

**FINANCIAL INTEGRITY AND INCLUSIVE CAPITALISM:
CIVILIZING GLOBALIZATION**

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1. Introduction

A wise American saying proclaims: never waste a crisis! This saying resonates the famous expression used by St. Ambrose, bishop of Milan (V Century): “Happy the collapse [of the Roman empire] if the reconstruction will make the building more beautiful”. The 2007-08 financial and economic crisis affords us a rare opportunity to pause and reflect on where we have been going and where it leads. Indeed, one of the most penetrating dangers of our epoch was stamped by the XX Century writer C.S. Lewis as the “chronological snobbery”, i.e. the uncritical acceptance of anything merely because it belongs to the intellectual trends of our present. To repulse such a serious danger, intelligibility of *res novae* and moral commitment are jointly required.

The notes that follow are written on the wake of the recent statement by pope Francis: “The Church has experienced times of brilliance, like that of Thomas Aquinas. But the Church has lived also times of decline in its ability to think. For example, we must not confuse the genius of Thomas Aquinas with the age of decadent Thomist commentaries... In thinking of the human being, therefore, the Church should strive for genius and not for decadence... The thinking of the Church must recover genius and better understand how human beings understand themselves today, in order to develop and deepen church’s teaching”. (Interview with Pope Francis, *America Magazine*, 30, Sept. 2013).

Humanity seems to be on a launch pad. There is a high risk that this will become a tower of Babel destined to collapse unless we can accompany the irreversible nature of technological progress with an ability to manage these advances in a context of social and environmental sustainability and integral human development. The phenomena of globalisation and that of the digital revolution make it urgent and necessary to update our principles and values in the light of the

res novae of a rapidly changing world. It is because of today's desperate quest for novelty and change that we feel the need for reflection in order to avoid the tendency to find comfort in the erroneous belief that the splendid destiny of progress in markets and finance is almost certain to lead us towards a better future. The economy does not run by means of its own mechanisms only, and Adam Smith's "invisible hand" that would reconcile the sum of individual self-interests with the common good is valid under conditions that are so hard to respect that they have practically never been met. Even competition, although it brings benefits to consumers, is not the natural outcome of the interaction of market forces but is achievable only through action by the appropriate authorities to combat the slide towards oligopolistic concentration.

That is why Pope Francis declares his opposition to "ideologies which defend the absolute autonomy of the marketplace and financial speculation". On this point we read in *Evangelii Gaudium* (EG): "In this context, some people continue to defend trickle-down theories which assume that economic growth, encouraged by a free market, will inevitably succeed in bringing about greater justice and inclusiveness in the world. This opinion, which has never been confirmed by the facts, expresses a crude and naive trust in the goodness of those wielding economic power and in the sacralised workings of the prevailing economic system. Meanwhile, the excluded are still waiting". The moral consequence of this insidious determinism is the plague of moral indifference. "To sustain a lifestyle which excludes others, or to sustain enthusiasm for that selfish ideal, a globalisation of indifference has developed. Almost without being aware of it, we end up being incapable of feeling compassion at the outcry of the poor, weeping for other people's pain, and feeling a need to help them, as though all this were someone else's responsibility and not our own". The Pope also reminds us that "as long as the problems of the poor are not radically resolved by rejecting the absolute autonomy of markets and financial speculation and by attacking the structural causes of inequality, no solution will be found for the world's problems or, for that matter, to any problems".

In this context, Christian social teaching provides a perspective that strives for an inclusive economy, supported by justice, and the culture of fraternity and reciprocity. With the enormous opportunities provided by technological progress and knowledge, if our societies are faithful to the ideal of the full development of the human person, then they can do better, much better.

2. Recovering the historical roots of the market economy to civilise globalisation

"The channels of communication are not only physical, but moral, too. Straight, easy and safe roads: rivers, and ferry routes; utility work machines, these come first. But we need moral channels too" (Antonio Genovesi, Naples, 1765).

Our time is characterised by extraordinary growth in wealth and technology, unknown to past generations. The human family has achieved huge successes in combating deprivation, in the dissemination of information worldwide, and in life expectancy, wealth and education. At the same time, if we compare our potential with our achievements, we cannot be satisfied at a time when almost one billion people, mostly located in sub-Saharan Africa, are still living in extreme poverty. Extreme poverty, misery, deprivation and exclusion have been the human condition for thousands of years, while welfare and prosperity have remained limited to a very small portion of the population to this day. What is no longer ethically acceptable nowadays, however, is the contrast between our impressive capacity to create wealth and resources and the still too high number of people excluded from the possibility of a decent life in terms of welfare and rights. In other words, the problem of inequality is at the heart of the social question today. This is the social justice that has been at the centre of the CST from its earliest beginnings – *Rerum novarum*, 1891 – right up to recent documents like John Paul II's *Centesimus Annus* (1991), Benedict XVI's *Caritas in Veritate* (2009) and, finally, Pope Francis' *Evangelii Gaudium* (2013).

The market economy has been one of the main tools of social inclusion and democracy in past centuries, but in recent decades, due to the phenomenon of 'financialization', our economic system has been reducing its capacity to increase wealth and opportunities. Much of speculative finance is a network of zero-sum games, if not actual gambling, that deny the very nature of market interactions, namely that of a cooperative network of relationships of mutual benefit. This was pointed out by the great economists of the 17th to the 19th centuries such as Smith, Ricardo, J.S. Mill, Marshall, the Neapolitan Antonio Genovesi and many others. (See L. Bruni and S. Zamagni, "Economics and Theology in Italy since the Eighteenth Century", in P. Oslington, ed., *Cristianity and Economics*, Oxford, Oxford University Press, 2014).

In the under-soil of our civil and economic culture there are two opposing growing trends. The first is a gradual rapprochement between the culture and languages of the many variants of the capitalist economy. The second trend, in contrast, is a growing opposition based on an ethical evaluation of the market. This leads some to see the capitalist market as the solution to all our economic and civil ills, while others consider it to be the cause of all moral, social and political evil. The first would like a society that is led and managed only, or mainly, by market values and instruments (from the privatisation of common goods to the buying and selling of organs). Others would banish these values and instruments from all morally relevant areas of human life, and keep

them controlled and restricted in size. With globalisation and the financial and economic crisis, this ideological confrontation that has lasted at least two hundred years has entered a new phase. I believe that the new synthesis and new constructive dialogue that we need are something different and are not ideological.

It cannot be denied that the history of the real world has taught us that the real markets are much more vital, promiscuous, non-ideological and surprising than imagined and described in both views mentioned. The most significant and lasting economic experiences, those that have increased the true welfare of the people, democracy and the common good all over the world, were all experiences that arose from the market and from civil society. The real market worked well when it pervaded social spaces and when it learned to live in and include the peripheries. The great and long history of the relationship between markets and civil life, between contract and gift, is primarily a story of friendship and alliance. As thoroughly explained in L. Bruni and S. Zamagni (*Civil Economy*), Oxford, Peter Lang, 2007), the idea of civil economy – as a theoretical paradigm distinct from the political economy paradigm – has an intellectual tradition in Italian economic thought rooted in the Civil Humanism of the XV century and continued, with alternating success, until its golden period during the Age of Enlightenment in Italy and partly in Scotland. In a few words, what civil economy is all about boils down to that peculiar widespread bent for going beyond pure economic analysis in order to understand the real motivations of economic action. It thus borders with anthropology and gives powerful evidence of the marriage of ethics and economics. Civil economy revives the principle of reciprocity, on which theoretical and empirical research is thriving today. It should be stressed that the line of civil economy is not confined to a particular tradition or a specific place. Contrary to the political economy perspective – that is typical of the anglo-saxon cultural matrix – the civil economy mode of visualizing the economic problem is virtually universal.

I am convinced that the time has come for a critical reflection on the relationship between market economy, wealth creation (and hence the vocation of entrepreneurship), poverty and inequality. I maintain, however, a positive attitude towards the market as an expression of creativity, freedom and, at least potentially, inclusion. At the same time, we believe that the market alone is not sufficient to ensure wealth creation and social justice, because this requires other equally essential principles and institutions, such as reciprocity (civil society) and the redistribution of wealth (government). The market economy was the fruit and result of the encounter between Christianity, Judaism and Greek and Roman cultures. A key role was played by spiritual movements like the Franciscans and Dominicans. There was first the Catholic and later the Protestant “spirit”. The market economy became a civil entity thanks to the interplay between the

pursuit of individual interests and the action of institutions.

Nowadays the global market economy is suffering from a lack of proper economic and political institutions. The market itself is an institution, and it produces civil benefits if it is accompanied by other institutions. People's lives become poor and nations fall into decline when societies create, select and nurture “extractive” institutions, developing them and making them grow when there are already “inclusive” institutions present. It is the institutional economic set-up that is decisive in determining whether a country is poor or prosperous. (Daron Acemoglu and James Robinson, *Why Nations Fail*, Crown Business, New York, 2012).

On closer inspection, the boundary between extractive and inclusive institutions is not so sharp, because the two forms coexist within the same community or nation, and, more importantly, they can be transformed from one form to another. In all societies there are institutions created for the sole purpose of looking after the interests of a few groups of people. However, it is still true that many institutions that start out inclusive become extractive with time, and institutions that are created extractive become inclusive. European history gives us clear examples of this, and the present situation of the financial market is equally eloquent. The general point I want to underline in this regard is that it is culture the fundamental factor determining whether virtuous circles brought about by inclusive institutions or vicious circles generated by extractive institutions will prevail in the long run. Why is it the case that the many social revolutions of past times did not bring, all of them, to inclusive institutions? What ultimately differentiate “good” from “bad” revolutions? It is known that cultural norms are acquired through intergenerational transmission and thus persist across generations. They evolve very slowly compared to the speed of change of both political and economic institutions.

It is a well recognized fact that market systems are consistent with many cultures, conceived as tractable patterns of behavior or, more generally, as organized systems of values. In turn, the type and degree of congruence of market systems with cultures is not without effects on the overall efficiency of the systems themselves: in general, the final outcome of market-coordination will vary from culture to culture. Thus one should expect that a culture of possessive individualism will produce different results from a culture of reciprocity where individuals, although motivated also by self-interest, entertain a sense of solidarity. In the same way, a culture of cooperative competition will certainly produce different results from a culture of positional competition. But cultures are not to be taken for granted. Cultures respond to the investment of resources in cultural patterns, and in many circumstances it may be socially beneficial to engage in cultural engineering. Indeed, how good the performance of an economic system is depends also on whether certain conceptions and ways of life have achieved dominance. Contrary to what it might be believed, 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; rather, they are one of the driving factors that prompt individual goals and motivations. People's aspirations are deeply conditioned by the conventional wisdom about what makes life worth living.

The truth of the matter is that it is thanks to culture, that mankind does not need to be transformed into a different species in order to adapt to the environment, which human beings themselves have helped to modify. This applies also – perhaps especially – to economic action, which is typically action under constraints. The original structure of economic action, in fact, inevitably envisages some end to be attained following certain procedures – that is, observing certain constraints. There are two types of constraint: technical/natural constraints, such as the fact that to produce a certain good one must be familiar with the production technology and have the required inputs; and moral constraints, such as the rule that it is not right to exploit your collaborators in order to get better results, or that it is not allowed to betray the trust of others for your own advantage and so on. Now while the natural sciences have the task of determining the first type of constraint, it is the job of culture to set moral constraints. Clearly, different systems of ethics will lead to different moral constraints. This in turn leads to economic outcomes that may be radically divergent. The profound asymmetry of the two sets of constraints should not be ignored, however. While technical or natural constraints tend to become uniform, even between different cultures and institutional environments – which explains the relative ease with which technical and scientific knowledge migrates from place to place – moral constraints depend on, or at the very least are influenced by, the particular cultural matrix that prevails in a particular environment and a particular historical era.

It is exactly for this reason that CST, as an expression of a specific cultural matrix, is not a body of thought given once for all; on the contrary, it needs to be continuously up-dated and reinterpreted. Today, the global economic institutions are experiencing a strong extractive drift. Let's consider some stylized facts in this regard. First, the political system has not been able, so far, to modify in a significant way the financial institutions responsible for the present crisis. Under these conditions, there is no guarantee that in the next 15-20 years another major bank and financial crisis will not occur. Nobody would deny that we are facing, today, a real institutional void at the global level.

Second, the economic machinery continues to operate in a scandalously unfair way. The growing inequality jeopardizes both the efficiency and the stability of our societies. Inequality has become endogenous to the system and this generates not only economic costs (e.g. speculative bubbles, decreasing rate of investment; consumption distortions), but also social and human costs. It

is a fact that an inequality rate exceeding a certain threshold reduces health and increases the mortality rate of people.

Third, the scaffolding of the present market system tends to erode some of the values that sustain our civilization. Indeed, the process of creative destruction in Schumpeter's sense applies not only to firms and to inputs of production, but also to the very values that gave rise to market capitalism in the first place. In particular, the present market system tends to empower the strong over the weak.

Fourth, and as a consequence of the above, global capitalism as a model of social order, has increasingly taken the characteristics of a religion, since it posits an overarching goal for human life and seeks to pursue it on the basis of a specific concept of human being. As suggested by P.S Williams ("Christianity and the Global Economic Order", in P. Oslington, ed., *Christianity and Economic*, Oxford, OUP, 2014), today, the masking of the ideological nature of global capitalism takes place in two ways. On the one hand, decisions with moral content are presented in technological terms (e.g.: human rights have to be limited for the sake of labour flexibility). On the other hand, technical arguments are rendered as genuine moral alternatives (e.g.; the market versus State alternative is presented as if it were an ideological question). It is urgent to try to de-mask the ideological nature of the global economic order.

Facing these and many other *res novae* of present times, it is no wonder if the most recent CST does not accept to limit itself to a mere rephrasing of its four basic principles (the centrality of the human person; the common good; solidarity; subsidiarity). On the other hand, it is not wise to hide the difficulties lurking in the practical implementation of a cultural project targeted at nothing else than "a paradigm shift" in economic thinking. As in all human endeavors, it would be naïf to imagine that certain changes do not create conflict. The differences of vision and the interests at stake are enormous. It is not by chance that a kind of widespread anguish about the future is running throughout society today. Certain pressure groups are exploiting this anguish as a political tool, deriving from it, depending upon the circumstances, either a market-centered Machiavellianism or a State-centered Machiavellianism. CST escapes this dichotomous mode of thinking.

3. Globalisation and the quest to humanise markets.

It is certainly true that globalisation is a positive-sum game that increases aggregate wealth. However, it is also true that it exacerbates the contrast between winners and losers. This fact is

linked to the emergence of a new form of competition, unknown until recently: positional competition, according to which the “winner takes all and the loser loses everything” – the so-called “superstar effect” as understood by Shermin Rose. Why is literature on the subject so hotly divided? A credible answer comes from a recent work by Branko Milanovic (*The haves and the have-not*, New York, Basic Book, 2011) who distinguishes between *world* and *international* inequality.

International inequality considers the differences in the average incomes of various countries, unweighted (“1st concept of inequality” according to Milanovic) and duly weighted to account for the size of the population (“2nd concept of inequality”). World inequality, on the contrary, also takes into account the inequalities in income distribution within the individual countries (“3rd concept of inequality”). Therefore it is world or global inequality that is increasing as a consequence of globalisation. Indeed, in order to decrease the 3rd concept of inequality, two conditions must be met: i) poor and densely populated countries must grow at a faster rate than rich countries; ii) this must occur without showing an increase in inequality within these countries.

Now, while the first condition is more or less satisfied, the second condition is virtually absent. In fact, over the last quarter of a century, the growth rate of the poorest countries has been higher than that of the richest countries (4% versus 1.7%). So why should we be concerned about the growth of global inequality? It is because it is a principal cause of conflict and ultimately of civil war. Conflict can be defined as “trade gone awry”. If a country’s gains from trade are not as high as it thinks it should receive, this becomes a major determinant of conflict, which might in the end jeopardise peace itself. That is why the search for a system that integrates socially responsible trade, one that is also capable of taking into consideration the “pains from trade” (T. Verdier, “Socially responsible trade integration”, NBER, Oct. 2005), is a duty from which those responsible must not escape.

A related aspect concerns the relationship between globalisation and poverty. Over the past two decades, poor countries have increased their participation in world trade, so much so that to-day they can be said to be more globalised than rich countries. Yet, there is very little evidence to prove this relationship and even the scanty evidence available only indirectly deals with the link between globalisation and poverty.

Three general propositions deserve special attention: a) contrary to the Heckscher-Ohlin theory of international trade, the poor in countries with a lot of unskilled labour do not typically gain from trade expansion; b) globalisation generates both winners and losers among the poor and this creates social instability to the extent that it destroys social capital; c) the poor segments of the population obtain the largest benefits from globalisation when national governments endeavour to

enhance welfare policies aimed at improving the capabilities of life of their citizens, rather than merely their living conditions.

Humanise the market, don't demonise it: this is the slogan that describes the challenge confronting us to-day. That is why we cannot consider any solution to the many and grave problems now afflicting our societies that would delegitimize the market as a social institution. If people continue to demonise the market, it really will become hell. Indeed, the real challenge is the humanisation of the market. CST will never be able to accept any step backwards in this regard. Those who cultivate the concept of time as *kairos*, and not merely as *chronos*, know that difficulties are surmounted by transforming visions of the future into reality – and not with operations that would wind back the clock of history. Although the temptation to return to times gone by is understandable, it certainly cannot be justified by those who fully embrace an anthropology based on the human person. While they reject individualism, they can never pass over to the opposite side of communitarianism. In both cases the final outcome would be nihilism.

Finance is a tool that has tremendous potential for the proper functioning of economic systems. Good finance allows savings to be pooled in order to use them efficiently and allocate them to the most profitable uses; it transfers the value of assets in space and in time; it implements insurance mechanisms that reduce exposure to risk; it allows those who have disposable income but not productive ideas to meet with those who, conversely, have productive ideas but no funding. Without this coming together, the creation of economic value of a community would remain in a state of potentiality.

Unfortunately, the finance with which we are dealing today has largely escaped from our control. Financial intermediaries often fund only those who already have money (as they can put up collateral equal to or greater than the amount of the loan requested). The vast majority of derivative instruments were constructed potentially to achieve insurance benefits, but instead they are bought and sold for very short-term speculative motives with the opposite result. Paradoxically, they put at risk the survival of the institutions that have them in their portfolio. Systems that use asymmetric incentives for managers and traders (with profit sharing, bonuses and stock options and no penalty in case of losses) are constructed in such a way that they encourage people to take excessive risks. This makes the organisations for which they work structurally fragile and at risk of failure. A further element of dangerous instability is given by the tendency of these organisations to aim for profit maximisation (which is not the same as seeking to attain lawful and reasonable profit) because they place the well-being of shareholders over that of all other stakeholders. Banks that maximise profit through distorted incentives will find it increasingly profitable to channel resources

to the business of speculative trading or to activities whose rates of returns are greater than those in lending activities.

The evolution of finance in recent decades has made it clearer than ever before that markets, especially where the returns to scale are increasing, do not at all tend spontaneously towards competitiveness but towards oligopoly. Indeed, the gradual easing of rules and forms of control (such as that on the separation between investment banking and commercial banking), have gradually led to the creation of an oligopoly of intermediary banks too big to fail and too complex to be regulated. The illusion of regulators has therefore produced a serious problem of balance of power for democracy itself. The *Corporate Europe Observatory*¹ issued a report in 2014 that highlights the imbalance of power relations between the financial lobbies and those of civil society and NGOs: the finance lobby spends 30 times more than any other industrial pressure groups (according to conservative estimates, they spend 123,000,000 euro per year with about 1,700 lobbyists in the EU). The relationship between the representation of financial lobbies and the representation of NGOs or trade unions in consultation groups are 95 to 0 in the stakeholder group of the ECB and 62 to 0 in the *de Larosière Group on financial supervision in the European Union*.

This dominance of finance not only in terms of lobbying power but also in ease of access to information, knowledge and technologies has enabled the managers of large financial oligopolies to appropriate huge revenues at the expense of all other stakeholders. In confirmation of how this all distorts the use of resources, there is the recent abandonment of infrastructure projects that would have enabled better mobility of vehicles and people. And, compared to this, the recent construction of a tunnel between New York and Chicago that cost hundreds of millions of dollars in order to reduce by three milliseconds the trading time of some operators that benefit from the laying of the cable to achieve an information advantage that is to the detriment of others.

The disasters produced by this kind of finance are obvious to all. In a recent working paper of the International Monetary Fund, (Fabian Valencia & Luc Laeven, 2012. “Systemic Banking Crises Database: An Update”. IMF Working Papers 12/163) Laeven and Valencia calculate this effect, following the crisis of 2007, to be an increase in the debt / GDP ratio of 70 percentage points in Iceland and Ireland and more than 20 percentage points in Greece, Germany, UK, Belgium and the Netherlands. In Italy, the impact has been more limited (8%), but the risks are very high given the levels of the Italian public debt. It is also estimated that the financial crisis has caused a gap of 65 billion dollars in the budgets of low-income countries.² No one can have any doubt that this

¹ http://corporateeurope.org/sites/default/files/attachments/financial_lobby_report.pdf.

² <http://www.oxfam.org/en/policy/impact-global-financial-crisis-budgets-low-income-countries>

model of finance is largely ineffective as well as harmful (as evidenced by the authoritative reports by Vickers in the UK and Liikanen in the European Union).

4. A CST interpretation of the 2007-8 financial crisis

Two main types of systemic crises can be identified in the history of our societies: dialectic and entropic. A dialectic crisis is one that originates from a radical conflict of interests that society is unable to cope with using traditional modes of resolution. However, such a crisis contains in itself the seeds and the strengths to overcome it. (Which does not imply that the new social equilibrium achieved at the end of the crisis always represents a real progress compared with the former situation). The American Revolution, the French Revolution, the October 1917 Revolution in Russia and others represent historical examples of dialectical crises. On the other hand, an entropic crisis is one that leads to the collapse of the system, through implosion, without changing it. This is what happens when a society loses the sense – i.e. the direction – of its moving forward. The words of a great mind help us to grasp the point: “Nor shall we allow the charm of success to seduce us, or we shall be like a foolish traveler who is so distracted by the pleasant meadows through which he is passing that he forgets where he is going”. (Saint Gregory the Great, *Homily 14*). History provides remarkable examples of this type of crises: the fall of the Roman Empire, the transition from feudalism to modernity, the fall of the Berlin wall and the collapse of Soviet empire and many others.

Why is this distinction so important? Because the strategies to be used to solve the two types of crisis are quite different. An entropic crisis is not overcome by technical adjustments or taking only legislative and regulatory measures - even if they are necessary - but by directly facing and solving the problem of the direction. Therefore, a crucial role is played by prophetic minorities for such purpose that can indicate to society the new direction to take by means of additional thought and, above, evidence of the actions. This happened when Benedict launched his famous "*ora et labora*" and started a new era, that of cathedrals. (The social and economic revolutionary scope of the conceptual plan of Benedictine's charisma will never be discussed enough. Work, for centuries considered the typical activity of slaves, according to Benedict it becomes the right means to achieve freedom: to become free one needs to work. Work is also raised to the same level as praying. As St. Francis said, do not separate *laborantes* and *contemplantes*; praying and working must always go hand in hand for everyone).

My argument is that the present crisis is basically of an entropic kind. Therefore, it is not proper to compare - even if the quantitative dimensions are quite similar – the 2007-8 crisis with the one in 1929, which was one of a dialectic type. The latter was in fact caused by human errors made in particular by the monitoring authorities of the economic and financial markets and due to a specific lack of knowledge about how these financial markets worked. So much so that the "genius" J.M. Keynes was fundamental to meet this need. Certainly, even in the recent crisis there have also been human errors - and serious theoretical mistakes as shown in S. Zamagni ("The Proximate and Remote Causes of a Crisis Foretold: a view from Social Catholic Thought", Vatican City: Pontifical Academy of Social Sciences, 2010) – but these were not caused by a lack of technical knowledge, rather were due to a crisis of sense that has affected the advanced western society since the beginning of globalisation.

Various interpretations of the global financial crisis have been offered so far. Most of them focus, albeit from different angles, on its proximate causes. If such an exercise would prove to be sufficient in the case of a dialectical crisis, the opposite is true when one has to explain an entropic crisis. It would be practically impossible to get out of an entropic crisis unless one considers the ultimate factors responsible for it. In this regard, the Encyclical *Caritas in Veritate* (CV) by Pope Benedict XVI constitutes a sort of intellectual beryllo – in the sense of Nicolò Cusano - by means of which to read and to interpret the *res novae* of present times. The encyclical identifies a triple divorce that has occurred in the last few decades in the Western world. First, the divorce between the economic sphere and the social sphere, which brought to justify the idea that economic activity has no need to submit itself to ethical consideration or social assessment being itself oriented to generate wealth and well-being. Second, the decoupling between human labor and the origin of wealth, which legitimized greed as a superior form of rational behaviour. Third, the separation between market and democracy, which provided the foundation of the thesis about the self-referential and self-regulating nature of markets. In the *Wealth of Nations* (1776), Adam Smith insisted that "it is fear of losing employment which restrains fraud and corrects negligence". But this was much before the advent of the third separation above. Today the inverse is more probably true: fear of failure or decline promotes fraud and deceit. According to *Caritas in Veritate* only by reuniting what has been violently separated it is possible to cope with the many challenges stemming from the crisis. Needless to say, such a perspective points to the urgency to reconsider the anthropological foundation of economic discourse, whose reductionist stance is nowadays perceived by many scholars and business men as one of the major impediment to both economic and moral progress of our societies.

I would like to pause a moment on the second divorce envisaged in *CV*. It cannot be denied that the unanticipated spread of greed in our societies in the last few decades has become a sort of cultural habit. According to Judaic-Christian tradition, avarice – a characteristic feature of the post-Eden world including as its major component greed – is the capital vice that accounts for the great part of secondary scarcity and the resulting conflicts over the distribution of goods. There is a biunique correspondence between avarice and scarcity: on the one hand, scarcity encourages increasingly self-interested forms of behaviour, given that possession of scarce goods increases one's prestige and social esteem; on the other hand, avarice tends to aggravate the various forms of secondary scarcity as a result of its negative impact on the availability of goods, and of the difficulty of distinguishing needs from desires in practice. It is interesting that the Hebrew word for money – the principal object the miser craves for – is *damin*, which in the Talmud and in cabalistic tradition stands for the plural of 'blood'. Blood only means life as long as it circulates; if it stagnates it leads to certain death. There is a perfect analogy with the metaphor of the well used by Saint Basil of Caesarea in his homily "On the good use of riches" published in the year 370 a.d. Avarice does not permit blood to circulate, just as it does not permit well water to be drawn.

But what exactly is it that lies at the root of avaricious behaviour? Or more precisely, what reasons are there for succumbing to the call of avarice, and what leads an individual to act in an avaricious manner? According to Hume's theory of human motivation, people are only motivated to do something if they want to do it – given that cognition itself is not enough to get us to act. So what one needs to do is to try and understand the nature of the desire to possess and accumulate objects and money. Not all obsessive individuals are avaricious, but there can be no doubt that all avaricious individuals are obsessive. The position of the ancient "Franciscan voluntarism" and, in more recent times, of writers like Bernard Williams and Thomas Nagel, appears convincing: the reasons for acting depend on the desire of the acting party. Each intentionally performed action is thus generated by a desire which provides, as it were, the impulse to act, while the direction that such action takes clearly depends on the means available to the agent in question.

What kind of desire does an avaricious individual possess? To avoid any misunderstanding, it should be said that desire is not a mere sensation that expresses itself in some physiological state or other, or a short-lived emotion. On the contrary, to desire something is to miss something (literally speaking, *de-siderium* means the absence of stars). Satisfying a desire – in our case the desire to possess – thus means (as the etymology of the word once again suggests) "doing enough" (*satisfacere*) to placate that desire. However, the avaricious individual does not stop at merely satisfying his/her desire for possessing things, but wishes to substantiate this desire, that is, render it a thing (*res*), thus eliminating the tension created by the pursuit of the desired objects. Why is this?

An examination of the nature of the economic problem offers a rather convincing answer. The underlying principle of economics is that of convenience. Economic convenience derives from an agreement reached through the exercise of free choice (to be convenient originally meant “agree with others on the same point”, that is, in the metaphorical sense “to come to an agreement”). Convenience is what makes Man a social animal, one that requires the systematic cooperation of other men. The principle of convenience constitutes the fundamental premise of the division of labour. In this process of cooperation, each person is led to offer their contribution by the consideration of an end that each wishes to achieve. The end may be self-interest, just as it may be the common good; the important thing is that the end is of objective utility.

So, this cooperation among free individuals, in which a plurality of individual choices dictated by subjective interest converge towards one single end of objective utility, comes about through that universal instrument we call “money”, which for this reason is considered the system of means *par excellence*. Indeed, in common parlance, one says someone “is a person of considerable means” to indicate that the person in question “has a lot of money”. Money is thus the measure of convenience, and for this very reason it becomes a value: economic value as such, in other words, that which serves to acquire the valued goods. As a general exchange value, the attraction of money lies in its potential, and this potential value is preferred to existing value due to money’s indeterminacy. As George Simmel wrote in his *The Philosophy of Money*: “Money is the purest reification of means, a concrete instrument which is absolutely identical with its abstract concept; it is a pure instrument. The tremendous importance of money for understanding the basic motives of life lies in the fact that money embodies and sublimates the practical relation of man to the objects of his will, his power and his impotence; one might say, paradoxically, that man is an indirect being” (p. 309). It is true, indeed, that money is nothing more than a symbol: as Antonio Genovesi wrote, money is “a sign of wealth”. Yet not only is this symbol pursued, but as a sign of the freedom of choice it is preferred to the actual good it is exchanged for. As we all know, people mind spending money, and yet this is paradoxical since if you spend money, you are judging the good or service obtained to be at least of equivalent value to the money paid. So, an avaricious person is someone who places the openness of potential value higher up his/her scale of values than the closure represented by reality. In the case of the miser, therefore, what is merely one part of human action tends to constitute all of such. Moreover, the part that ought to be a function of Man’s anthropological being, reduces the latter to a mere function of that part. In other words, a miser is someone who is incapable of “cultivating” the passion for possession, which is in itself a wealth of spontaneity and energy. That is, an individual who fails to display to his/her own passion those goods to be desired on the basis of their specific characteristics. In this sense, the miser could be

said to suffer from a lack of practical reason. Just like all individuals, the miser has a passion for acquiring things, but unlike others he/she lacks any fully-formed reason, and this prevents him/her from conveying to such passion the taste for good things. Whence the culmination of modern-day avarice: the “greed market” replacing the “free market” .

If there is one important lesson that the economic science has learned following the crisis, it is the need to quickly overcome the conventional belief that all economic agents act on the basis of egocentric or self-interested motives. We now know that this assumption is factually incorrect: it is certainly true that, depending on the context and the period in history, the sole objective of a certain percentage of all individuals is the pursuit of self-interest. However, this state of mind cannot be ascribed to all economic agents. Yet, the models of financial theory continue to argue – hopefully not for much longer – that all agents are *homines oeconomici*. The consequence of this is clear for all to see: the models of mainstream economic thought result in directives that then get “marketed” to the banking and finance sectors. In turn, those managers pulling the strings in such sectors endeavour, with no little technical-communicative ability, to transform those directives into specific products which are then recommended as it were to the vast public of individual and collective investors. Some of these investors are spurred on by a “lust for money”, but many others are led to make choices that they would not normally make if other options were available. The point is that the mathematical-financial models not only recommended certain courses of action, but also modify people’s cognitive maps, as the latest experimental findings in the field of neuroscience clearly demonstrate.

Civil society is thus left with the task of re-establishing the links between those operating in the market, after such connections have been awkwardly compromised by the financial crisis. (Note that the Latin term for “trust” or “faith” – *fides* - literally means “cord”, i.e. a substance linking people in a web of interpersonal relations, Antonio Genovesi clearly explained in his *Lezioni di economia civile* published in 1765). The problem is how to go about such a demanding task. My suggestion would be to refocus both economic discourse and the new institutional design around the concept of the common good. A concept that was once commonly present in cultural debate, it has been systematically mistaken for the concept of total good or that of collective good, even by the experts. There is nothing more misleading and pernicious than such conceptual muddling. (To remind, while the notion of total good has its roots in the utilitarian calculus and the notion of collective good has its roots in the communitarian thought, the notion of common good was created and is specific of CST). The fact that the notion of common good has experienced a certain resurgence recently, following the events that I have tried to interpret here, is confirmed by a number of signs, and this is certainly encouraging. This should come as no surprise, however: when

one becomes aware of the pending crisis of civilization, one is almost forced to abandon all dystopic forms of conduct, and to try new approaches to both theory and action.

5. A word of conclusion

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 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-egocentric and opportunistic interests 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 A. Wolfe pointed out some time ago 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".(*Whose Keeper? Social Science and Moral Obligation*, Berkeley, University of California Press, 1989, p.102).

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.

CST, at least since the times of the encyclical *Populorum Progressio* (1966) by pope Paul VI up to *EG* by pope Francis, is striving to avoid that such an anthropological reductionism should become a sort of benchmark in economic reasoning. This would be really disgraceful for a double set of reasons. On the one hand, because the discipline will prove to be unable to cope with the major problems of present-day societies –growing social inequalities; failure to tackle poverty; environmental degradation; conflicts of identity; etc. On the other hand, because the limited conception of personal well-being and integral human development is a major impediment to innovation of economic ideas and a dangerous shelter for mainstream thought from both factual criticism and competing scientific perspectives. What CST is urging social scientists to adhere to is the spirit of "scholarship of engagement" – in the sense of E.L. Boyer, *Bullettin of the American Academy Association*, XLIX, 7, 1996 – According to which moral commitment and cognitive interest should always be kept intertwined in order to reciprocally contaminate each other.

