

# THE SIGNIFICANCE OF LABOUR IN A POST-INDUSTRIAL SOCIETY: UNEMPLOYMENT AND THE ROLE OF THE CIVIL ECONOMY

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*Labor Deo Pareat,  
opes parat,  
laetitiam parit.*

## 1. *Motivation and Introduction*

Catholic Social Teaching has always dedicated a great deal of attention to the fundamental issue of labour and labour relations, at least from *Rerum Novarum* onwards. However, as the paper by J. Schasching (1997) clearly shows, it is possible to detect a novelty in the most recent elaboration of the Church's teaching, a novelty associated with the name of Pope John Paul II. This is a totally unconventional idea according to which labour "first and foremost unites people" (*Laborem Exercens*, 20), whence the invitation to think in terms of a "social ecology of labour" in the construction of "a culture of labour". To achieve such an objective, John Paul II deems it necessary to bring into play "the subjectivity of civil society" (*Centesimus Annus*, 49).

Fifty years ago, J.M. Keynes considered mass unemployment in affluent societies to be a shameful absurdity, one that it was quite possible to remove. Nowadays, our economies being three times as rich as they were then, Keynes would be justified in considering present unemployment to be three times as absurd and harmful, since in a society that is three times as rich, inequality and social exclusion caused by unemployment are at least three times as disruptive. Furthermore, it should be remembered that in the thirties we were experiencing the effects of the most devastating crisis that had ever hit industrial capitalism, one that halved German and US industry.

Today, instead, unemployment seems to have become instrumental to economic prosperity: dismissals occur much less frequently in endangered businesses than in thriving ones striving for broader margins of competitiveness. This is precisely what creates the problem: unemployment is no longer viewed as a symptom or consequence of a critical situation, but as a strategy adopted to compete successfully in the age of globalization. We know that the Social Doctrine of the Church – which “moves with mankind” – warns us that a social order which supinely incorporates among its mechanisms a strategic manipulation of unemployment is morally unacceptable. Neither, we can add, is it economically sustainable. We therefore have reason to wonder why, rather than tackling the issue piecemeal through a disparate collection of suggestions and measures, valid *per se* but together inadequate to the task, the urgent need for reflection upon the basic features of today’s model of growth is not recognized. (See the introductory paper by M.S. Archer in this volume).

In this vein, the thesis which will be defended in this paper is that *today’s* unemployment is the consequence of a social organization which is unable to articulate itself in a way which allows it to utilize all available human resources. It is a fact that the new technologies of the Third Industrial Revolution liberate more and more social time from the production processes, a time which the existing institutional set-up transforms into unemployment (in Europe) or into new forms of social exclusion (in the USA). In other words, the extraordinary increase at the macro level of the availability of time, instead of being utilized for a variety of different purposes, continues to be used for the production of commodities which people could happily stop consuming had they a real (as opposed to virtual) chance of spending their incomes on other categories of goods, such as relational goods or merit goods. The result of this stubborn blindness is that too much intellectual energy is devoted to finding solutions to the unemployment problem which are either illusory (i.e. only temporary) or which generate perverse effects (in the form of frustration; the working poor; consumeristic life-styles and so on), as we will see later on.

How do I account for the prevailing inability to solve the labour question without generating socially harmful and morally unacceptable trade-offs of the type: work for all versus a substantial reduction in social security for the workforce? I believe the answer is to be found in the fact that the process of development has been conceptualised and analysed within a theoretical framework which includes only two basic institutions: the state and the market. My argument, in this paper, is that we urgently need to contest this form of reductionism and to expand the frame of economic discourse by incorporating civil society. In particular, my ultimate target is to

contribute to the enlargement of the scope of economic inquiry by visualizing a market economy as composed of both a sphere of private economy and a sphere of civil economy. It will be shown, in the following pages, that a civil economy is constituted by a kind of contract, but not by a trade contract. A civil economy is founded on the principle of reciprocity, whereas a private economy is founded on the principle of the exchange of equivalents. As the literature on social capital has shown, successful societies are those which are capable of developing an efficient network of non-profit making concerns, voluntary organizations and cooperatives firms, so that the population ceases to look to paternalistic states for the provision of various kinds of social services. Above all, successful societies are those which enable people to undertake cooperative ventures for mutual advantage. Essentially, this means favouring the emergence of a new economic space, the space of a civil economy, which depends upon the creation of social structures capable of engendering a flow of voluntary exchanges on the basis of mutual expectations of reciprocity.<sup>1</sup>

The route I suggest taking to enhance the emergence of a civil economy is one which makes explicit use of the principle of subsidiarity, a principle which, according to Catholic Social Teaching, states that recourse to a higher level of authority should be invoked only whenever it is absolutely necessary. More precisely, the twin ideas of horizontal relationships and devolution of sovereignty (i.e. poliarchy) are represented by the notions of subsidiarity and federalism respectively. Not surprisingly, both concepts have been repeatedly invoked in the process of construction of the European Union since its inception. As Porta and Scazzieri (1997) correctly point out, subsidiarity, however, should not be confused with federalism or administrative decentralization. In fact, the principle of subsidiarity is rooted in a conception of sovereignty that is sharply different from the conception which attributes the monopoly of sovereignty to the nation-state; it reflects a view of diffused sovereignty in which the decentralization of government functions is simply a consequence. It follows that the principle of subsidiarity is rooted in a conception of the state which is different from both the notion of the "minimal state" and the notion of the "paternalistic

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<sup>1</sup> It may be of interest to quote here a passage from a recent interview by Peter Drucker: "Above all, we are learning very fast that the belief that the free market is all it takes to have a functioning society – or even a functioning economy – is pure delusion. Unless there's first a functioning civil society the market can produce economic results for a very short time – maybe three or five years. For anything beyond these five years a functioning civil society – based on organizations like churches, independent universities, or peasant cooperatives – is needed for the market to function in its economic role, let alone its social role" (*Ottawa Citizen*, 31 December 1996).

state". In particular, subsidiarity entails a nested structure of governmental levels that cannot be reduced to a single encompassing hierarchy. The assignment of a particular governmental function to any given "higher order" agency does not preclude the "lower order" agency from entering other subsidiarity relationships with "higher order" agencies of a different type. Multiple allegiance is the rule rather than the exception, and government appears as a relatively loose structure, that is, as a pattern of "open governance" (in the words of Porta and Scazzieri, 1997), based upon the specialization of governmental functions and their separation from an encompassing conception of sovereignty. The notion of subsidiarity, when transferred to the realm of economic questions, translates itself into the notion of civil economy.

## 2. *The Damage Caused by Unemployment*

In order to give a broad perspective to the argument that follows, I will highlight what I consider to be the most serious harm caused by mass unemployment at both the individual and social level in this section. The long-lasting exclusion from productive work of millions of people not only demonstrates an inefficient allocation of resources, and thus a loss of aggregate output (as is obvious once we bear in mind that labour is a factor of production), but it introduces into our advanced societies a real rationing of freedom, as F. von Hayek acknowledges in his fundamental work *The Constitution of Liberty* (1960). Indeed, it is now generally established that in the long run jobless people endure psychological suffering, a condition that has nothing to do with decreased income, but is instead related to the ability to do and to learn. According to A. Sen's capabilities approach, this means that the functioning of those who are unemployed for a long time changes in that their actual capability to attain their goals declines dramatically – a circumstance that no official statistics will ever manage to reveal – indeed, nobody ever mentions it.

A serious consideration of freedom thus prevents us from putting income from wages and transfer income on the same plane – even if they are of the same amount – such as unemployment benefits or minimum guaranteed income or various forms of family support. The awareness of the source of one's income is not without significance when values such as self-esteem or personal autonomy are at stake. As Margalit (1996) remarks with great insight, striving for the creation of a just society is not enough. What we should seek on top of that is a "decent society", that is, one that does not humiliate its members by allocating benefits and advantages to them

whilst simultaneously denying their identity, as is the case when, for example, society disregards people's preferences or their cultural background. It should be noted that whenever this occurs – as regrettably is still the case – what invariably happens is a weakening of social values combined with the spreading of cynical practices. The latter occurrence, in turn, seriously impairs the effectiveness of measures of social sanctioning which are resorted to in order to combat deviant behaviour of one kind or the other. It should therefore come as no surprise that areas or regions with long-term mass unemployment display high rates of organized crime. This happens not only because the jobless find “work” – so to speak – within criminal organizations, but chiefly because others who do have a job, do not feel it to be their duty to enforce compliance with the social contract in a society which systematically marginalizes significant quotas of its members.<sup>2</sup>

I should like to mention a further, serious form of damage caused by unemployment. As A. Sen convincingly argues,<sup>3</sup> if it is true that “people learn by doing”, it is no less true that they “un-learn by not-doing”, which is tantamount to saying that unemployment generates a loss of cognitive ability. Let me pause for an instant to clarify this point of paramount importance. One peculiar feature of the present epochal transition from a Fordist to a post-Fordist society is the huge significance of knowledge as a vehicle of development even though, unlike goods, it does not immediately benefit those acquiring it. In fact, the new technologies embody and express a knowledge which is only partly codifiable, and therefore easily imitable and transferable; the remaining part is “tacit knowledge”, that is, specific to certain individuals and as such it can be acquired only through experience. This tacit component leads individuals and institutions to move along paths traced by past activities and learning and enables skills to improve through an accumulation process which is incremental in nature. Now, one channel conveying augmentation of technological capabilities is working activity itself. The relationship between technological capability and working activity is twofold: in the course of the working process acquired technological abilities are exploited, but further capabilities are also created.

A consequence of this is that keeping a person out of work for a long time means stifling his or her creativity, so much so that in our societies,

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<sup>2</sup> In fact we know that the possibility to stabilize pro-social behaviour through sanctioning in a formal sense (coercion; territorial control; strengthened crime-controlling legal framework) can be practised only when pro-social forms of behaviour are relatively widely disseminated from the beginning. Otherwise, the formal sanction implies social costs so high as to make it in fact impossible.

<sup>3</sup> A. Sen, “The Penalties of Unemployment”, Roma, Banca d'Italia, *Temi di discussione*, 307, 1997.

more and more people view unemployment not just as an unwanted interruption of their customary life-rhythm, but as an irretrievable loss to their personal biography. As far as yesterday's unemployment was concerned, the discourse of conjunctural cycles contained a very reassuring element in that it suggested that in a short time everything would fall back into its original place. Today's novelty is that such certitude is missing: instead we will surface from recession with an even higher unemployment rate. This is the main source of the "new uncertainty" as mentioned by A. Giddens in connection with the "second modern age:"<sup>4</sup> new wealth creation is made possible by increasing endemic uncertainty at the level of the economic system. The person who loses a job becomes worthless because work is the pivotal value of society. (One should not forget that in the ancient Greek-Roman universe of values, work was considered inhuman, hence the lot of slaves, whereas the highest social esteem was given to contemplative life).<sup>5</sup>

A third highly negative element related to unemployment (one that is hardly ever mentioned in relevant discussions), has to do with the constraints unemployment exerts on the possibilities for businesses to adopt the most advanced technologies available. In brief, the following occurs. As we know, the present technological trajectory entails, among other things, a continuing adjustment by companies of their organizational structure to the changing situation of information technologies, as well as a practically uninterrupted restructuring of an incremental kind. To quote but one example, let us think of the relevance, in terms of business reorganization and restructuring, of the introduction of *lean production* and *just in time* methods. In the presence of high unemployment rates it is not easy for firms to carry out frictionless reorganizations and restructurings, for the obvious reason that such processes invariably entail at least temporary losses of jobs, which are opposed in various ways by working people. Matters are very different in the presence of near full employment because, although workers will always prefer to stay in the place in which they work, nevertheless the cost associated with changing jobs is far exceeded by the unemployment alternative.

As is adroitly pointed out by A. Sen (1997), unemployment contributes in this specific sense to technological conservatism, hence to making the organizational structure of the entrepreneurial system inflexible, and

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<sup>4</sup> "In advanced industrial societies however a second modernity is at work. It has been settling in the last ten to twenty years and is permeated by the clear awareness of limits, problems, contradictions" (p. 6), A. Giddens, "There is no Choice but Choosing", interview by J. Lan (ed.), *Reset*, May 1997.

<sup>5</sup> On this specific point see the interesting contribution by R. Minnerath in this volume.

impairing the so-called X-efficiency. One could show that one cause of the recent success of the US economy lies precisely in the fact that high employability rates have allowed entrepreneurs in that country to undertake rapid restructuring and reorganization without undesirable protest costs, which in turn has enabled them to internalize the numerous advantages associated with the flow of innovations brought about by new information technologies. In fact one should bear in mind that technological change, being closely related to production activity, can be enhanced only by those activities that occur on the production site, i.e. within the institution that organizes the productive activity. The transfer of new technologies to appropriate centres for their subsequent dissemination among companies can only yield partial and suboptimal results. It is widely known that new information technologies can even be offered free of charge at the social level, but for them to be profitably adopted they have to be absorbed individually. That is to say that the toughest barriers to their dissemination is the limited capacity of absorbing new technologies. One can thus understand why unemployment at a time of remarkably accelerated technological progress seriously hampers the development process.

### *3. Full Occupation versus Full Employment.*

I pass on now to highlight a few basic elements of the unemployment phenomenon. First, one should notice that unemployment is a peculiar feature of a capitalistic market economy. Indeed, it is not found – as history confirms – in pre-industrial nor in collectivist societies. The very notion of unemployment is meaningful only in a society in which labour, viewed as a primary factor of production, receives a reward whose determination is somehow left to the norms governing a specific market – the labour market. In such a society, namely a capitalistic market society, unemployment indicates a condition in which labour supply exceeds labour demand at the current level of the price of labour – i.e. the wage rate – that is considered adequate to the worker's skills and needs. When the labour market is in disequilibrium – say, there is an excess supply – there are subjects willing to be employed at current wage levels, but there are not sufficient employers prepared to employ them at those levels.

A second remark is called for. Unemployment spells insufficient workplaces, that is jobs, in the labour market. There are, however, several other labour demands and supplies that do not go through the labour market: domestic help; labour providing social services; labour in non-profit making organizations. All of these working activities are valued by society, as is

indicated by their legal recognition, with norms fixing standards and stating performance rules. Still these activities are not subject to the impersonal and anonymous rules of the labour market. What I mean is that one should draw a distinction between the concept of employment in the sense of having a job and the much broader notion of working activity. However, when experts talk about unemployment, reference is always and solely to the job category. It thus happens that our post-industrial societies, to a larger extent than in industrial ones may face a problem of insufficient jobs, i.e. unemployment, although they also face a problem of excess demand for working activities which finds no answer. That is to say, a country may at the same time present a sizeable amount of unemployment and an even greater unsatisfied demand for working activities.<sup>6</sup>

In each stage of its historical development, society through its institutions decides where to draw the line between the sphere of jobs and the sphere of working activities, namely, between labour rewarded according to labour market rules – i.e. waged labour – and work rewarded according to other norms and customs. One may remark in passing that before the advent of the (first) industrial revolution, labour as a working activity and labour as a job were equivalent: to have a job meant to carry on a working activity, and vice versa. It was only with the advent of the factory system that the social invention of the workplace came about and along with it the figure of the expert in labour organization whose specific task was to find for each person involved the best “place” within the working process in order to achieve the optimal allocation of resources. The English language has two terms: *job* meaning “workplace”, and *work* indicating “working activity”. A *job* is something one has; *work* is something one does. (The English language has recently acquired a new term, *dejobbing*, to indicate the diminution of the workplace category).

In view of the above, one is bound to notice that the dividing line between the sphere of jobs and that of working activities in the post-Fordist society is largely the same as the one existing during the long period of development of the Fordist society. This is the real rigidity that must quickly be overcome if one wants to start searching for a serious solution to the unemployment problem. In fact, thinking of finding a *job* for everybody today would be purely utopian or, which is even worse, a dangerous deception. Indeed, whereas in industrial society the expansion of consumption levels and slow rates of technological progress allowed the labour market

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<sup>6</sup> On this topic see E. Fontela, *Sfida per Giovani Economisti (A Challenge for Young Economists)* (Milan, Spirali, 1997).

both to absorb new labour and to re-absorb old labour which had been made redundant, in the postindustrial society these means of intervention are – as we shall see – practically nil. This is why there is no alternative to transforming the borderline which I referred to above.

If this is the case, why does it seem so difficult to master that rigidity? In other words, why is there such powerful resistance to acknowledging the fact that today unemployment essentially relates to the profound changes which are occurring in the very nature of labour? I find a most convincing answer in the argument that among experts the assumption is still widely disseminated (and accepted) that one can successfully affect unemployment by using traditional remedies, i.e. those resorted to in order to deal with the three major types of unemployment: the first connected with excessively high labour costs; the second generated by a shortage of effective demand; the third, the technological one. In order to show why the application of traditional remedies would not produce the desired effect today, let me briefly recall the essential features of these three types of unemployment.

Consider unemployment due to exceedingly high labour costs. The labour market, like any other market, experiences a demand and a supply from whose intersection an equilibrium price derives, representing the wage received by the worker, and to which all the other well known components of labour costs paid by the employer must be added. If for some reason the price of labour rises above the equilibrium level, labour demand will fall short of equilibrium demand and labour supply will be in excess: unemployment will then be measured by the gap between them. Therefore, if the main source of unemployment were excessive labour costs, action would have to be taken against all those labour market imperfections responsible for this (obsolete labour laws; inefficient public administration; non-cooperative attitudes of the trade-unions; labour-punitive fiscal systems; lack of flexibility). Hence the well-known economic policy recipe: to combat unemployment it is necessary to reduce labour cost in its various components (not necessarily wages) and this can be achieved primarily by increasing labour market flexibility.

Unemployment stemming from a shortage of effective demand was John M. Keynes's great discovery: when the economy is affected by a decrease of aggregate demand because of an abrupt change in what Keynes called the "confidence status" of entrepreneurs, it is followed by a labour demand decrease that has next to no connection with labour costs. If entrepreneurs expect to be unable to sell what they could produce, machines stand idle and so do workers' arms. In such cases the well-known Keynesian policy represents a certain treatment: a reduction of interest rates to provide an incentive for investment; public expenditure measures, whether or not of the infra-

structural kind the promotion of public consumption programmes; and so forth. (The famous Okun law states a precise connection between increases of GDP growth rate and reductions in the unemployment rate).<sup>7</sup>

Finally, I come to technological unemployment. Compensation theory is the oldest attempt in economic literature to explain the employment effects of the introduction into production of new technologies. The literature has so far indicated four compensatory effects.<sup>8</sup> The first one is the price effect: the innovation adopted allows a reduction of costs which, by influencing price levels, will within a short time-span stimulate an expanded demand, and thus employment. The second effect is the income effect: technological progress improves the level of average incomes both as profits and as wages. This in turn will cause the demand for investment and consumption goods to rise, thereby increasing employment. The third effect is the multiplier effect of technologies: whenever technical progress is embodied in specific capital goods, innovation brings about an expansion of the sector involved, thus making possible a re-absorption of the workforce initially rejected by the sector adopting the innovation. Finally, there is the compensatory effect operating *via* new products: the structural change of demand, as made possible by the introduction into the market of new products, also makes possible a massive re-absorption of labour. Faced with technological unemployment, the measures proposed consist in accelerating firms' creative processes in innovative areas, and above all in furthering reconversion procedures for human capital (by continuing education; second level professional training; policies for technological and scientific research; and so forth).

There is no doubt that the present-day situation exhibits all three types of unemployment. Therefore a reform of social security and/or a reform of tax-systems which reduced the fiscal burden of wage-earning labour<sup>9</sup> would contribute to coping with the first kind of unemployment. At the same time it is true that a resumption of a public-investment policy along the lines suggested by the "Delors Plan" could significantly help to reduce Keynesian unemployment. Furthermore, measures taken in the sphere of so-called active policies of labour would likewise combat technological unemploy-

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<sup>7</sup> In Europe, the Brussels Commission's White Book contains an articulate series of proposals based upon the Okun law and inspired by Keynesian logic. UE, *White Book: Growth, Competitiveness, Employment* (Brussels, 1993).

<sup>8</sup> Cf. S. Zamagni, *New Technologies, Unemployment, Time Organization Rules* (Rome, Accademia Nazionale dei Lincei, 1996).

<sup>9</sup> The recent Ecofin summit provided documentary evidence that in the space of fifteen years the rate for hired labour went from 34.9% to over 42% whilst for capital it sank from 45.5% to less than 35%. It was estimated that 4 percentage points of the present European unemployment rate are caused by the exceedingly high fiscal burden on hired labour.

ment. Yet, since all this is common knowledge, one wonders why the various levels of government do not act in consequence. In particular, why is it that most European governments have allowed unemployment to reach the present dramatic situation?

#### 4. *The Political Unfeasibility of the New Golden Rule of Employment*

The answer to this question can be found in the following twofold consideration. On the one hand, national governments are bound today to waive part of their sovereignty due to the phenomenon of globalization that burdens national economic policies with constraints unknown as little as ten to fifteen years ago. On the other hand, the various, manifold measures which would be appropriate for the three types of unemployment I indicated above, if implemented simultaneously, would tend to produce perverse effects. I shall try to clarify this by starting from the first consideration.

One of the most momentous consequences of globalization is the fact that the economy nowadays is global in a way that politics is not. As we can all observe, the link between state, territory, population and wealth is fading away. The domestic agendas of competent authorities within national states are more and more constrained by interdependence and the degrees of freedom for political choices are dramatically reduced. What ensues is that, confronted with growing economic powers, more or less amiable Leviathans witness a shrinking of their sovereignty and authority. As a matter of fact, the latter are compromised by two interrelated constraints. The first is an internal one: the need – generated by democratic rule – to avoid extreme fiscal burdens on the middle classes in order to finance, for instance, investment projects or public consumption programmes. The second constraint is an external one: national states no longer manage to avoid confrontation with the expectations of international capital markets. Governments are subject to unrelenting demands for credibility from international finance – even modest differences shown by credibility indicators turn into intolerable differentials of interest rates. Under such circumstances, monetary sovereignty and fiscal sovereignty for national states have become almost null and void. Therefore, an employment scheme focusing on inflationary monetary policies or on deficit spending policies would be doomed to failure from the very beginning.<sup>10</sup>

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<sup>10</sup> For close perusal of the phenomenon of globalization and problems (and opportunities) related thereto, see my essay 'Globalization as Specificity of Post-industrial Economics: Economic Implications and Ethical Options', in R. Papini, A. Pavan and S. Zamagni (eds.), *Living in Global Society* (Napoli, ESI, 1997).

With regard to the other consideration, I maintain that it is certainly true that labour-cost reduction policies, combined with policies stimulating aggregate demand, might – in some sectors – promote production more rapidly than productivity increases, thus contributing to reducing unemployment. But at what price would such a positive result be achieved? As the US experience unmistakably shows, the price would be the acceptance of the rise of a new social class, that of the *working poor*. (On this, see E. Malinvaud's contribution to this volume). A recent statistical survey by the *U.S. Bureau of Census* reveals that in 1993 some forty million people (15% of the total US population) were below the poverty line and that the most numerous component of this group were working people whose tasks were such as not to allow them to command a pay level that would place them beyond poverty. In the pre-globalization epoch, such or similar situations could be – indeed were – avoided by fattening the economy's residual sector, i.e. the one not subject to international competition. When economies were still essentially national ones, alongside the sector facing international competition which employed the minimum number of workers compatible with competition, a sector was kept alive, protected by tariffs or institutional barriers, whose function was precisely the absorption of redundant labour. Suffice to think of the public sector or even the service sector: inefficient firms and non-profitable initiatives were kept alive as a sort of buffer or sponge. Globalization has practically done away with this duality of sectors: the establishment in Europe of the single market, as from 1993, opened up to international competition virtually all sectors of the economy. Moreover, the pervasive application of new technologies to the service sector itself, by determining sizeable productivity increases, no longer permits a conception of this sector as a sponge: de-localization also effects more and more tertiary sector activities, (for example, Swissair logistics are realized in India!).

One infers from the above that competitiveness is the horizon against which any discussion aimed at creating new jobs should be framed today. Only competitive firms can be created and prosper, thus generating employment; working activities increase along with firms' competitiveness margins: this is the new *golden rule of employment*. It is a novelty of great moment if one considers the recent past when, I should like to reiterate, (nearly) full employment could be ensured by keeping alive the economy's "dead branches". At the same time, however, this rule is an extremely difficult one to enforce in practice. Let us see why.

In the first place, this is because new technologies increase the system's average productivity more than they can increase the production of goods and services. It has been estimated that in OECD countries average pro-

ductivity rises by some 3% annually. One cannot help noticing the impossibility of raising year after year the average demand for goods by 3%. Think of what occurred in agriculture first, and then in basic industries (iron and steel, cement, the chemical industry etc.): an increase of productivity associated with a lower percentage increase of production has caused a dramatic reduction in employment. Indeed, if a society that is experiencing constant high rises in its average productivity does not want its employment rate to change, it should increase consumption by the same rate as its rise in productivity. But since the consumption of goods, and even more so of services, takes time to occur, consumption must move at a frenzied pace in order to keep the employment level unchanged. As early as 1970 Linder, in a celebrated essay, demonstrated the paradoxical outcome of growing consumption intensity: the aim of consuming ever increasing quantities of goods within the same time of consumption reduces, instead of enhancing, utility, that same utility which rational economic agents should try to maximize. As a matter of fact, aiming at a higher consumption intensity may be advisable in the very first stages of industrial development during which the mass production pattern asserts itself, but it tends to cause utility – i.e. welfare – to diminish once the process has been largely carried through.

A second significant reason why it is not feasible to comply with the new golden rule of employment is that the latter would eventually start a new form of competition in our societies, what Hirsch (1976) calls *positional competition*. Sony's founder Akio Morito provides an useful interpretation of the situation in a short story from his autobiography. An American and a Japanese who are walking through the forest suddenly hear the threatening roar of an approaching lion. The Japanese halts, takes out of his knapsack his tennis shoes and starts putting them on. The American instead takes flight, not without shouting to his companion "Fool! Do you think your tennis shoes will enable you to outrun the lion?", to which the Japanese retorts "I need not run faster than the lion; all I need do is to run faster than you".<sup>11</sup> What makes positional competition alarming indeed is that it exemplifies a real case of destructive competition, for it worsens both individual and social welfare levels in that it generates affluence wastage at the same time as it disrupts the social fabric. As in Tocqueville's perceptive comment, positional competition "arises as a prerequisite of equality and aims at overthrowing it: equality in principle sets in motion the pursuit of *de facto* inequality".<sup>12</sup> Unlike that which occurs in sporting competitions

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<sup>11</sup> Quoted in D. De Masi, 'Jobless Growth', *Società dell'Informazione*, 4, 1993.

<sup>12</sup> Quoted in R. Orsini, 'La Domanda Posizionale e le Risposte del Mercato', *Rivista Internazionale di Scienze Sociali*, September, 1993.

and in the familiar market competition where there are certainly winners and losers, but everyone can resume the game at a later stage albeit in different conditions, in positional competition the loser is forever one.<sup>13</sup>

To sum up. It is not lack of know-how about possible measures to be taken, nor is it the absence of operative instruments that make providing a solution to the employment question so very difficult. The point is that, remaining within the conceptual schema that identifies full time occupation with full employment, the pursuit of this goal conflicts with the pursuit of other goals which are equally legitimate and significant, such as environmentally sustainable growth; or a model of consumption that does not alienate by frustrating individual preferences; a non-stratified and tendentially "inclusive" society. In other words, the ultimate limit to various suggestions which seek to mitigate the calamitous level of unemployment is that of the generation of dangerous trade-offs in our society: in order to distribute work to everyone, one has to encourage neo-consumeristic models, or one has to socially legitimize new forms of poverty, or one has to restrict the liberty of citizens. All this is ethically unacceptable within the context of Catholic Social Teaching. It is my belief that once appropriate levels of awareness are reached, one should take courage and try new paths.

##### *5. A Way out of Trade-offs: the Idea of the Civil Economy*

In order to highlight the essential elements of the notion of a civil economy one needs to start with the following clarification. According to the prevailing conceptualization of economic activity, all the functions the economic system is called upon to perform are accomplished within two traditional sectors, the state and the private market. As we know, activity in these two areas differs in two aspects: one is information, (i.e. messages about individual choices), the other aspect concerns the decisional rule by which results are obtained, given the available information set. Now, if we can identify the public economy with the set of activities organized and legitimized by coercive powers, and the private economy with the set of

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<sup>13</sup> This is a sort of "superstar effect" in the sense of Sherwin Rose according to whom in many spheres of today's economic life the winner takes all. This explains the progressive increase in the last twenty to twenty-five years of inequality associated with a much improved average wealth: a real paradox (and scandal) of our age of growth. For an interesting analysis explaining how knowledge-products to-day show "superstar dynamics", see D.T. Quah, 'The Weightless Economy in Growth', *The Business Economist*, 1, 1999. For an innovative analysis of the "added worker effect", see K. Basu, G. Genicot and J.E. Stiglitz, 'Household Labor Supply, Unemployment and Minimum Wage Legislation', The World Bank, WP 2049, February 1999.

profit-oriented activities organized according to the principle of exchange of equivalents, the civil economy is represented by all those activities in which neither coercion nor profit are the *primum movens* or the ultimate target. In other words, while in public and private spheres the principle of the legitimation of economic decisions is represented, in the former by the right of citizenship, in the latter by purchasing power, in the civil economy it is represented by the *reciprocity principle*. What is this?

In a recent study, Kolm (1994) formalizes the reciprocity relation as a series of bi-directional transfers, independent of one another yet interconnected. Independence implies that each transfer is in itself voluntary, which means free; in other words, no transfer is a prerequisite for the occurrence of the other as there is no external obligation whatsoever in the mind of the transferring subject. This characteristic differentiates reciprocity from the familiar market exchange which is also a set of voluntary bilateral transfers whose voluntariness is global in that it applies to the whole set of transfers, not to each single transfer in isolation. Put differently, the transfers implied by the exchange of equivalents are each the prerequisite of the other, so much so that the law can at any time intervene to enforce compliance with contractual obligations. This is not the case with reciprocity, even though market exchange and reciprocity alike both imply voluntariness and oppose command relations. At the same time, however, there is more freedom in reciprocity than in the exchange of equivalents, because in the latter transfer in one direction is made compulsory by transfer in the opposite direction. This is precisely why, with reference to freedom, one can claim that market exchange places itself in an intermediate position between coercion and reciprocity. Reciprocity's other characteristic – bi-directional transfers – is what distinguishes such a relation from pure altruism, expressing itself in isolated one-directional transfers. In both cases, however, transfers are independent and voluntary, hence one can infer that reciprocity takes up an intermediate position between market exchange and pure altruism.

The reciprocity relation also demands some kind of balance between what one gives and what one expects to obtain, a balance that is not expressed in a definite exchange relationship (or relative price) since it can vary according to the extent to which moral sentiments like sympathy and benevolence are practised by the subjects involved. Unlike market exchange and coercion, and like altruism, reciprocity in the end cannot be explained in terms of self-interest alone: dispositions are basic elements of the concept of reciprocity. This is why economic literature, fettered to the rational choice scheme, cannot account for reciprocity, nor can reciprocity be understood as a special case of a repeated game. One should recognize, however, that reciprocity has a strategic dimension of its own, as it occurs in any

interaction among subjects: “should the recipient of my transfer not reciprocate, at a later moment I will somehow put an end to our relationship”.

Where does the difference lie with reference to the exchange of equivalents? Such a difference is twofold. In market exchanges the determination of the exchange ratio (the so-called equilibrium price) logically precedes the transfer of the object exchanged – only after buyer and seller have agreed, say, on the house price, is the property right of the house transferred. In the reciprocity relation the transfer instead precedes, both logically and temporally, the reciprocated object. Under reciprocity, the person who initiates it has but one firm point: an expectation of reciprocation. In the economist’s language this means that the ties of reciprocity may modify the outcome of the economic game, whether by tending to stabilize cooperative behaviour by agents interacting within contexts of the prisoner’s dilemma kind, or because the reciprocity practice tends endogenously to modify the preferences themselves, that is to say the form of individuals’ objective-functions. (To quote but one example: if I need help under circumstances which would enable me to reciprocate only at a later time, while I cannot credibly commit myself, a rational agent in the sense of the rational choice paradigm, although she is in a position to help me will not do so if, knowing that I am such a self-interested individual, she expects that I will not have an interest in reciprocating her favour. Things will differ if my potential help-giver knows I practice or I have been educated within a culture of reciprocity).

The question now arises: to what extent is reciprocity practised and how significant is it in real life?<sup>14</sup> Contrary to what one might assume, even a casual examination suggests that it is a very widespread phenomenon especially in advanced societies. Not only is it practised within families, in small informal groups, by associations of various kinds, but the network of transactions based on the practice of reciprocity as a ruling principle is present in all those enterprises that make-up the variegated non-profit-making world, from cooperatives in which reciprocity takes the form of mutuality, to voluntary organizations where reciprocity verges on altruism, on the free gift.

Indeed, the bulk of social life consists of interrelated other-oriented actions, motivations and sentiments which are neither purely self-interested “exchanges” nor pure unilateral gift-giving – both of which appear as bor-

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<sup>14</sup> See my ‘Social Paradoxes of Growth and Civil Economy’, in G. Gandolfo and F. Marzano (eds.), *Economic Theory and Social Justice* (London, Macmillan, 1997). See P. Sacco and S. Zamagni, ‘Civil Economy, Cultural Evolution and Participatory Development: a Theoretical Inquiry’, mimeo, University of Bologna, 1999. See also A. Ben-Ner and L. Putterman (eds.), *Economics, Values and Organisations* (Cambridge, Cambridge University Press, 1997), in particular the essay by E. Fehr and S. Gächter.

derline cases. This is the field of reciprocity, of which the gift/return-gift relation constitutes the simplest form and component, but which includes many more complex relations. Reciprocity is a major type of social interaction in all groups and organizations, especially in successful ones. Family life is essentially reciprocity, and only occasionally is there strict exchange or pure command which are, in fact, often embedded in a larger framework of reciprocity. Reciprocity is the cement of cooperation which explains why many failures in cooperation predicted by standard game theory often do not occur. Some of the most perceptive analyses of society (especially in anthropology and in sociology) have seen reciprocity as the basic social fact and the main glue that holds society's members together. Indeed, giving should be seen as the basic social act (since in taking and exchanging people treat others as things rather than as ends in themselves, they reify them), and reciprocity is the basic fact constitutive of a society and the door to intersubjectivity. Reciprocity often is the means and vector of mutual self-interest, but it is much more than this, as it also implies attitudes toward others which are intrinsically valuable and valued by all, such as gratitude, consideration, empathy, liking, fairness, and a sense of community.

This is why reciprocity and gift-giving have a particularly important normative function. The normative evaluation of economic transfers is a classic and prime concern of economics. However, the good society is made of good acts, not only of productive actions; it is made of good social relations, not only of profitable exchanges; and it is made of good people and not only of satisfied ones. Furthermore, the common conception of a good act or person values dispositions such as altruism and gratitude and condemns selfishness. On the other hand, the presence within a population of these dispositions can be affected by policy, since they depend not only on education and imitation but also on the institutional set-up prevailing at a certain moment of time, which can favour them by rewarding them, in one way or another. Hence, social ethics, and in particular normative economics, which fail to deal with the possibilities of reciprocity miss a major feature of their own area of inquiry.

This remark provides the opportunity to single out a far-reaching principle concerning the evolution of any society. Social evolution is always favourably influenced by the presence of diverse rules governing the various economic spheres. In fact, the famous principle of comparative advantage applies not only at the level of commodity exchange but also at the level of economic institutions. The market is much more than a mechanism driven by demand and supply forces alone. As a social institution, it embodies specific foundational rules, which in turn are the product of cultural matrices, conventions, and firmly established practices. On the other hand, citi-

zens' welfare is not just something that can be marginally influenced by human action. In reality, the relationship between observables like economic institutions and unobservables like individual dispositions is a two-way one: institutions and dispositions co-evolve through a complex and typically non-linear-process which is history-dependent.

This is why it does not make sense, nor does it help, to pose the question as to the choice between the reciprocity principle and the equivalent-exchange principle. It does not make sense because we do not possess any indisputable criterion upon which to base our choice. To avoid any misunderstanding, Pareto efficiency cannot provide such a criterion because it does not apply by definition to an economic set-up resting upon the reciprocity principle. On the other hand, it does not help, indeed it causes harm, because an advanced economy requires a practical implementation of both principles. It is unrealistic to think that all kinds of economic transactions can be based upon the "culture of contract", namely, the exchange of equivalents. If this vision were to become the ruling one, individual responsibility would coincide with the terms contained in the contract, with grotesque consequences that can be easily imagined. If the culture of contract fails to be integrated with the "culture of reciprocity", the potential of the system as a whole is going to be damaged. Hence the urgent need to help the sphere of civil economy to take off.

#### *6. The Constitutional Pre-requisites of the Civil Economy*

In our daily life, the civil society that is so often talked about with so much rhetoric cannot be reduced to, or identified with, the plurality of so-called intermediate bodies capable of counterbalancing the power of the state, on the one hand, and the power of the private market, on the other. That is necessary to be sure, but it is not enough. Either civil society finds a way to express itself at an economic level, presenting itself as a force which is autonomous and independent of both the public and the private spheres, or it risks becoming little more than a vague expression, the object of a sort of wishful thinking. In other words, the central argument is that in the present post-Fordist era, civil society cannot just be a "requirement" for the proper conduct of the state and the efficient functioning of the private market: a civil society of this kind would be destined to experience a slow euthanasia. Since material and symbolic resources are needed to provide civil society with significant instruments for action, civil society urgently needs to take up the challenge of post-modernity and cannot help but include a vital civil economy.

The new questions that are nowadays commanding the attention of intellectuals and politicians are of the type: how much space is it advisable for civil society to occupy in the present division of the total social space between the state and the private market, if one admits that intermediate bodies need freedom to grow and develop, since they cannot tolerate having their ends defined by others? How can one oppose the increasing arrogation of totalizing functions both by the state and the private market when they manifest a temptation towards the achievement hegemony by constraining the area of operation of intermediate bodies? More specifically, which categories of goods and services do citizens want to be produced and distributed according to the rules of the private economy, and which according to the rules of the civil economy? The central question concerning the transition to the post-Fordist era, which is underway, is that of understanding how it can be made possible for collective subjects to decide freely on the ways of producing and offering the various categories of goods – from private goods to public goods, to merit goods, to relational goods<sup>15</sup> – which these subjects seek, using their purchasing power. It is unthinkable to resolve the matter by referring to the principle of efficiency, as it is used in traditional economic theory. Indeed, what is at stake is not a problem of the optimal allocation of scarce resources, but a problem of liberty.

This brings me to a different, albeit related, question. A most startling paradox characterizing the present phase of structural change is that in spite of the apparent atomization of post-industrial economies, this epoch needs more, not less, collective decision-making processes; more, and not less, cooperative efforts. Indeed, as the new political economy has convincingly demonstrated, at the bottom of each market failure we find the market inability to produce cooperative results, which are only produced by the presence within the economic system of significant and solid networks of trust. In a well-known essay, Arrow writes: "One can plausibly maintain that most of the world's backwardness can be explained by the lack of

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<sup>15</sup> Unlike a private good that can be enjoyed separately, and unlike a public good that can be enjoyed jointly by more subjects, a relational good presents a twofold connotation. As for as the production side is concerned, it demands sharing by all members of the organization, without participation terms being negotiable. This implies that the incentive stimulating people to participate in the production of the relational good cannot be extended to the relationship interconnecting the said subjects: the *identity* of the other does matter. (We need only think of what happens in a social cooperative or in a volunteer association). As regards the consumption side, the function of a relational good cannot be fulfilled by disregarding the biography of persons because the relationship to the other is vital to the act of consumption and determines its utility. See B. Gui, 'Interpersonal Relations: a Disregarded Theme in the Debate on Ethics and Economics', in L. Warneryd (ed.), *Ethics and Economic Affairs* (London, Routledge, 1994).

mutual trust".<sup>16</sup> The reasoning underlying this proposition is simply that development demands high levels of cooperation and the latter, in turn, implies deep ties of trust among economic agents. The strong connection between trust and development opportunities has been established at the empirical level too. Suffice here to mention Robert Putnam's accurate research, updating results obtained by Harvard political scientists, and the conclusions reached by S. Knack, on behalf of the World Bank, on the connection between the degree of trust in personal relations and private investment. (As expected, it is found that most countries with an above-average level of trust also enjoy investments at higher levels than anticipated). In brief, one can safely state that the market is an institution resting essentially upon trust, which means that trust must already be in existence before a market economy can start its journey.

If so, the question poses itself: what conditions do we need for an economic system to generate and improve trust relations? It is the case that civil society is the privileged locus where dispositions of trust are fostered; this is not so in the private market which is rather a trust-consumer, and not a trust-producer. Indeed, the two fundamental elements of trust-mutual acknowledgement of identities and engagement not to cheat or betray even when they are feasible at no cost, cannot be generated via a reputational mechanism, since they must be offered initially as "free gifts" by the agents involved when the market process starts. If this were not so, people would never enter agreements that are not fully enforceable. This is why it is misleading and ultimately scientifically unproductive to reduce trust which is a *relation* between agents – to reputation – which is an *asset*, and something that can be accumulated or depleted. Such a reduction would prevent economic research from inquiring into the strategies to be followed in order to reach that critical threshold of generalized trust beyond which the private market can subsequently act both as a reputation control device and as a reputation enhancing structure.<sup>17</sup>

So what must be done at constitutional level so that the sphere of the

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<sup>16</sup> K. Arrow, 'Gifts and Exchanges', in *Philosophy and Public Affairs*, (1972) p. 343. See also J. Coleman, *Foundations of Social Theory* (Cambridge, Mass., Harvard University Press, 1990) and the most interesting paper by P. Dasgupta, 'Economic Development and the Idea of Social Capital', mimeo, Cambridge University, 1998. I should observe that the Italian word for trust is *fiducia*, which comes from the Latin word *fides* meaning "chord": the chord which unites two (or more) entities.

<sup>17</sup> For a thorough investigation of the difference between trust and reputation see L. Bruni and R. Sudgen, 'Moral Canals. Trust and Social Capital in the Work of Hume, Smith and Genovesi', mimeo, University of East Anglia 1998.

civil economy can adequately expand to absorb labour set free from the sphere of private economy and to contribute to the creation of a thick network of trust relations? The answer is basically that it is necessary to overcome the neo-corporatist method of social ordering. According to this model, collective actors do not act separately from the state, but through it or with its recognition. It is the government, operating like a social mediator, that leads the representatives of various stakeholders in society towards a social equilibrium. Now, the gradual demise of the nation-state caused by well known reasons, leads to the crisis of the collective actors it legitimated. This is why the neo-corporatist approach can no longer be advocated. Despite its historical merits, it cannot function any longer today. Hence the two horns of the dilemma: the supporters of the liberal-individualistic position, looking upon the decline of the collective actors with favour, press for assignment of their tasks to individual agents in order to achieve social cohesion via the private market. But this path does not seem viable for the following basic reason. Our advanced societies nowadays all face a problem of the inadequate supply of relational goods and, since these are genuine goods, a society that could not ensure adequate supplies of them would have a lower level of well-being (regardless of the volume and quality of private goods that society would be able to secure). On the other hand, the production of relational goods can take place neither according to the rules of the private market – for the fundamental reason that no allocation of property rights can be properly defined for this category of goods – nor according to the rules of the state – indeed, coercion destroys relationality. It must therefore be concluded that *ad hoc* economic agents are needed – the agents constituting the civil economy.

The other horn of the dilemma, favoured by those who – like this writer – identify themselves with the liberal-personalist position, consists in putting civil society to work, in such a way that the intermediate bodies may form a new institutional infrastructure of the post-Fordist society. Within such a scheme a twofold role would fall to the government. On the one hand, it would recognize (and not grant!) the self-organization of collective agents in all those areas in which their members, in total autonomy, claim to have legitimate interests to protect. That corresponds to what the principle of subsidiarity, according to Catholic Social Teaching, requires: the upper body must not simply delegate or distribute quotas of sovereignty to the lower body – this would be a “granted” subsidiarity, that is to say political and administrative decentralization. It should instead recognize and therefore favour what the lower body is capable of accomplishing on its own.

On the other hand, government must enforce the rules of this self-organization (transparency, rules about access to the sources of financing;

tax schemes), in such a way as to have the dividing line between the civil and the private economies traced by competition and not by dirigistic decisions stemming from above, as is the case with the neo-corporatist model. The notion of competitive self-organization is what defines the model of social order defended here. It embraces the need to leave the individual and collective actors the power freely to decide upon the composition of the various categories of goods (e.g. more private goods or more relational goods), and the ways of supplying them (the utility that I derive from the consumption of a good or service does not depend solely on the objective characteristics of that good or service, but also on my degree of involvement and participation in the act itself of choosing). Ultimately, this is the deep meaning of an authentic economic democracy, for which pluralism in economic institutions is not enough; rather, it needs the pluralism *of* economic institutions themselves.

I am perfectly aware of the difficulties inherent in the practical realization of the model of competitive self-organization as a model of social order. Catholic Social Teaching knows the snares of the passage between the Scylla of neo-statism and its neo-corporatist method, and the Charybdis of neo-liberalism and its method of social atomism. As in all human endeavours, it would be naïve to think that new, radical processes do not entail conflict, even high levels of it. The interests and differences involved are enormous. Not without cause, a sort of distress concerning the future is spreading today in intermediate bodies. This distress is being used by those advocating the idea of the “culture of crisis”, as a political device producing, according to the circumstance, a market Machiavellism or a political Machiavellism. It is precisely against this neo-Machiavellism and its underlying ethical relativism that those who, like Christians, are the bearers of a specific message of hope, should put up a fight. Catholic Social Teaching acquires significance and credibility, even with the non-believer, whenever it is embodied in actual experiences which do not simply represent traditions of moral reflection, but turn into laboratories for innovative life-practices.

### *7. Concluding Remarks.*

Let us now summarize the thread of our argument. I began by considering labour as a multi-faceted whole encompassing all activities necessary for human development, a development viewed in its entirety: doing, having, being-with. I then dwelt upon the reasons that today make obsolete or short-lived any attempt to find some sort of solution to the question of unemployment when one abides by a vision of society resting upon the state

– (private) market dichotomy. I finally came to recognize a solution to the problem in question in the form of a model of market economy resting upon the competitive interaction of a sphere of private economy with a sphere of civil economy. I have tried to highlight the peculiar economic and ethical features of this model. The recommendation stemming from this analysis is that we urgently need to stimulate the organization of a civil society, which is also capable of expressing itself at the level of economic relations. This means that the civil society we need cannot be envisaged as a mere “prerequisite” for the smooth and efficient operation of the state and the private market, both seen as unique regulatory centre of social order.

The principle of subsidiarity is nowadays witnessing a peculiar antinomic situation: the universal acknowledgement of its value and significance collides with substantial difficulties in its implementation. All are prepared to speak well about subsidiarity; but very few are prepared to translate this principle into action. As social scientists know very well, actions can have consequences different to those which are intended or anticipated. To be a responsible and accountable person you must consider the unintended consequences of your actions and evaluate their effects; and you must minimize unintended consequences that do harm. On this issue, Catholic Social Teaching parts company with those who emphasize the role of intentions at the expense of consequences in moral judgements. Although intentions matter, it is morally imperative to *do* right rather than merely to *intend* to do right. Thus, acquiring accurate relevant knowledge about the way the principle of subsidiarity works, and making accurate efforts to implement it in the form of a civil economy, are aspects of being morally responsible and accountable.

The main message from the argument developed above is twofold. The past few years have witnessed a remarkable upsurge of interest among economists in the problem of the anthropological foundation of economic discourse. This interest has been partly motivated by the recognition that a viable and effective strategy to cope with the unemployment problem presupposes overcoming the reductionist character of a great deal of contemporary economic theory – a reductionism which expresses itself in the fact that in modern economics relations among human beings are reduced to relations of exchange of equivalents, as if these were the only ones worthy of economic interest. As it is well known, the economic universe is made up of various economic realms, each characterized by the prevalence of a specific type of relationship. Yet the (ontological) assumption of reductionism in economics is that all types of social relations can be modelled as one variant or another of exchange relations. In so doing, the discipline is imposing upon itself a Nessus shirt that prevents a thorough investigation of eco-

conomic relations, which, although they do not appear to be of the exchange relations type, are of great economic relevance in our societies. As we have seen, this is the case with relations of reciprocity.

It is by now a recognized fact that market systems are compatible with many cultures defined as tractable patterns of behaviour. In turn, the degree of compatibility of market systems with cultures is not without effects on the global 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 individualism will produce different results from a culture of reciprocity. But cultures are not to be taken as given and beyond analysis. Cultures respond to the investment of resources in cultural patterns, so much so that in many circumstances it may be socially beneficial to engage in cultural engineering. The performance of an economic system is also dependent on whether certain conceptions and ways of thinking have achieved dominance, a dominance which is precarious in any case.<sup>18</sup>

The second message is to call for a deep rethinking of the identification, still prevalent within modern economics, of the category of happiness with that of utility. The most extreme expression of this identification is undoubtedly Gary Becker's research programme, whose logic tends however to produce a profound feeling of incongruity. The problem is that *homo Beckerianus* is a perfect specimen of the social idiot: a subject so completely devoted to rational pursuit of his own utility as to be unaware that in order to do so he has to manipulate, systematically and explicitly, other people's behaviours and choices. This is precisely the point: within the utilitarian perspective, as repeatedly stressed by, among others, A. Sen, we see the "other" as a mere *instrument* for the attainment of our utility goals. On the other hand, it is well known that happiness postulates the existence of the "other" as an end in itself: it takes two to be happy, whereas I can maximize my utility alone, just as Robinson Crusoe could do before he met Man Friday. As L. Pareyson writes, "Man is a relationship, not in that he stands in relation to, or entertains a relation with: man *is* a relationship, more specifically a relationship to the (ontological) being, to the other".<sup>19</sup>

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<sup>18</sup> We owe to Sen one of the first attempts to advance a relational approach to reciprocity. Cf. A. Sen, 'Isolation, Assurance and the Social Rate of Discount', *Quarterly Journal of Economics*, 80, (1967), 112-124. See also A. Antoci and P. Sacco, 'Relational Capital and Social Evolution', mimeo, University of Bologna, 1999; and P. Sacco and S. Zamagni, 'An Evolutionary Dynamic Approach to Altruism', in F. Farina, F. Hahn and S. Vannucci (eds.), *Ethics and Economics*, Oxford, Clarendon Press.

<sup>19</sup> L. Pareyson, *Ontologia della Libertà* (SEI, Torino, 1995), p. 23.

The problem with the reduction of happiness to utility arises because a large number of social interactions and major existential decisions acquire significance merely thanks to the *lack* of instrumentality and are desirable in themselves. The meaning of a generous action towards a friend, a child or partner lies in its being gratuitous. If we were aware that it was prompted by a precise utility-oriented and manipulative logic, it would acquire a totally different meaning and substantially alter the way it is received and the behavioural responses it elicits. However, there is no room for this vision within a conceptual perspective in which the social dimension is the sum of the individual ones, whence the need to include behavioural purposefulness in a sort of individual accountancy. *Homo Beckerianus* is profoundly lonely, hence unhappy, even and above all when he/she worries about others, in that this solicitude is but an idiosyncrasy of his/her own preferences.

The reduction of human experience to the “accountancy” dimension of utilitarian calculus is not just an act of intellectual arrogance: it is first and foremost sheer methodological naïvety, as is well documented in a recent contribution by B. Frey.<sup>20</sup> I should observe, in this connection, that the early history of economic science was characterized by the centrality of happiness. Economics was essentially seen as the “science of happiness” whose fundamental *raison d’être* was to provide an answer to the question: “what should I do to be happy?”. Even the titles of the books of most of the economists of that period reveal such a concern – think of Ludovico Muratori’s *Della Felicità Pubblica* (*On public happiness*, 1749); Giuseppe Palmieri’s *Riflessioni sulla Pubblica Felicità* (*Reflections on Public Happiness*, 1805); Pietro Verri’s *Discorso sulla Felicità* (*Discourse on Happiness*, 1763). The same is true of Antonio Genovesi (1754), Maupertius, Quesnay, Turgot, Condorcet, Sismondi, David Hume and especially Adam Smith.<sup>21</sup> As is well known, in the history of economic thought it is only with the “marginalistic revolution” that the category of utility completely superseded that of happiness within economic discourse. After that, as a foreseeable consequence, economics came to be called the “dismal science”.

<sup>20</sup> Frey, B., *Not Just for the Money. An Economic Theory of Personal Motivation* (Cheltenham, E. Elgar 1997). See also Antoci A., P. Sacco and S. Zamagni, ‘The Ecology of Altruistic Motivations in Triadic Social Environments’, in J.M. Ythier and S. Kolm (eds.), *The Economics of Reciprocity, Giving and Altruism* (London, Macmillan, 1999).

<sup>21</sup> It is interesting to note that the November 1997 issue of *The Economic Journal*, (107) hosted a symposium on “Economics and Happiness”, with contributions by H. Dixon, A.J. Oswald, R.H. Frank and Y. Ng.

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