

# **Lecture by Thomas Marmefelt, Workshop 18 October 2005: Economic Transition, Civil Society, and Cultural Foundations of Innovation**

Thomas Marmefelt, economist and historian, is assistant professor of economics at the University of Södertörn, after having taught at Jönköping International Business School and Gävle University. He did his undergraduate studies at the University of Gothenburg, where he graduated in the social sciences, and Augsburg College, Minneapolis. His graduate studies include economics, history and international relations. He received a Diploma in International Studies at The Johns Hopkins University School of Advanced International Studies, Bologna and a Master of Arts in history at The Johns Hopkins University School of Arts and Sciences, Baltimore, before doing his graduate studies in economics at the University of Lund, Ecole des Hautes Etudes en Sciences Sociales, Paris, and Jönköping International Business School, where he obtained his doctorate in economics.

## **Abstract**

### **Economic Transition, Civil Society, and Cultural Foundations of Innovation**

In a free society, learning will be sufficient to overcome short-run resource shortages through innovation. Economic transition to free societies with a market order and democratic capitalism, and the potential for economic integration between emerging market economies and market economies highlight the importance of moral culture, which is provided by civil society. Integrative structures are spontaneously organized within the civil society that provides the foundation of a market order and democratic capitalism through a moral culture that generates mutual trust. This culture shapes the social order of innovation, which in turn shapes the way by which individual entrepreneurs working within that order make their entrepreneurial judgments about various innovation projects. The social order of innovation evolves spontaneously as entrepreneurs interact with banker-capitalists, co-workers, and government policy makers, thus shaping the complex capital combinations of physical, human, and social capital entrepreneurs create in order to innovate.

The capital combinations make up the capital structure of the economy, whose sustainability depends on cultural norms and the monetary regime, whose meaning culture provides. Calculation is culturally shaped "readings" of profit opportunities, while sound money gives reliable price signals. The Baltic Sea Area may facilitate learning as a source of economic progress, especially for the smaller Baltic (Estonia, Latvia, and Lithuania) and Nordic (Denmark, Finland, Norway, and Sweden) member countries, based upon a common morality of markets. The emerging market

economy Lithuania and the market economy Sweden are both small, independent states in the Baltic Sea Area, whose economic integration will facilitate learning when a common culture of reciprocal sympathy sustains voluntary exchange throughout that area. Moral and religious ideas, as reflected in human values and beliefs, give meaning to esteem that shapes norms through indirect utilitarian selection. When these ideas give a disposition for cooperation in both countries, a Baltic-Nordic learning network may evolve. Moral culture contributes to integrative structures that are a prerequisite for economic integration between market economies and emerging market economies within a Baltic-Nordic learning network.