

HUMANIZING THE ECONOMY : ON THE RELATIONSHIP BETWEEN THE ETHICS OF HUMAN RIGHTS AND ECONOMIC DISCOURSE

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1 - Introduction and motivation

We live in a time in which a growing number of social scientists and philosophers-theologians are discussing, with growing frequency, themes of common interest, advancing new avenues of research and proposing new grounds for debate. This renewed interest comes after several decades during which the two scientific areas, once quite close to each other, developed in substantial isolation from each other. It cannot be denied that for many scholars this separation remains unbridged. Many philosophers-theologians, on one side, and social scientists, on the other side, still maintain that to take under serious consideration the categories of thought employed in the other discipline is either lowering their professional status or, at best, irrelevant. On the other hand, it is a fact that to-day more and more scholars, among those who show an interest in probing the temper of their research, find it useful and inspiring to try to overcome that separation.

It is precisely within such a framework - which resembles a sort of intellectual migration - that the question of the relationship between the ethics of human right (EHR) and economics as a scientific discourse can be dealt with. Indeed, what kind of relationship is there between EHR and economics ? Which problems arise by way of closer collaboration between them ? Ignoring the multiplicity of individual answers, these can be grouped in two main sets. On the one hand, there are those who claim that EHR should act as a matrix within which economics takes shape as scientific discourse and draws strength for its theories. On the other hand, there is the position of those - nowadays the majority - who believe that all EHR can, and hence ought to offer the economist, is a twofold support: to suggest selection criteria for prioritising economic problems; or to provide guidelines for the practical utilization of the results obtained by the economist. However, during the process of production of economic knowledge the horizon offered by EHR is next to irrelevant, indeed it is jealously kept apart. An example may help to clarify the point: EHR may suggest that searching into the unemployment question should be a priority in the economist's agenda; or it may advise on how to distribute fairly among its citizens the income produced in a country. How one arrives at a specific theory of the labour market or how one is capable of explaining the level of income produced by a certain economy is totally unconcerned with the value options stemming from EHR.

It seems to me that both positions are aporetic and therefore unacceptable, if on different grounds. The first one, because it would disclaim the autonomy of economic science. As within economics the well-known avaluativity thesis - according to which science has to be value-neutral - was asserting itself, a trend was gaining ground to consider knowledge produced by economic thinking as devoid of any practical leading function. Economic science - the argument goes - does not accompany nor does it guide decision-makers' actions, whatever they may be, but rather, it sees and foresees human actions just as the physicist anticipates nature's motions. The acceptance of the avaluativity character as borderline to scientific learning, once combined with the concept that only the latter can be considered as rigorously rational, led to assume avaluativity as a feature essentially inherent in economic reasoning. This is equivalent to saying that for an economist to be a scientist he cannot commit himself to judgments of value. Ends and dispositions are declared irrelevant to scientific reason, which has nothing to say about them; hence the spreading of relativistic - not to say sceptical - attitudes among economists, even among those who declare themselves believers.

The uneasy position produced by this lack of orientation is obvious to many modern scholars. This is especially true of those economists who are wont to question the scientific status of their own discipline, as is not unusual today. If we construe economics as one - certainly not the only one - way to improve our understanding of the social world and to help to improve certain social structures (for example, the welfare system), the economist cannot self-limit his/her action range to efficiency issues. Above all, he/she cannot pretend to ignore that the wider the magnitude of decisions to be made, the more urgent the need to clarify the criteria which underlie decision-making. "Even though he is aware of all this - writes Jonas - the economic specialist still feels compelled to deny his science the status to supply those selection criteria, hence the authority to say "yes" or "no" to any proposed objective with the obvious exception of decisions merely concerning feasibility. Furthermore, if asked whether economic knowledge should be judge or a mere performer of its ends, the purist replies by choosing the latter. Such is the reply of scientific asceticism that he/she abides by in the name of economics' scientific purity."⁽¹⁾ Yet we know today that values and scientific enquiry do not necessarily have to clash, as Pascal in modern times bravely maintained.

The extent to which this "scientific asceticism" is harming the comprehension of the problems of a post-industrial society and how far it contributed to making EHR a sort of pure ethical code of conduct is manifest to all. To me, EHR's proper contribution to a transdisciplinary methodology in the realm of social science is to be found in the offering of a hermeneutical horizon promoting a change of those categories of thought that are the basis of economic discourse.

Needless to say, any attempt to restore within economic discourse the perspective of EHR is sure to be well received, at least not opposed, by the profession, more specifically by avowed non-believers, provided one can prove that such retrieval, while taking place in full compliance with the canons of scientific practice, will be of help in correcting some aporias and filling gaps in the discipline. In other words, one needs to be able to prove that the introduction of EHR categories into the developing process of economic thinking

can widen, not restrict, the cognitive range of economic science, thus enabling it to firm up its grip on reality. My point, then, is that the most significant contribution that such an attempt can nowadays offer for a reconceptualization of economic discourse lies in its capability to answer the following question: is it possible to humanize the economy and, if so, how can this be achieved? Given the present historical circumstance in which the only existing economic model is the market economy - neither command economy nor the celebrated mixed economy representing any longer credible alternatives - the question could also be rendered as follows: is it possible to humanize the market, that is, is it possible to figure out a model of market capable of tentatively including *all* human beings and of estimating *all of* the human person in his/her multifaceted dimensions?

The pages that follow, presenting a twofold argument, should be read against this background. The first one is to provide a criticism – however concise – of that unique thought that is the "one best way". It should be noted that this kind of criticism is all the more necessary if we bear in mind the tendency, which we observe in reality, to derive a "unique policy" from that unique thought. The second task is to produce arguments supporting the thesis that it is possible to generate a consensus about the proposal of civil economy as a viable path towards humanizing the market. The format I am adopting here aims at warding off the risk of remaining, on one side, above reality through utopia, and on the other side, beneath reality through resignation.

2 - On the unique thought of the "one best way"

The unique thought of the now so fashionable "one best way" suggests with unrelenting persistence, and thus leads us to believe, the following representation of our market society.(2) The market is a contextualized institution resting on a clearly defined structure of accepted norms. It is obvious that legal norms cannot completely steer economic decisions, nor do they alone suffice to regulate entirely economic interaction. Within the existing framework of norms, culture and competition - "the two determining agencies in market economies", to use J. S. Mill's words,(3) - will then answer the call. The specific significance of these two agencies is clearly not the same in the various historical phases: in traditional societies (pre-capitalistic ones) culture, viewed here as a body of social norms and conventions, is the driving agency; in modern societies instead the drive of competition prevails insofar as such forces progressively erode those spaces of economic activity which rest upon social norms and conventions. An implication of such a vision is that in time the sphere of economic relations is going to be almost totally ruled by the forces of competition alone, which is tantamount to saying that the modern age viewed as a phase in the cultural evolution process inexorably tends to replace interpersonal relations with anonymous and impersonal market laws.

Of course, even advocates of the "one best way" have to admit that such a substitution will never be a total one. "Culture" can at no time be completely replaced by "competition" for the obvious reason that there shall always be spaces of economic activity in which the ruling principle of the exchange of equivalents is not going to apply. As we well know, this is the principle ruling familiar market transactions as they are described in economic textbooks. Even the most modern market society will include a

sphere of economic relations which, whether or not they transit through the market, will be governed by social conventions and rules. This is the sphere of activities making up the nonprofit or third sector. It should be observed however that this has to remain a residual sphere of relations with limited quantitative impact and in any case such that it should in no way impair the operational logic of competition : precisely, a third sector. So much so that serious problems arise as soon as non profit activities exceed a determined dimension, thus leaving the niche within which they could enjoy full legitimacy. With regard to this, the situation of the USA is illuminating. In that country a subtle reaction has been going on for some years, aimed at delegitimizing non-profit organizations. At the moment this action is pursued chiefly at the academic-scientific level (there are several working papers allegedly evidencing that the management by non-profit organizations of hospitals or welfare institutions is socially inefficient). One first sign at political level has, however, already been perceived: the Istook Amendment at the 104th USA Congress in November 1998 suggested the cancellation of all fiscal benefits accruing to some specific non profit organizations. (The bill presented by Republican Senator Istook eventually failed to pass by a few votes).(4)

This dichotomous portrayal of the reality of market societies generates a twofold disastrous consequence. From the viewpoint of the division of labour among disciplines, in the course of the last century the separation has been crystallizing between economics as the science which deals only with the sphere of economic facts and has *homo oeconomicus* as its specific mode of explanation, and sociology as the science dealing only with social facts, with *homo sociologicus* as its explanatory paradigm. The result thereof is that these disciplines, which should and could be complementary, ended up by each acquiring a specific identity precisely due to the assumption of such division.

The second, assuredly more significant consequence has been the emergence of a line of thinking which identifies the market as the idealtypical place in which subjects are prompted to act *only* out of self-interest, whatever the latter may be - whether selfish or apparently unselfish. Indeed, in the wake of the theory of Gary Becker, cofounder of the Chicago School and Nobel Prize laureate for economics, altruism is nothing but disguised selfishness or at best enlightened egoism - exactly as in Nietzsche's lapidary and cynical statement "your neighbour praises the absence of selfishness because he benefits from it". Thus the conviction has been gaining strength that the only judgement of value the market can sustain is that of efficiency, conceived as the appraisal of the adequacy of means in view of the maximum (possible) achievement of the interests of the participants in the market game. It is easy to explain why this could happen. If the only motivation leading individuals to operate in the market is the pursuit of self-interest, it is obvious that the only possible assessment of market outcomes is whether or not the latter are the best in relation to the initially available resources. To entrust the market process with other ends, for example economic justice, is unthinkable. The market cannot, hence should not, be charged with such ends.

As the supporters themselves of this line of thinking admit, there are other values that the market as institution has to take into account, but they stand, so-to-say, at the beginning and relate to the basic conditions for the market to come into being and regularly operate.

Think of values such as freedom, honesty and trust. One does, indeed, recognize that these values are necessary for a efficient market performance: in fact, it would not even exist without freedom of enterprise or without freedom to enter exchange relations. Likewise, if economic agents do not meet their obligations, do not comply with the law in force, and, above all, if no close-knit network of trust relations is established, the market cannot possibly operate. However, according to mainstream, economic thinking all of this should be in existence before market operations begin. In any case, it is not the market's task to provide it; it is, rather, the task of the civil society and /or of the State.

Needless to say, the unique thought of the "one best way" is not even touched on by the doubt that results produced by the market process might eventually erode that core of values upon which it rests and without which any market economy would be extremely shortlived. If, for example, market outcomes do not comply with some standard of distributive justice, how can one assume that the values of honesty and trust will continue to support the market itself? St. Augustin provides a cogent answer of extraordinary freshness when he writes "What is a community of citizens other than a multitude of people bound to one another by the tie of concord? In the State, what musicians call harmony is concord: civic concord cannot exist without justice" (*Civ. Dei*, 2, 21). Indeed, why should economic agents trust one another and meet their obligations if there is a perception or even full awareness that the outcome of the market process is plainly unjust ?

The line of thought I am here sketching obviously cannot wholly disclaim the significance of questions like the ones I have been raising and which could be reformulated as follows: what becomes of the interests or fate of those who, for one reason or another, fail to participate in the market game or are turned out of it as losers or because they lagged too far behind the winners? The answer which is provided is the State, an institution which is legitimized to intervene directly in the economic sphere each time this is necessary in order to cancel or to compensate socially disastrous consequences associated to the market functioning. In this way, however, the gap between the sphere of efficiency judgements and the sphere of value judgements widens instead of narrowing. In the first place, because this vision strengthens the belief that market is an allocative mechanism which can function *in vacuo*, regardless of the kind of society in which it is embedded, which means that the market is visualized as an ethically neutral mechanism whose results can be corrected by the State whenever they appear unacceptable by some standard of justice. In the second place, because it substantiates the idea that the market area coincides with the one in which only individual interests are protected, and the State area as the one in which collective interests are protected. Hence the well-known dichotomous social order that identifies the State as the forum of public interests (i.e., of solidarity) and the market as the forum of privatism (that is, as the arena in which only individual purposes are pursued). It is the "public", *viz.* the State that has to take care of solidarity by means of redistribution (the "rich" are taxed and the receipts are redistributed to the "poor"). The "private", i.e. the market, should take care of efficiency, *viz.* of the optimal production of wealth and of philanthropy or "charity" at the most.

3 - The undefendable thesis of the "one best way"

What does not stand scrutiny in the description of market societies as outlined above, a description apparently so convincing and widespread in popular culture as to make it seem impregnable, almost a truth to be received without criticism ?

In the first place, such a representation is misleading because law, culture and competition are not alternative instruments to solve the problems of social order, more specifically those connected with the coordination of economic decisions. These instruments are instead complementary, for the basic reason that, if market transactions rely upon social and legal norms prevailing at a given time, it is likewise true that the economic process itself tends to modify such norms. In other words, there is a substantial *co-evolution* between norms and economic behaviours. Therefore, the distinction between the paradigms of *homo oeconomicus* and of *homo sociologicus* is after all not so reliable as we were always made to believe. In fact, it is true that the more recent theory of evolutionary games has attempted to explain the outcomes of (social and legal) norms by viewing them as *routines* that are adopted since they appear as the winners, in competitive terms, in the solution of both coordination and bargaining problems. Along this line, such theory has pretended to demonstrate that any social relation can be examined essentially as an exchange relation, and therefore the problem of a social theory would simply reduce to a problem of exchange. It follows that what at a first glance may seem to be a *rule-following* behaviour, turns out to be a typical problem of rational choice in only slightly more complex contexts, which is tantamount to saying that every *homo sociologicus* ultimately harbours an ever-busy *homunculus oeconomicus*.

This instrumentalist conception of social and legal norms is unacceptable on two different grounds. On the one hand, it may account at most for coordination problems such as "why one travels on the right hand side of the street", but fails to explain why even in total absence of sanctions some people will conform to very demanding rules, or why there are people who donate anonymously or offer very active service on a purely volunteer basis, and so forth. On the other hand, because the instrumentalist conception of norms may be fine as long as we investigate *how* one chooses, but when it comes to explaining *why* one does, it is impossible to assume that values are just a datum of the problem. As adroitly pointed out by Becattini, in economic discourse there seems to be a predominance of studies assuming that "some of the most intrinsically human peculiarities of the economic agent such as his notions of justice, honour, loyalty and also his vaguest hopes and illusions [are] pre-economic data, or 'accidental deviations from the rational norm' which reciprocally compensate within the vast body of data."(5)

Secondly, it is not true that maximum extension of the market area improves everybody's wellbeing. The aphorism according to which "a rising tide raises all boats" is not true. As we know, this is the most favourite metaphor with the recent liberal-individualistic formulation according to which, the wellbeing of people being a function of economic prosperity which in turn is linked to the spread of market relations, the actual priority of political action should be an effort to ensure all those conditions (fiscal, public administration, optimum allocation of property rights and so on) which foster a flourishing of markets. In that vision, the welfare state which redistributes, via taxation, wealth while keeping itself outside the wealth-producing mechanism, hampers economic

growth, all the more so when it is greedy (causing major distorting effects in the market) and when its instruments are submitted to political uses, thus jeopardizing normal democratic dialectics. Hence the recommendation that the welfare system should take care solely of those whom the market contest leaves on the fringes of society. The others, those who manage to stay inside the virtuous circle of economic growth, will take care of their own protection by availing themselves of the numerous solutions offered by private insurance schemes.

Where is the weak point in such argument ? It is to be found in the simple reason that the prerequisite of equal opportunities for all is one that must apply throughout the life-span of citizens and not just *una tantum*, the moment they enter the economic arena. To put it another way, for all participants to enjoy actual conditions of freedom it is not sufficient to ensure equal opportunities at the start of the economic race. The market contest is indeed quite different from a sports contest. In the latter, the most gifted or capable wins the prize but this in no way confers upon him the possibility of, or bestows upon him, the right to start the next run from a vantage point: all, with no exception, compete under the same conditions, at any stage or tier of the game. Not so in market contests, where the winner of the first stage is quite often able to bend to his advantage, in an endogenous way, the rules of the game. (Economic history is rich in examples of this kind. We need but to recollect how monopolies and oligopolies developed in the course of time). Furthermore, the really alarming news about the *new economy* age - the economy of knowledge and information - is the appearance of a new kind of competition : *positional* competition as it was called by the late Fred Hirsch. The central feature of positional competition is the generation of "winner-take-all" outcomes, the so-called "superstar effect", as the American economist Shermin Rose called it. It is easy to see that in presence of positional competition equating across individuals initial opportunities are of little or no avail.

The results are there for everybody to see: never to the same extent as in the last two decades has one witnessed such an outburst of social inequalities, both horizontal (among different social groups) and vertical ones (among one subject and another), at the same time as the world's wealth has been growing at a pace never seen before. This is the great aporia of the present model of development : extraordinary economic growth (in the sense of sustained increases of wealth) and civil progress (in the sense of wider and wider spaces of freedom for people) are unable to keep the same pace. (6) It is therefore easy to understand why, under such circumstances, an increased affluence does not go hand in hand with greater public happiness. Indeed, limiting or even destroying the ability to partake in the economic game for those subjects which, for some reason, are left on the market borders, while it adds nothing to the capabilities of the winners, it produces a rationing of freedom, which is always detrimental to happiness.

In the third place, it is not true that the market is an institution compatible only with the egocentric motivations of its agents. It is not true that market competition is generated *solely* by the self-interest of economic actors. This is not only factually untrue, as even casual observation will confirm, it is also theoretically reductive; and there is more to it. The well-known interpretation of the market by Nobel Prize Ronald Coase according to

which the market is a more than perfect substitute for the Smithian benevolence - in the sense that, reaching farther than benevolence ever would, the market will achieve much more than the latter does – is on close scrutiny untenable. Briefly, the reason is the following. While acknowledging that in order to function the market implies the practice of benevolence and compliance with the code of commercial morality by all agents, Coase claims that market outcomes depend only on the self-centered interest of participants. Which is tantamount to saying that in order to exist and perform well, the market needs certain virtues to be practised by economic agents, but such practices have no bearing on the outcomes themselves of the market process because outcomes ignore those practices altogether: a patent paradox. Why ever should rational subjects practise virtues like benevolence or sympathy if the effects of market interaction were totally independent of such virtues? (One should remember that, unlike what happens with a scarce resource, the use of a virtue accumulates it, and viceversa).

It is true instead, that given certain conditions which I will elucidate in paragraph 5, the market can become a means to strengthen the social bond, both by promoting wealth-distribution policies that make use of its mechanisms (instead of operating outside of it as is the case with redistribution carried out by the State), and by providing an economic space in which those values such as trust and solidarity upon whose existence the market itself depends, can be put into practice and therefore reproduced. In other words, this means to assert that there exists a variety of models of market societies, each of them compatible with one specific culture – seen as a body of values shared by agents. And it also means that the problem of the choice of the market model (or of the way leading to one specific market model) is as (maybe even more), interesting and noble for organized civil society as the search for efficiency conditions of a given market model, in its turn an expression of one *given* culture.(7)

4 - The limits of the liberal-individualistic doctrine of rights

Before I proceed, I find it proper to address the following question: what explains the centrality within economic theory of the thesis of the "naturalness and inevitableness" of the "motivational supremacy" of what P. Wicksteed called non-tuistic self-interest, and therefore of the market as the forum of privatism? In order to answer, I must take up a position relating to the contemporary predominant version of liberal thought, the liberal-individualistic one. Liberalism is today the prevailing current in western political and economic thought. Origins, historical development and promises of this fundamental tradition of our cultural heritage are well known to all. Yet precisely this hegemonic position puts before liberal thought an unavoidable challenge, that of thoroughly clarifying the economic and social implications descending from its individualistic version, according to which the conception of right can be seen as independent of the relations linking human beings to one another. By denying the cogency of the notion of common good and by visualizing civil society simply as the sum of monad-individuals, this version proves incapable of accounting for the social character of rights, especially of those pertaining to the economic domain, and in so doing one cannot see how such version can be made compatible with Catholic Social Thinking.

In fact, according to liberal-individualism, a right cannot be fully made use of unless the subject involved is capable of negotiating his own interests with other subjects. As neocontractualistic literature clearly shows, a peculiarity of people participating from the very beginning, in the social covenant, is their ability to pursue their own interests by unrestricted negotiations. Now it is certainly true that if contracting parties are somehow equal in their negotiating potential, the most efficient way for them to reach their goals is to be left free to negotiate with one another. But what about those who do not possess the same skills? As we know, the liberal-individualistic response is that they can be "represented", that is, their interests can be represented by some gifted subject during the negotiating process that brings the social contract into being. Summing up, an agent may be left out of the social contract if she lacks negotiating abilities or if no one accepts to represent her. This means that a subject is the holder of rights only as long as he is capable of pursuing his targets, directly or indirectly, as contracting party in some social pact.

As G. Grant subtly observes, the majority obtains equality in the distribution of social benefits as a result of having agreed to a social pact; notwithstanding this, such equality "will exclude liberal justice from those who are too weak to enforce contracts – the imprisoned, the mentally unstable, the unborn, the aged, the defeated and sometimes even the morally unbecoming".⁽⁸⁾ What I wish to stress here is that in spite of the due emphasis laid on the category of rights by the individualistic version of liberal thought, its bare rendering of what it means to be a person deprives the concept itself of any practical significance, at the same time as it removes any justification of the acknowledgement of the moral rights of people.

This difficulty survives even in the re-thinking of liberalism as offered by John Rawls in his celebrated 1971 work. As we know, Rawls argues that the constituents (those who choose the principle of justice in an original position and behind the veil of ignorance) are certainly rational, free and equal beings (here emerges the evident Kantian inspiration), yet they are rational only insofar as they are in a position to choose the principles of justice from behind the veil of ignorance and on the basis of self-interest. On close examination, the weakest side to the neo-contractualist theory is precisely its limited range of applicability. The persuasive force (in both moral and economic sense) of liberal-individualism is largely due to its affinities with the contract in the domain of positive right. In the latter context, the agreement between parties is evidence that what the parties consider to be their interest, represents the definition of what is just and - as long as one is prepared to accept the principle of the sovereignty of individual preferences - even of what is good. Undeniably, such an argument possesses very interesting peculiarities while exerting great intellectual appeal. On close examination however, it will appear to be somewhat thin.

First of all, the contract traditionally governs relations of exchange of equivalents. Now, if no one can ever doubt the relevance of exchange relations, especially in an age, like ours, characterized by globalization, it is likewise true that they do not exhaust the wide range of relations among subjects. One has but to think of pure conflict relations such as the ones related to problems of distributive justice; or of coordination relations, namely

those from which social conventions and norms develop. The pretension to examine similar relations under the species of the contract would not only impair our comprehension of how a democratic social order can be achieved, but it would also raise a moral question of great momentum. In fact, if agreement among the parties were to be the fundamental criterion of what is just, or even of what is good, indeed not a few daily-life situations would completely escape moral control. As in the celebrated case of the prisoner's dilemma, we may well agree upon something considered evil by any moral theory other than the one that defines what is right or good in terms of what is susceptible of agreement.

After all the point I raise here is that a satisfactory theory of rights can but acknowledge the social quality of rights. It follows that the individualistic theory of rights that claims to assimilate the attribution of rights to the process by which individuals pursue their targets, is inadequate because its vision of the concept of person denies precisely what is essential to a person: interaction with others and the relationship to others as a value *per se*. So much so that, within the perspective in question, market coordination of given individual preferences is seen as an essentially amoral process, even though some subjects, endowed with lesser negotiating power, may be to some extent left out of the benefits of this process.(9) To quote but one example, let us think of what actually happens when contracts are incomplete, i.e. when their enforcement entails recourse to endogenous strategies such that the positions of power initially enjoyed by some subjects enable them to modify to their advantage the rules of the game. Actually in such cases, which are becoming more and more frequent, the market ceases to operate as a mechanism merely allocating resources, to be turned into a power-regulating mechanism.

In view of all this, how can one imagine (or hope) that asocial individuals will ever accept to conform to the rules of some kind of social order? The liberal-individualistic answer is that the market can aggregate individual preferences in an agnostic way, i.e. independently of any specific notion of common good. Yet we know this to be true only in presence of considerable homogeneity in individuals' preferential orderings, as K. Arrow demonstrated long ago in his famous impossibility theorem in social choice. This is tantamount to saying that market as an institution cannot reconcile "basic conflicts"; it is not capable of leading to any kind of social order starting from the mere consideration of individual preferences (or tastes). It should be remarked that the difficulty in settling "basic conflicts" is not to be found in the market as such – this was the mistake of a large portion of Marxism that engendered the belief that the abolition of the market would suffice to attain a superior social order. That difficulty instead lies in the pretension to base a cooperative decision process - like the market - simply by aggregating individualistic preferences through procedures and incentive schemes of an extrinsic nature.

The argument above can be summed up by saying that the individualistic version of liberalism entails a juxtaposition of what one may call libertarian individualism and institutional guarantism. On the one hand, extreme intransigence is advocated for public morality (it is not sufficient to abide by the laws of economic life, it is also required to

subscribe to the principle of the the supremacy of what is just over what is good, just as J. Rawls did in his celebrated A Theory of Justice). On the other hand, one advocates the maximum subjectivism within the private sphere, that is to say, as far as individual preferences are concerned. This is the very root of the problem of mutual compatibility plaguing that version: how can the concept of arbitrarily individualistic preferences, *per se* unrelated to the relational dimension, conciliate with the idea that society's institutional structure should offer guarantees for such preferences to be satisfied ? How can one expect individualistic preferences to receive "protection" at social level ?

All things considered, the ultimate difficulty posed by the liberal-individualistic set-up is too narrow a concept of freedom: freedom merely as self-determination, as mere opportunity for free choice (*free to choose* is Milton Friedman's vivid expression). One cannot deny that the essence of freedom lies in the actual practice of that power represented by the act of choosing. However, as M. Botturi indicates,(10) the subject does not only have the *power* to choose, it also *needs* to choose. Choosing is a function of needs not to be neglected and which must be met. Actual economic subjects do not choose just for the sake of doing so, but in order to reach profitable goals. It is a fallacy to believe that flesh-and-bone persons may find satisfaction in self-determination alone. Indeed, freedom is not just an opportunity to choose, it is also the ability to do so, it is *self-realization*. This implies that self-determination is to serve the attainment of those objectives which the subject considers worthy, - in one word, happiness-bringing. As A. Sen and others have recently clarified, rational choice is a function of the agent's realization. Freedom here has a positive sense as in I. Berlin, and positive freedom is not such unless it entails the relationship to the other. Not only does freedom as self-realization have to take into account the other's freedom (as the liberal-individualistic thought also recognizes), but it has a deep, vital need for the other. It is the relation *with* the other which is crucial to freedom, not the relation *to* others *per se*. As it was well expressed by authors participating in *Controversy* about "Economy and happiness" in the 1997 issue of *Economic Journal*, happiness is the central issue in economic science, more so than utility. "Economic matters are of interest only insofar as they make people happy" (Oswald, 1997, p. 1815). But happiness is a relational concept, unlike utility which is an individualistic concept. Robinson Crusoe may maximize his own utility, by himself, but for him to be happy there must be Friday.

A remarkable foretaste of the idea that there is no happiness outside of life within society is found in Antonio Genovesi. In his *Discourse about the true purpose of letters and sciences* (1754) - a true manifesto of Neapolitan Enlightenment - Genovesi wonders why Naples, albeit well inhabited, well placed for trade, well gifted with bright minds and rich talents, and so on, is not so developed a nation as others in Northern Europe. Genovesi's prompt answer is that Naples lacks "love for the public good". He actually writes: "The primary support of civil society, the most important of all, is love for the public good, which can preserve these societies in the same way that it made them. Societies where private interest reigns and prevails, where none of their members is touched by love of the public good, not only cannot reach wealth and power, but also if they have already reached them, are unable to maintain this position".(11)

Finally, while liberal-individualism proves its inability to embody the perspective of EHR, this is not the case with liberal-personalism as a doctrine which adopts the intrinsic value of the human person as the objective basis for the attribution of rights.(12)

5 - Civil economy as a way to humanize the market

One wonders : given today's situation, is it reasonable to expect the fulfilment of a humane model of market economy? Close observation tells us that this question involves the dimension of freedom, viewed however not simply as self-determination, but above all as personal realization in the sense explained above. In this second, wider-ranging meaning, a free society presents features quite similar to those of the decent society mentioned by Margalit.(13) Society is decent when its institutions do not humiliate its members, which is the case when it grants benefits and services to its citizens but at the same time denies them their dignity, which is precisely what happens when their "preferences" are rejected or their opinions neglected. It is well-known that today the most devastating humiliation, hence hindrance to self-realization, is economic irrelevance. Feeling useless (we are thinking of *lift boys* or of the holders of "socially useful jobs") is even more mortifying than feeling exploited, also because the awareness of exploitation almost invariably generates some kind of reaction among the exploited, hence a structural change, whereas humiliation produces resignation, thus perpetuating the status quo. This is why a free society is one which aims at acknowledging in each person the ability to act, not just to do. (*Agere* is altogether different from *facere*, as K. Wojtyła convincingly stressed in our times in his *The acting person*). For this reason it is important to recognize each person's right to act, as Aquinas noted already in his time.

Well, a positive answer to the question that opens this paragraph presupposes the fulfilment of one specific condition : the creation *inside* the market (not outside it), until the critical threshold has been reached, of an economic space composed by subjects (such as those I will mention shortly) modus operandi is based on a value system which is being nurtured by the realization of economic activities themselves. Since participation in these activities cannot be severed from its originating culture, it belongs to that principle of economic behaviour which is called reciprocity. Unfortunately, the principle of reciprocity is often mistaken for that of the exchange of equivalents, so much so that it is opposed to the principle of gratuity or gift. Elsewhere,(13) I have dwelt upon a description of the essential differences between the principle of the exchange of equivalents underlying the sphere of private economy, and the principle of reciprocity underlying the sphere of civil economy. I will just highlight the main feature of reciprocity, namely the fact that the transfers it originates are inseparable from human relations: the objects of transactions cannot be separated from the identity of those who originated them. Because of this, exchange ceases to be anonymous and impersonal. Literature offers evidence that in a reciprocity equilibrium it is possible to give without losing and to take without removing. This is, essentially, the meaning of the civil economy project. (The expression "civil economy" first appeared in the political

economy vocabulary in 1753, when the University of Naples established the first-ever chair in economics, appointing Antonio Genovesi to hold it).

To avoid any misunderstanding let me make it clear that I have no intention of maintaining that human behaviour is steered solely by intrinsic reasons (such are the motives descending from the moral constitution of agents). I simply mean that such motives *contribute* towards explaining human behaviour and, more specifically, that they are an essential item in the definition of its rational norms. Even less do I want to assert the possibility of governing a modern economy by the sole principle of reciprocity as opposed to the principle of exchange of equivalents. My belief is rather that a market organization capable of stimulating pro-social behaviours instead of depressing them, will tendentially operate more efficiently (since it will substantially reduce transaction costs), and above all in a more "feliciting" way for everybody.

Briefly, the point is : man *per se* is not basically or exclusively individualistic, as axiologic individualism has it; or exclusively "socializing", as axiologic holism claims. Man will instead tend to develop those inclinations that are most incentivated in the social context in which he happens to operate. The thesis that pro-sociality and reciprocity are "exceptions" and as such can be explained in the light of the "natural and historical supremacy" of self-interest, appears as extreme as the opposite one. In his absolute behavioural complexity, man may be driven by a variety of motivational configurations. In a complex market society, efficiency and justice will then result from the society's ability in exploiting the *best* individual motives, leaving economic agents free to strive at one time for their own and for others' maximum wellbeing. The continuing mediation between the diverse motivations which is required, obviously implies "enlightened self-interest" but is not exhausted in it. That is why I find reductionist, hence unacceptable, the stance taken by Nobel Prize George Stigler when he writes: "I arrive at the thesis that flows naturally and irresistibly from the theory of economics. Man is eternally a utility-maximizer - in his home, in his office (be it public or private), in his church, in his scientific work - in short, everywhere. He can and often does err: perhaps because the calculation is too difficult ... what we call ethics, on this approach, is a set of rules with respect to dealings with other persons, rules which in general prohibit behaviour which is only myopically self-serving ... Let me predict the outcome of the systematic and comprehensive testing of behaviour in situations where self-interest and ethical values with wide verbal allegiance are in conflict. Much of the time, most of the time in fact, the self-interested theory ... will win."(15)

How widespread is, in reality, the practice of reciprocity? Surprisingly enough, even casual observation will suggest that this is a widespread phenomenon in advanced societies. It does operate in various forms and at different levels, within the family, in small informal groups, in volunteer associations. But there is more to it: the transaction network supported by reciprocity as leading principle can be found in all undertakings, from cooperatives - in which reciprocity takes the form of mutuality - to nonprofit organizations in which reciprocity flows into utter gratuitousness, to the firms making up the "economy of communion".(16) Empirical evidence of the economic results achieved so far by civil economy and its practical implementation is ample and very accurate and I

will not dwell on it here. Let me just mention, as many studies on economic development have emphasized, that in order to function the so-called "new competition" model requires at the same time an inclination to cooperate on the part of agents, and a close-knit network of transactions, with a structure very similar to the structure of reciprocity relations. As a matter of fact, this is the secret of so many success stories in Italian industrial districts and in emerging countries.

For all the above reasons it does not make sense, nor does it help, to raise the problem of the choice between the principle of reciprocity and the principle of the exchange of equivalents. It does not make sense in that no indisputable standard is available on which one could base one's choice. For sure, the criterion of Pareto efficiency cannot provide such a standard because, for obvious reasons, this notion of efficiency does not apply to a system of economic relations supported by the principle of reciprocity. It does not help – in fact, it is detrimental – because an advanced economy needs both principles to be implemented. An attempt to base successfully all kinds of transactions on the culture of the exchange of equivalents is naive. Should such vision become predominant, individual responsibility would coincide simply with what has been agreed upon in a contract. Everybody would then take care only of what they are "in charge of", with grotesque consequences that it is easy to imagine. If the culture of the exchange of equivalents and that of reciprocity do not merge, the system's growth potential will be impaired; hence the urgent need to get the sphere of civil economy off the ground. Free competition between private economy and civil economy – both competing under equal conditions – will then decide which goods or services agents consider to be more conveniently provided according to the principle of the exchange of equivalents, and which goods or services are to be produced according to the principle of reciprocity. Without paternalism of any sort.

6 - Concluding remarks

The ultimate sense of the argument developed above is that the search for a way to humanize the economy contains a demand of relationality which one should carefully investigate and satisfy at best if one wants to dispel perverse effects of great magnitude. Indeed, how good the performance of an economic system is depends also on whether certain conceptions and ways of life have achieved dominance. As a growing number of economic scholars over the past couple of decades - to cite but a few: K. Arrow, A. Sen, B. Frey, R. Sugden, R. Frank, P. Dasgupta, S. Kolm - have tenaciously stressed, economic phenomena have a primary interpersonal dimension. Individual behaviours are embedded in a preexisting network of social relations which cannot be thought of as a mere constraint, as mainstream economists continue to believe. Rather, they are one of the driving factors that prompt individual goals and motivations. It seems to me that the central problem in the current transition towards a post-Fordist society is to understand how to fare so that individuals may be at liberty to decide the procedures for the supply of the goods they demand. What is at stake here is not so much freedom to decide the overall *composition* of goods to be produced (more of private *versus* more of public goods; more merit *versus* more relational goods), but freedom to decide *how* that composition should be achieved. This is why one cannot advocate the efficiency principle

in order to decide *what* and *how* to produce. Undiscriminating admirers of the market as a social institution seem to overlook the fact that it is the very hegemonic expansion of those relations that I called private economy, that will slowly but inexorably destroy the whole system of social norms and conventions which constitute a civil economy, thereby paving the way for the success of new forms of statism. Today it is urgent to admit that the hypertrophic growth of both State and private market is a major explanation of the many problems that embarrass our societies. Such being the situation, the solution cannot be found in the radicalization of the public economy *versus* private economy alternative, or neo-statism *versus* neo-liberalism, but in a healthy flourishing of those forms of organization that shape a modern civil economy.

The most obnoxious consequence of a narrow-minded (and obsolete) notion of market, still predominant to this day, is to lead us to believe that a behaviour inspired by values other than non-tuistic self-interest inexorably drives economy to disaster. By encouraging us to expect the worst of others, such vision eventually brings out the worst in us. Moreover, in the end it immensely hampers the exploitability of such inclinations as trust, benevolence, reciprocity, since that vision perceives these inclinations as merely inborn peculiarities of human nature, unrelated to the civilization process in progress in our societies. As Wolfe points out with great insight referring to the sphere of the relations that shape private economy: "... The problem with reliance on the [private] market as a moral code is that it fails to give moral credit to those whose sacrifices enable others to consider themselves freely choosing agents. By concentrating on the good news that we can improve our position, rather than the not-so-good, but socially necessary, news that one might consider the welfare of others as our direct concern, the market leaves us with no way to appreciate disinterest".(17)

Since motivations sustaining the principle of reciprocity are motives whose fulfilment is at least as legitimate as the fulfilment of self-interested motives, a truly liberal society should not prevent beforehand - that is, at the level of institutional design - the growth and dissemination of the former to the detriment of the latter, as is foolishly happening today. In the absence of actual - not just virtual - competition among different subjects of supply of the various categories of goods, the citizen-consumer will be left with a reduced space of freedom. One might end up living in a more and more affluent society, more and more efficiently inundating us with commodities and services of all sorts, but more and more "indecent" and, ultimately, desperate. Indeed, the reduction of human experience to the "accountancy" dimension of utilitarian calculus is not just an act of intellectual arrogance; it is disclaimed by actual experience in the first place.

One final remark. We know that by the rules of reason alone one can rationalize the existing, but cannot invent much. In fact, in order to invent one needs to cast a sketch of sense beyond customary rationality. It seems to me that for this task those who experience in their lives a relational dimension of the sense of time are better equipped than those who live within an enlightened utilitarian dimension which is certainly capable of bringing to scientific certification, much less so to scientific creation. This is perhaps the most significant contribution of EHR to the overcoming of reductionism (18) so massively present in today's economic theorizing - a reductionism which is a major

impediment to innovation of economic ideas and to the enlargement of the scope of economic research. It is a fact - often ignored - that the early history of the discipline was characterized by the centrality, within the economic discourse, of the happiness category. Political economy was essentially seen as the "science of happiness". It was only with the marginalistic revolution of the second half of 19th Century that the category of utility completely superseded that of happiness. Since then, economics managed to be referred to as the "dismal science".

Notes:

1. H. Jonas, From ancient faith to technological man, Bologna, Il Mulino, 1991, p.142. (Translated by the A.)
2. I have developed more extensively some of the points dealt with in the present paper in my essay "Valori e mercato", *Economia e Politica Industriale*, 101-102, 1999.
3. Quoted in E. Schlicht, On custom in the economy, Clarendon Press, Oxford, 1998, p.23.
4. See L. Salamon, "The nonprofit sector at a crossroads : the case of America", *Voluntas*, 1999, 1.
5. G. Becattini, "Possibilità e limiti dell'economia di mercato", *Economia e Politica Industriale*, 101-102, 1999.
6. See "The assessment: the twentieth century - achievements, failures, lessons", *Oxford Review of Economic Policy*, 1999, winter.
7. If I am right, this may be the ultimate meaning of the following passage by L. Einaudi: "Having believed for a long time that the task of the economist was not to state aims for the legislator, but to remind that, whatever the goal pursued by politics, the devices adopted should be sufficient and appropriate, I am today wondering whether, and I may finally conclude that, the economist should not sever his duty as a critic of means from that of stater of purposes, *that the study of aims is part of the science by the same extent as the study of means to which economists limit themselves.*" (Preface to *Introduction to economic policy*, by C.Bresciani Turrone, Einaudi, Turin, 1942, pp.15-16, Italics added).
8. G. Grant, *English-Speaking Justice*, House of Anansi Press, Toronto, 1985, pp. 83-84.
9. See A. Sen's important discussion "Markets and freedoms: achievements and limitations of the market mechanism in promoting individual freedoms", *Oxford Economic Papers*, n. 45, 1993, pp. 519-541. See also R. Inman, "Markets, governments and the new political economy", in A. Auerbach and M. Feldstein (eds.), *Handbook of Public Economics*, North Holland, Amsterdam, 1987.
10. F. Botturi, "Fenomenologia dialettica della libertà / Dialectic phenomenology of freedom", mimeo, Milan, 1998.
11. Quoted in L. Bruni and R. Sugden, "Moral canals. Trust and social capital in the work of Hume, Smith and Genovesi", mimeo, Norwich (UK), 1999.
12. For a clear exposition of the personalist view of freedom and the notion of human rights, see K. Wojtyla, *The acting person*, (1969), Dordrecht, London, 1979.
13. A. Margalit, *The Decent society*, Harvard University Press, Cambridge (Mass.), 1996.
14. S. Zamagni, "Economia civile come forza di civilizzazione della società italiana / Civil economy as civilizing force of Italian society", in P. Donati (ed.), *La società civile in Italia*, Milan, Mondadori, 1997. See also S. Zamagni, "Social paradoxes of growth and civil economy", in G. Gandolfo and F. Marzano (eds.), *Economic Theory and Social Justice*, Macmillan, London, 1999, and "The significance of labour in a post-industrial society: unemployment and the role of civil economy", mimeo, 1999.
15. Quoted in G. Brennan and J. Buchanan, "The Normative Purpose of Economic 'Science' ", *International Review of Law and Economics*, 1981, p. 158.
16. For evidence of results achieved so far by the practice of communion economy and for a conceptualization of this model, see L. Bruni (ed.), *Economia di comunione*, Rome, Città Nuova, 2000.
17. A. Wolfe, *Whose keeper ? Social science and moral obligation*, University of California Press, Berkeley, 1989, p. 102.
18. See my "Economic reductionism as a hindrance to the analysis of structural change", forthcoming in *Structural Change and Economic Dynamics*.