Organization (WTO) was established in 1995 - is free trade, conceived of as something contributing beneficially to the development of all countries in the long run<sup>7</sup>. It is well known, however, that developed countries have used protectionist trade measures in the past to consolidate their industries and continue to the present day to provide assistance to their so-called vulnerable or strategic sectors like agriculture, much to the detriment of what developing countries can offer to their markets if trade liberalization were universally adopted. This is one of the many reasons why the negotiations that revolve around the Doha

7 One of the problems of free trade, as it is currently conceived, is that the self-sufficiency on which massive populations and territories depend can become an unattainable and unjustifiable objective under formal economic assumptions of specialization based on comparative advantages.

Development Agenda have not come to a conclusion since 2001.

The WTO's binary code apparently responds to the following logic: A country can be either open or not open to trade. Based on these norms an actor is legitimated - allegedly as a result of "good governance" practices - or, if it fails to comply with the "free trade laws," considered illegitimate in the international economic arena. The degree of openness to trade can be selectively observed, as mentioned above, for there can be tolerable or acceptable limits of protectionism (such as the measures implemented by the European Common Agricultural Policy) whereas other non-tolerable protectionist measures are banned. Under the WTO's legal framework, it has been noted that what is known as the "amber box" (governmental domestic support measures considered to distort production and trade) has progressively been reduced over the past years by developed countries while in line with these reductions the "green box" (subsidies that supposedly do not distort trade) has rapidly increased in this same group of countries.

The current structure of commodities markets can serve as another example. One of them is Goldman Sachs' commodity index (S&P GSCI), a derivative, which is comprised of 24 commodi-

ties, among which at least 11 agricultural and animal products are included. Blended as they are with precious and industrial metals, along with oil and gas market prices, this index was the popular culprit for the 2007-2008 world food price crisis. Another generalized accepted observation within the economic system - the value of the food, on which human life depends - transcended, via the impact of the price crisis, the domain of the economic, leading to exclusions that could have easily been avoided.

Stratification is still present and we are reminded of its existence every time an unequal distribution of the resources and opportunities of "communication" occurs. The fact of the matter is that we have accepted the existence of an economic system that we imagine, convincingly, located at the top of the pyramid of "functional systems". Moreover, we have accepted as fact that those who describe their observations are the ones who are generating and regenerating, via their discursive constructions, this vision of society dominated by market economy. These are descriptions of society not as it essentially is, as Hans-Georg Moeller (2006) points out recalling Luhmann, but as what it has become and might have turned out otherwise. That is, there are no givens to the particular social arrangement of our world; it is the

product of contingent histories; it might have been - it might still be - different.

Apart from this persistent hierarchy, the “functional system” called economy in its formal meaning has several limitations. On the one hand, its “binary code”<sup>8</sup> only takes into consideration factors such as property (to have/not to have) and purchasing power (to pay/not to pay). On the other, just as the economy was once *embedded*<sup>9</sup> in society (Polanyi, 1944) and ceased to be with the predominant role assigned to the market, especially after the eighteenth century in Europe, finance<sup>10</sup> has progressively *diseembedded* from the economic system. Finance today can be similarly defined as an autonomous self-referencing system (Hessling, 2006) for it has become 20 times larger than the global economy (CRG, 2012).

In addition, we are witnessing a period of anomalous disconnections between acts of “having” and acts of “paying”. For instance, as of now, many of those who possess land and natural resources do not, paradoxically, have the means to “communicate” in the financial

sphere. The land-grabbing phenomenon can be cited here as an example. Accounting for 35 million hectares of land in 66 countries, according to GRAIN (2012), land grabbers, whether private firms or governments, now see the ownership of farmland assets as a new investment opportunity. Cornell University’s Institute for the Social Sciences (2013) describes global land grab as an event that changes global relationships in terms of property, governance, economy and livelihood. Likewise, The Economist has described land grabbing as the “third wave of outsourcing” following the manufacturing wave in the 80s and the service or information technology wave in the 90s. Land grabbers, using legal means, employ food and fuel outsourcing to guarantee food and energy security for themselves.

The concentration of cultivable lands around the world in the hands of a few leads, in fact, to increasing financial speculation. Such speculation is based on “second-order observations”.<sup>11</sup> That is, as Hans-Georg Moeller points out, while the economic system looks

8 Language code specifically validated by each functional system. See: Luhmann (1998) and Corsi et al. (1996).

9 According to Polanyi it means that the economy has historically been immersed in social relations. For further information see: Polanyi (1944).

10 See Hessling, A. (2006)

11 Second order cybernetics is conceived as the “reality construction of observing systems,” in which the observing systems are both an object and a subject (Moeller, 2006).

at market prices (first-order observations), currently the financial system observes the economic system's observations (hence the term: second-order observations). But, this can derive into a much more complex scenario if we take into consideration that financial observations respond many times to third, fourth, fifth-order observations, and so on. This partly explains the unlimited growth of transactions no longer bound to goods and traditional markets, but which have to do with the trading of financial assets.

In this context, terms such as "solidarity," "equality," or "justice" - whether within developed countries in the form of welfare politics or regarding the relation between developed and developing states in the form of international cooperation, humanitarian aid, or trade preferences - have become euphemisms. For, instead of tackling the prob-

lem of excluded human beings and the inherent hierarchy of the global economic and financial systems, such efforts function as temporary, patch-work relief, which implicitly accept the same fallacies that help to reproduce and validate the systems recursively and indefinitely. This is precisely what S. Latouche (2003) notes: "Fair trade" and "sustainable development" are nothing but oxymorons.

All the examples mentioned above derive from the formal description of economy. Traditional "Western" narratives of self-regulated markets and selfish individuals have had a profound impact on social systems throughout the rest of the world and still prevail in current education curricula and the mass media. However, it is important to remember what Moeller (2006) argues: "[P]resent systems are but transitory and temporary forms of life, consciousness and "communication".

## PART II: SUBSTANTIVE ECONOMIC OBSERVATIONS

As long as we continue to differentiate and thus define new boundaries to our systems, global society can grow in complexity and better adapt to new realities and observations. For, as Luhmann (1997) says: "only within its bound-

aries can a system operate, build up, change or forget structures." In this context, the current principles of economy need to urgently be revised.

The loophole in the economic system can be explained by 1) the *disem-*

*beddedness* of the economy from social and natural contexts and 2) the hyperbolic role of the market in contrast with the ever-minimizing role of other forms of economic activities, which Polanyi described as reciprocity (gift economy), redistribution (central economy), and householding (closed economy). Both the former and the latter can be understood by using the broader definition of economy: that in which human beings depend on nature and their fellow human beings to survive.

In this context, an alternative binary code is fundamental if we are to redefine a self-generating and self-referencing economic system that encompasses the holistic meaning of economy. I am observing present social systems through the Ecuadorian Constitution (2008) which uses a substantive economic approach. By expanding the notion of economy to persons, families, and groups who are not only driven by the formal economic motive of profit, but are mostly oriented socially, this Constitution unveils the former invisible elements of society.

In Article 283 from the Ecuadorian Constitution the economic system is described in this way:

The economic system is socially oriented and mutually supportive; it recognizes the human being as a subject and an end; it tends towards a dynamic, balanced relationship among society, State and the market, in harmony with nature; and its objective is to ensure the production and reproduction of the material and immaterial conditions that can bring about the *Buen Vivir*<sup>12</sup>.

If the Ecuadorian Constitution is seen through Luhmann's analytical lenses, it is necessary to acknowledge that private property and purchasing power can only be a part of the economic system's code, if they play a part at all. Certainly, the market constitutes a supporting tool for facilitating the exchange of goods and services; but economy entails other ways of social interaction. The Polanyian description, as previously mentioned, encompasses reciprocity, redistribution and householding apart from market.

One of the new binary codes suitable for the substantive economic approach is that of the gift economy

12 No precise definition of *Buen Vivir* has been given. It derives from the Kichwa language. "Sumak Kawsay" has been translated as "good way of living" or "living well;" however, the scope of the word "sumac" encompasses "the beautiful" and "the sublime" as well.

and the logic lying behind its set of laws: to exchange a gift and to exchange a counter-gift. This logic, according to Polanyi, balances itself out in the long term by the consideration that “today’s giving will be recompensed by tomorrow’s taking” (Polanyi, 1944). The means of “communication” for this type of economy are the communitarian or collective acts that take place in the context of a family, a neighborhood, a village, a country, or a group of countries. Moreover, given the blurry territorial boundaries that characterize global society, reciprocity can now transcend fixed spaces through, for example, virtual relations (e.g. contributions to the free software community) or migrant networks (whether by sending money to their home communities or families or by assisting other arriving migrants, who they may not even know).

A second binary code fit for the substantive economic approach is that of the redistributive economy: to share/not to share. Polanyi points out that a central organization is essential when it comes to redistribution. Currently, goods and services that are indispensable and useful for life can be conceived of as the means of “communication” for this type of economy, with the state as the institution in charge of the storage and redistribution practices addressed

to its members. One of the limitations of the state, however, is that since its creation, membership has been related to citizenship. The inclusion/exclusion dynamic today continues to depend on this determinant. Nevertheless, the ambiguous territorial boundaries - in terms of the movement of capital, goods, services, and even the control of land, as mentioned above - that have emerged from globalizing tendencies call for a different approach to distribution practices.

Finally, householding, the third way in which economy is *embedded* in society, consists of producing for one’s own use. It functions in the context of a closed group - for instance, a family, a settlement, or any other self-sufficient unit. The principle that drives householding responds to the aim of generating goods and storing them in order to satisfy the needs of the members of the group. No commercial motive is linked to this form of economic activity whatsoever. As with redistribution, the means of “communication” appropriate for householding are the goods and services that are indispensable and useful for life. As Polanyi (1944) points out, Aristotle makes a distinction between production for use - typical of the householding approach - and production for gain, which he describes as

something unnatural to man. He thus stresses the abnormality of the notion of an economic motive separated from social relations<sup>13</sup>.

### PART III: ENLARGING THE FIELD OF THE CREDIBLE EXPERIENCES

Nicholas Georgescu-Roegen introduced thermodynamics to the economic arena in 1979. By studying the first law of thermodynamics, Georgescu-Roegen came up with this very basic yet very much omitted principle: Man cannot create nor destroy matter or energy. From this starting premise, a question arises: "What, then does the economic process do?" According to mainstream observations about the economic system, human beings produce profits. Another question emerges in this context: "How is it possible for man to create something material if he cannot produce matter or energy?" From the point of view of physics, the material process can only do one thing and that is to consume matter and energy. It limits itself to absorbing matter and energy while continuously producing waste. In other words, that which

enters the economic process are valuable natural resources and that which is discarded from it is non-valuable waste.

The economic science however, as Georgescu-Roegen (1979) points out, has a mechanistic epistemology. Within such an epistemology, the system encloses itself and thus is able to *disembed* itself from the material and social environment. However, both nature and the symbolic dimensions of society play a fundamental role for the economic process as well as for the establishment of economic value.

The *disembeddedness* of the financial as well as the biological systems derives from a limited description of the economic domain. As Georgescu-Roegen (1979) argues, "economists have succumbed to the worst type of economic fetishism - the money fetishism". Consequently, they have overlooked

13 If we observe the current practices within international economic relations, when it comes to maintaining local agricultural production, most, if not all, developed countries use protective measures, thus leaping over the market principle to a logic of householding while remaining legitimate in the process. According to the Agricultural Market Information System (FAO, 2011), protectionism on agricultural products is not only higher than on non-agricultural products (by a factor of four), it is also much more volatile. The householding principle should be legitimate to all countries.

the entropic nature of the economic process: Natural resources are characterized by their low entropy, while wastes carry a very heavy load and high entropy. The correlation, in this context, is simple: The more developed an economy is the more waste it generates and, as a result, the shorter the life expectancy of the human species will be. The problem of the means of "communication" currently in use - money and financial assets - is that they try to "**commensurate incommensurabilities**" (Maurer, 2006).

One of the main problems, as Schumacher (1973) brilliantly points out, is that the formal conception of economy fails to distinguish between income and capital with regard to natural resources. As long as this very basic principle of the economic science is not changed, we will continue to live under the "illusion" of unlimited growth within a world composed of finite resources. How, then, is it possible that the world is going further into debt every year if we cannot borrow natural resources? The only possible answer, as Gilding (2012) puts it, is that either "we are burning through our capital or stealing from the future".

The end of visions of infinite growth is essential, for as long as we continue to look at the world as a series of individual and separated issues we will deny the essence of an integrated system. Perhaps, by looking at the current state of the world through Luhmann's lenses, we will see isolated "functional systems", which in some cases, as with the financial or biological systems, manage to decouple almost, if not completely, from the economy, just as the economy has decoupled from the social domain. We have achieved a level of operational closure such that statistics and economic calculus resulting from observations are not faithful to social and environmental concerns. The quantitative domain, represented by the market both in the form of money and financial assets, is not representative of the diversity of economic activities that exist in spite of their "concealed" status within the system.

The idea of a society dominated by market economy determines the way in which we observe the world. As J.K. Gibson-Graham (2004) have remarked in their paper "Surplus possibilities: postde-

14 J.K. Gibson-Graham (2004) quote Sousa Santos (2004) study on visions from the global south in which five monocultures are found: The monoculture of knowledge; the monoculture of linear time, the monoculture of classification; the monoculture of the universal and the global; and the monoculture of capitalist productivity and efficiency



velopment and community economies" we have become captive of various monocultures<sup>14</sup>. Part of the limitations that entail the acceptance of the formal meaning of the economy is that we have naturalized a perception of absences, especially in the developing countries: e.g. lack of infrastructure, lack of strong institutions, lack of skills and education, etc. By naturalizing this notion we have forgotten to think about the things that we actually have (our assets) and we have rendered invisible our diverse economies. A few examples of alternative economies can be: *mingas*; communitarian money lending networks; local barter systems; family care and housework, volunteering activities; reciprocal labor, amongst others.

All of these economic representations of the world are systematically being left behind despite the frequent powerful outcomes that derive from their implementation. This is why, it is important to create "conditions to enlarge the field of the credible experiences and widen the possibilities for social

experimentation" as J.K. Gibson-Graham point out while recalling Sousa Santo's work on the sociology of absences.

As Tullio Altan (1995) explains, the human experience is not limited to the dimension of the rational, that is, using the world for the purpose of biological survival. It encompasses, instead, other modes of experience, such as the aesthetic, the ethical, the religious, and the communitarian, which transcend the moment of practical use in order to become an end in and of themselves.

The symbolic experience belongs to a different and independent domain - that of the world of values in contrast with knowledge (typical of scientific rationality). This is why, it is a fallacy to think that the latter is more important than the former, for the coincidence between personal interests and social imperatives emerges through the embrace of a universal *ethos* lived as a value.<sup>15</sup> To reunite, therefore, the quantitative with the qualitative is imperative if we are to express society not as a symbol nor as a job but as shared physical life (Paz, 1988).

15 The feeling of belonging, of rights and duties, can be defined as a "civil religion," which is the way to live intensely through one's bonds (*religio* from *religare* to "bind fast") in an active society (Tullio Altan, 1995).



## CONCLUSION

"Within the frame of the possible,  
society needs a narrower frame of the permissible"  
(Luhmann, 1997)

Despite efforts, like that of the WTO, to disguise the current state of global affairs as a development project pregnant with future, as Luhmann (1997) points out, "the future remains future and can never become present". It is important to acknowledge the way in which "functional systems" have integrated or globalized society, but have also excluded in the process those who do not have the means to "communicate" within them through money, financial assets, power or others.

From the national sphere, via legislative transformations as that which occurred in Ecuador, to international domains, it is time to take into consideration a broader "sense" of the economy. It is time to redefine the boundaries that mark the functioning of social systems. Economy's "sense" transcends notions of property, purchasing power, money, and price. As human beings, we depend on nature and our fellow human beings to survive and transcend. Since, however, differentiation occurs in the course of the evolution of society and as a consequence of the creation and expansion of shared problems,

boundary-drawing operations constitute a constant challenge.

The accepted hierarchical structure that overlaps with the "functional approach" has been constructed upon multiple, pervasive, taken-for-granted descriptions of society. The existing order is but a result of a particular structure of belief, which consists of accepting others' truths upon which one can then build one's own reality. The only way to free ourselves from present conditions is by demystifying the functioning of formal economy and the assumptions upon which it is based.

Economy's "sense" within the frame of equally important "functional systems", is related to distribution, solidarity, and the ability to decide how to manage the resources, whether in the context of a family, a settlement, or global society. Unlike the notions of purchasing power and property typical of the formal economic outlook, the substantive economy accounts for more complex codes: the ability to share, distribute, and produce for one's own use. The same can be said about price. While price constitutes the commercial value of a good

or service, the broader concept of value entails the symbolic dimensions of human experience, which in many cases are incommensurable.

Communitarian acts (reciprocity), sharing practices (redistribution) and production for one's own use (householding) are social experiences in which money is substituted by the goods and services that are indispensable and useful for life as the means of "communication". The progressive acceptance of the use of these other forms of "communication" within the economic system is that which will enable it to grow in complexity.

The understanding and awareness of the dependence of the economic system on other systems is essential. It is time to *re-embed* the biological and financial spheres in the economic system by acknowledging that natural resources do not represent income, but constitute capital - that is, factors of production and reproduction, not only of wealth, but life itself - for human beings. More importantly, it is time to *re-embed* the economic system in society. Only in this way can value acquire its true multi-dimensional significance and reflect the plural values by which we live our lives in practice.

To render visible, to imagine and to enact diverse economies is essential if we are to construct an inclusive economic system capable of encompassing the substantive meaning of the economy. This is not a utopian project, but eminently possible, providing that more complex forms of understanding the world: human needs, the respect of nature, etc. are regarded as the ultimate referential pattern of social systems and the ground for their reproduction. Consequently, it is essential for us to change and upgrade our generalized symbolic means of "communication". This is at once part of the question and part of the response to how a system can transform its dominant form of differentiation. In sum, we need better informed and educated human beings who are capable of observing, describing, and thus producing different ways of living within an increasingly complex global system.

## REFERENCES

- Altan, T. (1995) *Ethnos e civiltà: Identità etniche e valori democratici*. Feltrinelli Editore Milano.
- Cordero, L. (2010) *Diccionario Quichua-Castellano/Castellano-Quichua*. Corporación Editora Nacional, Quito – Ecuador.
- Centre for Research and Globalization – CRG (2012): Financial implosion: Global Derivatives Market at \$1,200 trillion dollars. Twenty times the world economy [Online]. Available: <http://www.globalresearch.ca/financial-implosion-global-derivatives-market-at-1-200-trillion-dollars-20-times-the-world-economy/30944> [22 December 2013].
- Cornell Institute for Social Sciences (2013). [Online]. Available: <http://www.cornell-landproject.org>
- Corsi, G. et al. (1996) *Glosario sobre la teoría social de Niklas Luhmann*. Universidad Iberoamericana, México.
- Echeverría, B. (2002) *La clave barroca de América Latina*. [Online]. Available: <http://www.bolivare.unam.mx/ensayos/La%20clave%20barroca%20en%20America%20Latina.pdf> [10 March 2012].
- Georgescu-Roegen, N. (1979) *La Decroissance: Entropie - Écologie - Économie*. [Online]. Available: <http://home.scarlet.be/~mp060204/site/sources/La%20d%E9croissance%20-%20Nicholas%20Georgescu-Roetgen.pdf> [17 February 2012].
- Georgetown University Center for Latin American Studies (2011): *Constitution of 2008 Republic of Ecuador Political Database of the Americas*. [Online]. Available: <http://pdba.georgetown.edu/Constitutions/Ecuador/english08.html> [2 March 2012].
- Grain (2012) 'Grain releases data set with over 400 global land grabs'. [Online]. Available: <http://www.grain.org/article/entries/4479-grain-releases-data-set-with-over-400-global-land-grabs> [3 March 2012].
- Gilding, P. (2012): 'The Earth is Full'. [Online]. Available: [http://www.ted.com/talks/lang/en/paul\\_gilding\\_the\\_earth\\_is\\_full.html](http://www.ted.com/talks/lang/en/paul_gilding_the_earth_is_full.html) [15 April 2012].
- Hessling, A. (2006) The Global System of Finance: scanning Talcott Parsons and Niklas Luhmann for theoretical keystones. *American Journal of Economics and Sociology*. [Online]. Available: <http://www.jstor.org/discover/10.2307/27739557?uid=3737912&uid=2129&uid=2&uid=70&uid=4&sid=56118721233> [April 13, 2012].
- J.K. Gibson-Graham (2004): *Surplus Possibilities : Postdevelopment and*

- Community Economies. Singapore Journal of Tropical Geography.
- International Monetary Fund (2012): 'The IMF and Good Governance, Factsheet', (27 March 2012), [Online], Available: <http://www.imf.org/external/np/exr/facts/gov.htm> [27 April 2012].
- Izuzquiza, I. (1990) *La sociedad sin hombres. Niklas Luhmann o la Teoría como escándalo*. Anthropos, Editorial del Hombre, Barcelona, España.
- Kaufman, F. (2011) 'How Goldman Sachs Created the Food Crisis', *Foreign Policy*, April 27, [Online], Available: [http://www.foreignpolicy.com/articles/2011/04/27/how\\_goldman\\_sachs\\_created\\_the\\_food\\_crisis?page=0,0](http://www.foreignpolicy.com/articles/2011/04/27/how_goldman_sachs_created_the_food_crisis?page=0,0) [20 March 2012].
- Kugelmann, M. and Levenstein, Susan (2009) *Land grab The Race for the World's farmland*. Woodrow Wilson International Center for Scholars. [Online]. Available: <http://agro-growth-fund.com/sites/default/files/downloads/Land%20Grab%20-%20The%20Race%20for%20the%20World%27s%20Farmland.pdf> [12 March 2012].
- Latouche, S. (2003) *L'oxymore de l'économie solidaire*. Revue du MAUSS, n°21. [Online]. Available: <http://www.cairn.info/revue-du-mauss-2003-1-page-145.htm> [05 March 2012].
- Luhmann, N. (1997): *Globalization or World Society?: How to conceive of modern society*. International Review of Sociology Mar, Vol. 7 Issue 1, p. 67-79.
- Luhmann, N. (1994): *Teoría Política en el Estado de Bienestar*. Alianza Editorial S.A. Madrid.
- Luhmann, N. (1998) *Sistemas Sociales, Lineamientos para una teoría general*. Anthropos Editorial.
- Maturana, H. and Varela, F. (1984) *El árbol del conocimiento. Bases biológicas del entendimiento humano*. Editorial Universitaria S.A. Santiago de Chile.
- Maurer, B. (2006) The Anthropology of Money, *Annual Review of Anthropology*, p.15-36.
- Moeller, H. (2006): *Luhmann explained – From Souls to Systems*. Open Court – Chicago and La Salle, Illinois.
- Paz, O. (1988) *El Uso y la Contemplación*. Revista de Camacol v.11, p. 120-125.
- Polanyi, K. (1944) *La Gran Transformación*. Ediciones la Piqueta [Online]. Available: <http://uncharted.org/frown-land/books/Polanyi/POLANYI%20KARL%20-%20The%20Great%20Transformation%20-%20v.1.0.html> [20 February 2012].
- Polanyi, K. (1980) *Nuestra obsoleta mentalidad de mercado*. [Online]. Available: <http://www.revistas.unal.edu.co/index.php/ceconomia/article/view/14295> [4 March 2012].

- Prieto, C. (1996) Karl Polanyi: crítica del mercado, crítica de la economía. *Política y Sociedad*, 21. Madrid, p.23-34.
- Real Academia de la Lengua Española (2012), Madrid. [Online]. Available: <http://www.rae.es/rae.html> [25 March 2012].
- The Economist (2009): 'Buying farmland abroad: Outsourcing's third wave'. (May 21<sup>st</sup> 2009) [Online]. Available: <http://www.economist.com/node/13692889> [26 February 2012].
- Schumacher E.F. (1973): 'Small is beautiful. Economics as if people mattered'. Harper Perennial.
- World Trade Organization (2011): National Workshop on Agriculture. Quito – Ecuador, Nov. 30 and Dic. 1<sup>st</sup>