Pursuing the Common Good: How Solidarity and Subsidiarity Can Work Together
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RECIPROCITY, CIVIL ECONOMY, COMMON GOOD

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1. An Introductory Justification

This essay has a triple aim. First, to refresh a traditional Italian line of economic thought, which was rooted in the civic humanism of the thirteenth century and continued, with ups and downs, through the golden age of Italian Enlightenment philosophy in both its Milanese and Neapolitan variants. Second, to explain why it is not a good thing that interpersonal relations continue to be precluded from mainstream economics and why the discipline would do well to adopt a new scientific paradigm, the relational one. It is truly paradoxical that a field of study like economics, which from the very dawn of the discipline has been concerned essentially with the study of relations between men living in society (just think of such aspects as the production of goods and services, consumption choices, market exchanges, institutional arrangements, and so forth) has apparently never – save for the temporary detour into civil economy recounted in section 2 – felt the need to reckon with relationality. The economist's agenda certainly does include the study of relations between man and nature, but it could never be held that this is the key to economic studies – not, that is, unless we want to reduce economics to a sort of social engineering, to remove it from the sphere of the 'moral sciences'. Finally, I will indicate how the principle of reciprocity allows and favours the passage from the traditional welfare state to the civil welfare model.

To avoid misunderstandings, one specification is in order from the outset. We must distinguish between social interaction and interpersonal relations. Whereas in the case of the latter the personal identities of the persons involved is a constituent of the relation itself, social interactions – think of the vast literature on social capital, for instance – can perfectly well be anonymous, impersonal. An example drawn from the work of Robert Putnam illustrates this difference: an increase in the number of members of social organizations will not necessarily be accompanied by greater, more intense participation in the activity and the decision-making of those organizations. The statistician will note that the stock of social capital has increased, but it certainly cannot be maintained that quality of interpersonal relations has improved. The point is important, well worth underscoring. That man is a social animal is a proposition that no one has ever questioned. But the sociability of human nature, defined as a positive attitude towards other human beings, is something quite different. As section 2 will show, social interaction does not necessarily postulate or generate sociability, so if the only focus of study is market mechanisms there is no need to assume that agents have socially oriented motivations. To explain *how* the market works, it is sufficient to postulate a single attitude on the part of economic agents, namely the 'human propensity to truck, barter and exchange things' as Adam Smith wrote. And this, with rare exceptions, has been the course of economic science for over two centuries. Our familiar theories of contracts, of industrial organization, of prices, and more, have no need to bother with the category of person: an informed, rational individual is sufficient.

Today, however, we have come to the point where even the most 'abstract' of economists cannot but admit that if we want to attack the almost totally new problems of our society – such as the endemic aggravation of inequality, the scandal of human hunger, the emergence of new social pathologies, the rise of clashes of identity in addition to the traditional clash of interests, the paradoxes of happiness, unsustainable development, and so on – research simply can no longer confine itself to a sort of anthropological limbo. One must take a position on the matter. If it is true that every theory is a view of reality, then one cannot produce economic theory, properly speaking, without selecting a standpoint from which to scrutinize reality. Otherwise, economics will continue to spread, to enrich its technical and analytical apparatus, but if it does not escape self-referentiality it will be less and less capable of actually grasping reality, and thus of serving some purpose. There is no denying that this is the true risk that our discipline runs today. For fear of publicly endorsing a precise anthropological option, a good many economists have taken shelter in analysis, dedicating ever greater intellectual resources to the deployment of more and more sophisticated logical-mathematical instruments. But there can never be a trade-off between the formal rigor of economic discourse – which is essential, of course – and its ability to explain, to interpret economic events. We must never forget that the production of economic knowledge, while it helps to shape or modify the cognitive maps of economic actors, also acts on their propensities and their motivations – or, as Alfred Marshall preferred to say at the end of the nineteenth century, their character.

2. The Tradition of Civil Economy Thought

2.1. Civil humanism was a highly particular, and brief, period in Italian history, but one that still exerts its fascination today. It remains a decisive cultural point of reference, because it was the product of a felicitous alchemy between the values of classical and Christian antiquity and the new political, cultural and economic demands that burst onto the Western scene. Today we know that it is not possible to understand the genesis of civic economy, or of political economy in general, without coming to grips with Italian civic humanism and its urban civilization. So to start again, ideally, in reconstructing the humanistic tradition of civic economy means relating contemporary economics with nearly a thousand years of history. It means showing that thought about things economic is not some mushroom that sprouted overnight in modern times but a new bloom on a secular tree that can still flower again (Bruni and Zamagni, 2007).

The 'golden age' of civil humanism was unquestionably the first half of the fifteenth century, and its locus was Tuscany. Its main representatives were Bernardino da Siena, Coluccio Salutati, Poggio Bracciolini, Leonardo Bruni, Léon Battista Alberti, Matteo Palmieri, and Antonino of Florence. This was also an age when Florence experienced an extraordinary confluence of artistic genius, embracing such figures as Brunelleschi, Masaccio, Donatello, Botticelli, Della Robbia, and Fra Angelico.

Typically, two basic elements are associated with Humanism: the rediscovery of classical (Greek and Roman) culture and the necessity, for a fully human life, of civil life. The second of these elements, therefore, typifies civil humanism, which does not coincide with the entire period of Humanism, which deserves the adjective 'civil' only for an initial moment, before the end of the fifteenth century when the individualistic, Platonic, contemplative, solitary and magical aspect got the upper hand (with such thinkers as Pico della Mirandola or Ficino) and, de facto, brought early civil humanism to an end in favour of the notion of the individual, a subject 'separate' from other individuals and all the more so from the community. The two souls of humanism (the civil-Aristotelian and the individualistic-Platonic) would generate different traditions in modern social science: the individualist school that issued forth in hedonism and the sensualism of the eighteenth century (taken up again by neoclassical economics at the end of the nineteenth) and the school of civil economy represented principally in the eighteenth century by such scholars as Francis Hutcheson, Paolo Mattia Doria, Antonio Genovesi, Giacinto Dragonetti, Cesare Beccaria, Pietro Verri and Adam Smith. Today, like a river long underground, it is resurfacing.

Civil humanism brought an extraordinary revaluation of the worldly, relational aspect of humanity, from family to city to State. Any number of tracts on civil life were offered in response to earlier centuries' paeans to the solitary life (Petrarch). The classics too were rediscovered, above all Cicero and Aristotle, but the civil humanists' attitude towards learning was shot through with the need for a philosophy that was a school for life, a serious and profound meditation on life's problems – just like Genovesi's civil economy three centuries later. In the view of the civil humanists, responding to the dominant ideas of the epoch from which they were emerging, the only true virtue is civil virtue, the only true life is active life: 'Virtue is at the disposal of all' (Poggio Bracciolini). So there is no virtue in the life of solitude but only in the city. Man, 'a weak animal, insufficient in himself, attains perfection only in civil society' (Leonardo Bruni, in his introduction to the Italian translation of Aristotle's *Politics*).

It should come as no surprise, then, that Bruni, Alberti, Bernardino da Siena and Bracciolini railed against the detractors of economic life and of wealth, propounding theses on the social uses of wealth and on the heterogenesis of ends that would not come into the common domain until the eighteenth century. It remained quite clear to these writers, in any case, that self-interest would not turn automatically or magically into the common good. There is no civil economy without laws, institutions, civil virtues. This is one of the main messages of Italian social thought; economists were also legal scholars, and vice versa (in modern times, let us think of such figures as Beccaria and Gian Domenico Romagnosi). It was city-based civilization – the model social order that arose in that age – that made it possible for the pursuit of individual self-interest not to father destructive, antisocial mechanisms and for markets, watched over and fed by other forms of civil and spiritual life, to act for and not against the community.

Civil humanism's lease had, alas, all too short a date. The experience of liberty and republican government gave way to the *Signorie* and absolute monarchy, which translated immediately into an authoritarian age far removed from the *libertas florentina* of the early fifteenth century and its city-based culture. So it is no accident that with the end of that century thought on civil life faded; the humanists themselves were no longer engaged, politically active like Bruni or Palmieri, but what we would now call 'free lance' intellectuals, no longer part of either a university or a city body but a lone individual, wandering from court to court. And considerations on public happiness became a research into individualistic, Epicurean happiness, as is shown in the treatises of Marsilio Ficino, Filippo Beroaldo, Piero Valeriano, Lorenzo de' Medici or Pico della Mirandola. All of these thinkers, each in his own particular way, wrote that happiness is to be sought in flight from other people and from the city, and that life in common, life in society, can bring only suffering.

A rupture was thus consummated between civil humanism and modernity. The experience of civil life came to an end at the threshold of modern philosophy, in which as we know the notion of inter-subjective dynamics becomes central, and social life, civil life, is extrinsic, transitory, an accident. As Tzvetan Todorov (1998) writes, 'studying the great currents of European philosophy as regards the definition of that which is human, one reaches an unexpected conclusion: the social dimension, the element of life in common, is not generally considered necessary for man' (p. 23). What are the reasons for the mismatch between civil life and modernity? Why is the modern age founded upon individualism?

2.2. At the dawn of the modern era, there arose a concept of man as an individualistic being, guided in all his deliberate actions by self-interest and held back only by his encounter/clash with the interests of others. A typical question raised during this period of transition from humanism to modernity (the seventeenth and early eighteenth centuries) was 'Why do men choose to live in society' – as if it were perfectly admissible to posit the existence of an isolated man *prior* to his relations with other men. This vision, that is, does not contemplate that relations with others are an inborn characteristic of human beings, who in fact have no life save social life. We find positions of this sort in Cartesian rationalism or Leibnitz's 'monadology', which tells us that every 'soul is a world apart, independent of everything else'. True, Leibnitz does recognize that real life is social – i.e. associated – life, but the main aspect of interpersonal dynamics that is brought out is the risk of the individual's death. To express this paradox, Kant coined the phrase 'unsociable sociability', an admirable characterization of the condition of man at the dawn of the modern age.

To see how the nascent discipline of political economy dealt with this paradox, let us examine two thinkers in particular, Thomas Hobbes and

Bernard de Mandeville, who must be credited with resolving the paradox of life in common by forgoing civil life. As we know, for Hobbes what men have in common is their universal 'killability', i.e. the fact that anyone can be killed by anyone else. Conflict, competition, the war to subdue others and gain power is the normal state of men, whereas peace and concord are transient. Thus the foundation of social life is fear. Typical, and poles apart from civil humanism or the classical tradition, are the opening pages of Hobbes's *De Cive* (The Citizen) (1642): 'The greatest part of those men who have written aught concerning Commonwealths, either suppose, or require us, or beg of us to believe, That Man is a Creature born for Society: The Greeks call him *Zoon politikon*, and on this foundation they so build up the Doctrine of Civill Society. ...Which Axiom, though received by most, is yet certainly False. ...We doe not...by nature seek Society for its own sake, but that we may receive some Honour or Profit from it; these we desire Primarily, that Secondarily'.

Here we are at the diametrical opposite of Aristotle, Aquinas, or – later – Genovesi or Adam Smith, and the idea of the citizen typical of civil humanism. We do not have society born of naturally sociable people but a society-state that can exist only if an artificial pact – a social contract – creates it and a 'Leviathan' preserves it by force. In the radicalism of Hobbes, however, we also find an intuitive explanation of *why* modern thought abandoned civil humanism: the wars of religion and the violence of the nascent nation-states (Hobbes's philosophy was forged during the terrible times of the Thirty Years' War) offered a depiction of modern man as liberated from the shackles of feudalism, to be sure, but incapable of creating a peaceful or happy society. Faced with such a spectacle, what Hobbes saw as the only solution for avoiding a war of each against all was to forgo interpersonal relations and leave mediation among individuals to the state-Leviathan. In other words, to renounce civic life to save political life, understood as the sphere of the State. But for Hobbes, be it noted, political organization is itself an artifice: 'For by art is created that great Leviathan called a Commonwealth, or State (in Latin, *civitas*), which is but an artificial man' (1651, Introduction).

The other main attack on the optimism of the civil thinkers (represented in England mainly by the Earl of Shaftesbury and his theory of virtues) was Bernard Mandeville and his celebrated *Fable of the Bees*, whose subtitle ('Knaves turn'd honest') encapsulates the author's central message: private vices, public benefits. The fable tells the sad tale of a hive of egoistic bees who, thanks to their avarice and dishonesty, live in abundance and well-being. Then, however, they are converted to honesty, altruism and virtue, and the hive soon falls into indigence. Here the attack on the civil virtues comes from another quarter compared with Hobbes. Not only is it *not true*, Mandeville argues, that man is a 'civil animal' led by his nature, as Leonardo Bruni had maintained, to relations with others; but even if it were true, or became true via upbringing, man would nevertheless have to bridle his virtues, because they are harmful to the life of the society. What brings the good social life, he concludes, is not virtue but vice: 'Fraud, Luxury, and Pride must live; Whilst we the Benefits receive... . Bare Vertue can't make Nations live In Splendour; they, that would revive A Golden Age, must be as free, For Acorns, as for Honesty'.

For Mandeville, virtues are beneficial only in small communities (the family, say, or at most a village). If large societies were to be founded upon the civil virtues, they would be destined always to live in poverty and need, to have at once 'acorns and honesty'.

Hobbes and Mandeville were the two authors with whom the founders of modern economics mainly had to wrestle. After them, it was no longer possible to erect a supposedly 'civil' economy, to show the 'civility' and the civilizing role of economics, without addressing this radical critique. Truth to tell, in a society like that described by Hobbes and Mandeville there is no place for civil economy, which is based on the civil virtues and man's nature as a sociable being driven to encounter his fellow creatures, *including in the marketplace*. It cannot, however, be denied that the Hobbesian attack, and perhaps that of Mandeville even more, ultimately exercised considerable fascination for the earliest economists. Though they were reluctant to share the fundamental scheme of their vision of man and society, such thinkers as Smith, Genovesi and Galiani could not deny that *Leviathan* and especially the *Fable of the Bees* had embodied some portion of the truth.

The high road taken by the first economists, whether in Scotland, France or Italy, was a refoundation of ethics that took account of the individualist critique to make a new argument for civil and social life and virtues. It is not, therefore, true that – as the textbooks typically say – modern economics originated by emancipating itself, or separating itself, from ethics. After Hobbes and Mandeville, this was no longer possible. Rather, economics arose upon a new ethical foundation that permitted the discipline to become 'civil' once again, notwithstanding Hobbes and Mandeville. And it was no accident that this refounding occurred in the mid-eighteenth century. A new era of peace and reform was needed (such as the Naples of Giambattista Vico and Genovesi under the reforming monarch Charles III of Bourbon) for rational thought about civil life to be reborn and to become credible.

What they sought to do – a project shared by the various classical schools of political economy – was to go beyond Hobbes and Mandeville, accepting some of their criticisms but raising the discourse to a higher plane, showing that civil society consists precisely in that set of lifestyles, rules and institutions that enable the ambivalent nature of human beings, their unsociable sociability, to be directed to the common good. They recognized that in large societies, in modern commercial civilization, one could not rely overly on benevolence, because 'real' man tends to his own self-interest (taking, in this, the side of the critics); yet in the framework of civil life self-interest is no longer considered a 'vice' because it is viewed jointly with the interests of others, i.e. the public interest (taking, in this, the stance of the civil humanists).

Modern economic science (English political economy or Italian civil economy) originated, that is to say, within a rich, complex anthropology in which the pursuit of self-interest is a passion compatible with other people's interests. They did not counter self-interest with benevolence or altruism but held that *self-interest is just one side of the coin*. The other is the interests of others: 'The useful, that great mainspring of human action, and the well-being to which every one aspires, will always make men run to where the useful and well-being are most easily encountered. …Let each man be persuaded, that *to procure one's own good one must seek it by procuring that of one's fellows*' (Giuseppe Palmieri, 1788; emphasis added).

2.3. Despite a long-standing vulgarization of the history of economic thought, Adam Smith was actually much closer than is generally believed to the humanist tradition. Smith's thought too is civil economy. This reading of Smith as a 'civil economist' is not particularly common, especially among economists who still quote – but out of context – what is perhaps the most celebrated sentence in all of economics: 'It is not from the benevolence of the butcher, the brewer, or the baker, that we can expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages'.

Such a sentence, in itself, would locate Smith alongside Mandeville or Hobbes: where, in this discourse, is mutuality or civil virtue to be found? And in fact in writing the history of economic thought this was long the dominant approach. Yet if we have the patience to venture a bit further into a reading of this entire chapter in the *Wealth of Nations* (1776), and place Smith's thought within his broader moral theory, the matter becomes more complex, and more relevant to our discourse.

A few lines before the phrase about butcher, brewer and baker, we see that Smith begins by speaking of a certain 'propensity in human nature... to truck, barter, and exchange one thing for another' which is characteristic of man. And in fact he goes on to say 'Nobody ever saw a dog make a fair and deliberate exchange of one bone for another with another dog'. This is why when a dog wants something from his master it can only seek to convince him by wagging its tail and prancing around him. For Smith, then, the disposition to exchange things with others is a typical trait of human sociability, which can find full expression only in civilized society, where there is a division of labour and each has constant need for something from others – as he cannot satisfy his needs alone or with his family. Smith acknowledges that the most natural and human way of getting things from others is by mutuality, friendship and love (as in the family). But in civilized society a man's 'whole life is scarce sufficient to gain the friendship of a few persons'. Friendship will therefore not suffice to get what we need from others, meat from the butcher, bread from the baker, or beer from the brewer. In civilized society, mutual love and friendship – though they continue to perform their specific, essential function – are no longer sufficient to provide us with the necessities of life. So we have two alternatives: to live like a puppy or a beggar who for their meals depend on the charity of the butcher or else to 'truck and exchange' with others. And if we elect to truck rather than beg, in civilized society we cannot rely primarily on the charity or love of our fellow citizens to satisfy our needs, but each man 'will be more likely to prevail if he can interest their self-love in his favour'.

For Smith, then, the market is a providential mechanism. It enables us to obtain peacefully from others the things we need even if not all are our friends. This is why the phrase about the butcher is followed by 'Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow-citizens'. And the adverb 'chiefly' tells us that even his economic vision assigns a role to love and mutuality (so we are far removed from Mandeville), while acknowledging (perhaps with a touch of bitterness) that in modern society mutual love is not enough, subsidiary mechanisms must be found. Thus the market within civilized society on the one hand prevents war and domination from infiltrating through the insufficiencies of mutual love (a possibility that the civic humanists never forgot) and on the other wards off a scenario of a handful of charitable givers and a multitude of beggars (like that from which Europe was just then, laboriously, emerging).

This represents perfect continuity with the tradition of civil humanism (though less rooted than Vico or Genovesi in Christianity), in which the market was seen as a locus of civil and human development, the place of horizontal relations between 'peers' who can meet and trade, face-to-face with equal dignity. Obviously, Smith is aware of the essential role of the State (with his emphasis on the spread of education) in creating the conditions for equality between market agents to be effective, substantive.

Going deeper into Smith's thought, it is useful to examine his philosophical works, above all the *Theory of Moral Sentiments*, first published in 1759 (well before his economic treatise) but continually updated and republished in successive editions until his death in 1790. Here we find all the themes of the civil tradition. Public faith and civil virtues, for instance, are key elements in his thought, even though he strongly underscores the positive role of the extension of markets in reinforcing trust and civil virtues. A passage in his *Lectures at the University of Glasgow* (1763) asserts that whenever commerce is introduced into a country, with it come also honesty and punctuality. Smith went so far as to say that the commercial success of the Dutch was due to the fact that of all peoples of Europe the Dutch were 'the most faithful to their word'. Thus while in Genovesi the emphasis is on the other direction of causation ('build public trust and the market will flourish': the Kingdom of Naples was no Glasgow), there is yet in Smith a close relationship between market and public trust: they are intertwined, the one cannot flourish without the other.

Particularly significant, however, is the 'civil' aspect of Smith's anthropology, the concept of the human being that underlies his entire theoretical construct. The key category here is 'fellow-feeling', people's innate need to identify with the other, to respond to his neighbour's sentiments. This emerges in the very first lines of the *Theory of Moral Sentiments*: 'How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it'. And another passage conveys the deepest sentimental intuition: 'What so great happiness as to be beloved, and to know that we deserve to be beloved?'

A question springs to mind: in the standard version of economics, whatever became of Adam Smith's civil soul, so essential to his thought? We must conclude that it has been largely lost sight of in the advance of modern social science. For if we look at how economics is understood today (both as theory and in practical application), the typical pillars of civil economy – virtue, sociability, happiness – are almost totally absent. Why is that?

One reason is that the economists who came after Smith elected to connect with one or the other element in his complex work, but keeping the parts separate and distinct. In practice, therefore, neither the readings from the 'left' (interested in his theory of prices based on labour, or on the alienating side of the division of labour) nor those from the 'right' (making Smith the paladin of free market fundamentalism, today as yesterday) have done justice to the complexity and subtlety of his work. Only in very recent years, with such writers as Ken Arrow, Partha Dasgupta, Amartya Sen, and others, have we come to a new understanding of Smith's thought. But the new interpretations do not have retroactive effects on the theoretical and practical consequences that partial readings have produced in nearly two centuries. Thus throughout the nineteenth and a good part of the twentieth century people used Smith to claim the need for individual self-interest as a cornerstone of good economics (neglecting his broader, anthropological vision of human action and of society). And on the other hand, in reaction to that reading, there arose currents of thought that countered self-interest with altruism, individualism with collectivism, losing sight of the fact that Smith's relational theory and his economics were another thing entirely.

The civil economy of Leonardo Bruni, Léon Battista Alberti, Antonino of Florence, Vico, Genovesi, Romagnosi and Smith is not dead, however. Over the centuries it has continued to flow like a current in the subsoil of official economic doctrine. At times it has resurfaced in the thinking of some economists, including major ones (Alfred Marshall towers above them all). These are all chapters in a history of civil economy yet to be written.

2.4. Starting in the first half of the nineteenth century the civil vision of the market and of the economy in general began to disappear from scientific research and from political and cultural discourse. The reasons were many and varied. Let us mention just the two most important ones. The first was the slow but steady spread throughout high European cultural life, of Jeremy Bentham's utilitarian philosophy. His main work, in fact, dated to 1789 but would take decades to become hegemonic within the field of economics. It was with the utilitarian moral view – let us not forget that utilitarianism is a theory of ethics – that mainstream economics came to enshrine the hyper-minimalist anthropology of *homo oeconomicus* and simultaneously its socially atomistic method. The clarity and deep significance of this passage are notable: 'The community is a fictitious *body,* composed of the individual persons who are considered as constituting as it were its *members*. The interest of the community then is, what is it? – the sum of the interests of the several members who compose it' (1789 [1823], I, IV).

The second reason was the industrial revolution and the definitive establishment of industrial society. Industrial society is a society that produces commodities. Machines dominate everywhere, the rhythm of life is a mechanical cadence. Human and animal muscles were very largely replaced by more powerful forms of energy, explaining the enormous increases in productivity that accompanied mass production. Energy and machinery transformed the very nature of work. Personal skills were broken down into their elementary components. Hence the need for coordination and organization. A world was thus ushered in which men were seen as 'things', because it is easier to coordinate 'things' than people, and in which people are separated from the roles they perform. Organizations – first and foremost, productive enterprises – deal with roles, not people. And this happens not just in the factory but all throughout society. Fordism and Taylorism represented the highest-level, successful effort to produce a theory of this model of the social order. The rise of the assembly line has its correlate in the spread of consumerism. Hence the schizophrenia typical of 'modern times': on the one hand, the loss of the meaning of work (alienation due to the depersonalization of the worker) is pushed to extremes; and on the other, as if to compensate, consumption becomes affluent. Marxist thought and its practical applications by the socialist movement sought in various ways, as we know, to try to find a way out of this social model.

The complex intertwining of and conflict between these two sets of reasons had important consequences for the theme treated here, namely the adoption – now more firmly established than ever – of two opposed concepts of the market. One sees the market as a 'necessary evil', an institution that we cannot do without because it ensures economic progress, but nevertheless an 'evil' to guard against and to keep under control. The other sees the market as the ideal-typical place for solving the problem of politics, just as the liberal-individualistic position maintains. In this view the 'logic' of the market must be allowed to extend, albeit with the necessary adaptations and refinements, to all the spheres of social life, from family to school to politics.

These two conceptions of the market, with their diametrically opposed philosophical premises and political consequences, have ultimately produced a paradoxical – and obviously unintended – effect on popular culture, namely the dominance of a idea of the market that is antithetical to the civil economic tradition. This notion sees the market as an institution based on a twofold norm: impersonal relations of exchange (the less I know my counterparty the greater will be my advantage, because you do better business with strangers!); and the exclusively self-interested behaviour of all those taking part in the market (so that 'moral sentiments' such as sympathy, reciprocity, sociability and the like, if recognized, are allotted no space whatever in the market arena). And so it came about that the progressive, majestic expansion of market relations over the past century-and-a-half ended up strengthening the pessimistic interpretation of human nature posited by Hobbes and Mandeville: only the iron laws of the market, supposedly, can tame perverse impulses and anarchic drives. The caricature of human nature thus imposed has helped accredit a twofold error: that the sphere of the market coincides with egoism, the place within which every man pursues, as best he can, his own self-interest; and symmetrically, that the sphere of the State coincides with solidarity, the pursuit of collective interests. This is the foundation for the well known but very fragile dichotomy between State and market; a model, that is, in which the State is identified with the public sphere and the market with the private sphere.

3. The Resumption of the Category of Human Relations in Economic Discourse

For some time now the discipline of economics has begun again to feel the need for the relational perspective in order to transcend the clash between the holistic and individualistic paradigms. Why is this? Actually, the focus must be on the individualistic paradigm, since for years the holistic one has been practically abandoned. Indeed the current of thought running from Ricardo and Marx to Polanyi and Sraffa, in which that paradigm is embedded, has ceased to offer a real alternative to the intellectual hegemony of neoclassical thought in its countless versions. Note that the relational perspective I am considering here is not that of exchange but that of reciprocity. Exchange is instrumental in nature: it is obvious that every time I initiate an exchange I am entering into a relation with someone, but this relation is merely instrumental, a means to my end. A relation of reciprocity, by contrast, considers the force of 'between' as Buber (1972) suggests; in economics, this is captured by the concept of relational good (Zamagni, 2005).

One reason why economists are now more or less obliged to adopt more sophisticated behavioural axioms than that of 'economic man' and thus open to the relational approach, is the observation that the so-called additive hypothesis fails to find confirmation in the real world; in fact, it is regularly and systematically contradicted. Let me clarify the point. The fundamental assumption underlying the 'official' theory of economic behaviour is that extrinsic motivations – monetary or other, but always instrumental – are added to, and reinforce, intrinsic motivations, i.e. those that flow from the personal identity of the agent. By this apparently innocuous manoeuvre, mainstream economics manages to restrict its field of inquiry to extrinsic motivations alone, leaving it to moral philosophy, psychology, or sociology, depending on circumstance, to study motivations. In this view, the criticism that *homo oeconomicus* is a poor representation of human behaviour because it ignores intrinsic motivations can be disregarded as irrelevant. For no serious mainstream economist will ever deny the explanatory importance of ethical values, religious beliefs, and the intrinsic motivations of economic agents generally. Rather, he or she will assert that since extrinsic motivations (the maximization of profit for the businessman, utility for the consumer) are added to and reinforce the intrinsic, the proper mission of economics is to highlight the extrinsic motivations and augment their efficacy. Hence the insistence of economic research on identifying the most effective incentives for directing people's choices in one direction or another (Zamagni, 2005b).

However, the additive hypothesis has been found to be untenable, because of pervasive crowding out and crowding in phenomena between the two types of motivation, which calls into question the very foundations of what had long been deemed a perfectly solid edifice. The British sociologist Richard Titmuss (1970) was the first to inform social scientists that the offer of payment to blood donors reduced both the number of donations and the quality of the blood. Today the empirical and theoretical literature on the crowding-out effect is vast. More detailed surveys are available (Frey 1997, Deci 1999, Janssen and Mendys 2004), but in any case the relevant point here is the explanation of the phenomenon: economic incentives not only diminish self-determination and the range of possibilities for personal self-expression – with a monetary incentive, the intrinsically motivated person finds the opportunities for conduct consistent with his/her value system reduced – but undermine the very basis of what Adam Smith called self-esteem. That is, being paid for an act that the person would have performed anyway diminishes the social reward. What is more, an incentive always conceals an unequal power relationship, because it implies that there is no good reason for you to do what is asked, so your decisions must be 'bought'. It follows that the individualistic paradigm offers no way out of the problems caused by discarding the additive hypothesis, since individualism itself is the problem.

Let me clarify this concept. Gui and Sugden (2005) first set out the empirical evidence of the countless links between the economic sphere and that of interpersonal relations and then ask how far the dominant economic paradigm can actually satisfy the need for relationality. Their answer is trenchant: not only to an inadequate extent but – what is more – in a distorted form. It is not hard to see why. In fact, what do we find at the bottom of the 'received view'? Nothing but the theory of rational choice that claims to explain economic behaviour solely on the basis of agents' preferences and beliefs, as if inclinations, motivations and moral sentiments were useless adornments with no explanatory power. This is tantamount to saying that 'rational choice' bears exclusively on the cognitive dimension of interactions between persons, not the affective and moral dimension. Yet evolutionary game theory and behavioural economics have demonstrated that the importance of the affective component of decision-making – such as emotional states that are reflected in signals that the agent himself has trouble controlling but that are readily perceptible to those with whom he she interacts – must not be underestimated. The truth is that interpersonal relations activate mechanisms of information transmission that the theory of rational choice precludes. Moreover, the fact that persons whose behaviour is not strictly self-interested are active in the market invalidates a good many of the conclusions, achieved by rational choice theory insofar as it assumes all agents to be self-interested.

But how can we be sure that there actually exist, in reality, people exbiting pro-social behaviour? To my mind, one of the many convincing pieces of evidence is that corporations make charitable donations; they practice philanthropy. For why should a businessman who is self-interested behave as if he were not? Because he knows that this is to the liking of his customers – who are not, however, the beneficiaries – and that he can therefore increase his reputational capital, which – let us not forget – is a positional good. If all his customers were strictly self-interested, as conventional economic theory insists on supposing, this could not happen.

Let us get rid of one possible objection. Even the theory of rational choice, it could be argued, admits that there are some altruistic people, and others who are averse to injustice. This is the position of Gary Becker and the florid line of thought that he founded. Yet his broadening of the conventional theory does not lead far, for the evident reason that all it does is extend the range of preferences of actors, or at the very most alter the form of their preference function. The motivational system, that is, remains one of self-interest, even though this can now be 'enlightened'. The real challenge, which rational choice theory cannot take up, is the study of interactions between people at the level of their motivational and dispositional structures. Indeed, it is certainly true that relations are acted by individuals, but they also have an independent existence, so much so that individuals increasingly come into conflict with the relations themselves, and not only with other individuals. What, in a relation, is rational? What does it mean to study the economy as a fabric, the warp and woof of inter-personal relations?

What route can we take, then, to overcome the paralyzing reductionism of 'received economic theory'? Scholarly responses are differentiated, not convergent, but there is consensus on one point: it is urgent to abandon the assumption of homogeneous motivation for all agents. Note that this does not mean simply banishing *homo oeconomicus*, because there are in fact a-social persons in the world who neither 'help' nor 'harm' others. What we need to do is to recognize that the economic world is also inhabited by other types of subjects. Some are *anti-social* (the envious, for example, who in order to inflict harm or suffering on someone else are willing to sustain a cost that they know will produce no material benefit for themselves; or the malicious, who take pleasure in other people's ill fortune); others still are *pro-social* (such as the increasingly numerous consumers who support and sustain the fair trade and ethical finance movements; or the businessmen, also increasing in number, who are instituting democratic stakeholding in their firms as the practical expression of corporate social responsibility). Pro-social acts, it should be noted, are such not because they are actually in the public interest but because they are performed with the public interest in mind.

What is entailed in assuming motivational heterogeneousness? First of all, it implies that 'upstream' of the problems that rational choice theory has addressed so far there is a problem of choice of personal dispositions. And, as we know, dispositions respond to institutional changes, so the problem becomes designing institutions that operate as a mechanism for selecting groups with various motivational systems, not merely as an incentive mechanism to favour one group or another of subjects, as is done unthinkingly today.

The second implication is that one can no longer keep the category of relationality outside of economic studies. The fact that human beings live partly in a symbolic dimension leads unavoidably to the idea of relationality and the notion of the relational good. The person in relation to others is what is missing in conventional economic theory, which appears not to see that what is relevant to people is not to be found only in people themselves – as in the 'new social economics' of such scholars as Durlauf, Murphy and Kline (2001) – but between them. An economic science that assumed *all* agents to be a-social and failed to consider that the person *qua* person matters would be a poor science indeed, and ultimately of little use. One cannot but note that even the 'new social economics' – certainly an interesting school, especially for its sophisticated analytical techniques – offers late and often commonplace answers, because it posits an 'economic man' who, like the Hobbes' mushrooms in *De Cive*, comes onstage already full formed. The self comes before the social relation, the latter thus becoming strictly instrumental. This is why this literature fails to account for the importance of reciprocity, which is regularly interpreted as the 'special case' of an exchange of equivalents, in which the agents pursue enlightened self-interest. The fact is that once the notion of gratuitosness – the prime mover of a reciprocating act – is banned from economic discourse, then it is unavoidable to consider this as a form of altruism, or as a moral emotion (the so-called 'sense of fairness').

It is the culture of modernity that is responsible for this reductionist stance, whereby contracts and incentives (plus, of course, a well defined institutional arrangement) would be all that the economy needs. This means refusing to see that gratuitosness always counterposes its logic of overabundance to that of equivalence typical of contracts. What economics is lacking today is the 'relation of reciprocal gratitude' (Vigna, 2002). Economic theory needs to think of an agent who can combine freedom of choice with relation, for if relations alone would produce an equivocal communitarianism, so freedom of choice by itself would resume all the shortcomings of axiological individualism.

Another factor has also contributed greatly to bringing the principle of reciprocity back into economic discourse – a principle that cannot even be conceived within the individualist paradigm, and in fact the economic literature systematically interprets it as a special case of the exchange of equivalents. This is the happiness paradox, or 'Easterlin's paradox' (after the American scholar Richard Easterlin who proposed it in 1974). Pascal (*Pensées,* nol. 425) observed that 'All men seek happiness. This is without exception. Whatever different means they employ, they all tend to this end. ... This is the motive of every action of every man, even of those who hang themselves'. Now as long as economic doctrine was able impose the belief that 'to be' happy was the same thing as 'to have' happiness, it succeeded in masquerading utility as happiness and persuading people that maximizing utility was not just rational but reasonable, i.e. an act of wisdom.

The problems came to a head just when it was discovered, empirically and not by deduction, that the relation between per capita income – as an indicator, albeit rough and ready, of utility – and subjective well-being (happiness) can be graphed as an inverted 'U' (a parabola concave upwards). That is, above a certain level further increases in per capita income actually diminish the subjective perception of well-being. I do not intend to dwell on the countless explanations suggested for this paradox. They run from the psychological (the treadmill effect) through the economic (positional externalities) to the sociological (based on the notion of relational goods). The literature is vast and deep-rooted. Bruni (2004), for instance, notes that Aristotle had associated the good life (*eudaimonia*) with a life of relations, i.e. the availability of relational goods (friendship, love, civil engagement, trust, and so on).

In another work I have dealt with the peculiar characteristics of relational goods and their meaning in today's advanced societies (Zamagni, 2005). Here, let me add that the main reason the individualist paradigm can never treat relational goods adequately is that in this case it is the relation as such that constitutes the good; that is, the interpersonal relation does not exist independently of the good, which is produced and consumed at the same time. This means that my knowledge of the identity of the other with whom I have a relation is indispensable for there to be a relational good at all. By contrast, the assumption underlying the relation consisting in the exchange of equivalents – the only type of relation other than philanthropy that the individualist approach can conceive of – is that it is always possible to replace the person or persons on whom my well-being depends with other persons. (If I am not satisfied with my regular butcher, I can always go to another. But I cannot replace the person who provides me with a personal service without altering my own index of happiness). As Philip Wicksteed (1910) saw clearly, the primary foundation of the capitalistic market is not egotism but 'non-tuism', because business is better done with people whose personal identity one does not know. From the relational perspective, however, the relationship with another person presupposes recognition and receptiveness: welcoming a presence that, in its humanity, is common to me and in its otherness, distinct from me. No easy task, certainly – 'Hell is other people', as Sartre said in *No Exit* – but essential if we want to overcome the severe shortage of relational goods that typifies our society. Individualism is a fine guide for utility that depends on goods and services that can be enjoyed even in isolation. But it is a poor maestro for happiness, given that true happiness requires being at least two in number. To quote Scripture, 'The Lord God said, it is not *good* that the man should be alone' (Genesis 2:18, King James version).

The meaning of this is that I need other people in order to discover that it is worth preserving myself; indeed that I flourish, as in the Aristotelian *eudamonia*. But the other too needs me to recognize him as someone whose flourishing is good. Since we need the same recognition, I will act towards the other as if before a mirror. Self-fulfilment is the result of that interaction. The original asset that I can put at the disposal of the person in front of me is the capacity to recognize the value of that person's existence – a resource that cannot be produced unless it is shared. What matters here is to see that this implies recognition of the other – not just his *right* to exist but of the *necessity* that he/she exists as a condition for my own existence, in relation to him/her. Recognizing the other person as an end in himself and recognizing him as the means for my own fulfilment are reunified, which resolves the reductive dichotomy between Kantian morals, which require that we see others strictly as an end in themselves, and a theory of instrumental rationality in which others are seen as the means to one's own ends. The good of self-fulfilment is attained when there is reciprocal recognition. Make no mistake about it, however: the fact that my recognition of the other person brings with it the reciprocal recognition that I myself need does not make this disposition merely instrumental. For the self is constituted in part by recognition conferred by others. In this light, the distinction between means and ends itself is voided of meaning, because a person's ability to calculate the means required to attain a given end depends on the relation of reciprocal recognition that has been created between him and the others.

4. From Welfare State to Civil Welfare

4.1. I come now to the third aim of the present essay, i.e. to indicate some areas where the civil economy perspective proves to be particularly helpful on the ground of problem-solving. Let me consider, firstly, the three most significant facts charactering present-day globalization: a) the tendency to destructure productive activities pertaining not only to the manufacturing sector but also to the service sector. Delocalization is the new key word in this regard. What is the object of delocalization, today, is not simply firms (the so-called 'nomadic companies') or entire sectors of production, but also individual jobs. It has been estimated that almost 20 per cent of jobs of western economies could be delocalized already, by now; b) a substantial increase in aggregate wealth which goes hand-in-hand with an increase in global inequality and a decrease in absolute poverty. The increase in economic interdependence, due to globalization, means that even large sections of a population can be negatively affected by events that take place in distant places; c) the growing tension between economic globalization processes and political democracy on the one hand and the-levelling down of cultural varieties on the other hand. Besides the economic dimension, globalization is affecting the political and cultural dimensions of our societies. How can such a process be accepted in non western countries with their own value systems? Or does the global economy presupposes the cultural dominance of the western view of humanity? If so, can the economist avoid to take into considerations the risks associated to various forms of fundamentalism which is basically legitimized as a reaction against the threat of a global monoculture? (Cohen, 2006).

Let's consider, though very briefly, the main consequences of the above stylisized facts. Today capital appears to have acquired a new freedom: no longer does it have to account to the people in the countries where its profits are made. It is as if economic power had acquired an extra-territorial status. It follows that big companies are able to react to profit opportunities quite independently of their national authorities and in so doing they play a key role not only in the organization of the economy – which is obvious – but also in that of society – which is less obvious. Thus globalization is modifying the foundations of both the economy and polity, reducing the degrees of freedom of nation-states and giving rise to a new form of 'subpoliticization': the familiar nation-state's political-economic instruments are tied to a well-defined territory, whereas companies can produce goods in one country, pay taxes in another and claim assistance and state contributions in yet a third one.

This process has serious implications on both global financial stability and efficiency of capital markets. Although there seems to be a certain consensus on the fact that financial globalization would play, all in all, a positive role, many questions are still waiting for a credible answer. The most relevant of these concerns the way a country should organize itself in order to be able to reap the benefits of financial globalization – Kose *et al*. (2006) observe that there is little evidence of a causal link between financial integration and growth and, what is more, that there is wide discrepancy between the expected benefits of capital account openness and the actual ones. In their view, 'far more important than the direct growth effects of access to more capital is how capital flows generate a number of what we label the 'potential collateral benefits' of financial integration' (p. 3). This means that – contrary to the standard neoclassical wisdom – benefits are not automatic but presuppose deep institutional changes in both domestic financial markets and in the area of fiscal policies and legal rules. Lacking these reforms a country – especially a developing one – will be adversarily affected by financial globalization.

A second major consequence of the globalization process is its impact upon inequality and relative poverty. It is certainly true that globalization is a positive sum game that increases aggregate wealth. But 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' in the sense of Sherwin Rosen. Why is it that literature on the subject is so hotly divided? A credible answer comes from the recent work by Milanovic (2006) who distinguishes between *world* and *international* inequality. The latter considers the differences in the average incomes of various countries, unweighted ('Concept 1 inequality' in Milanovic's sense) and duly weighted to account for the size of the population ('Concept 2 inequality'). The former, on the contrary, takes into account also the inequalities in income distribution within the individual countries ('Concept 3 inequality'). It is world or global inequality which is increasing as a consequences of globalization.

In fact, in order for concept 3 inequality to diminish, two conditions should be met: i) poor and densely populated countries must grow at a faster rate than rich countries; ii) this must occur without an increase in inequality within the country. 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 per cent versus 1,7 per cent). Why should one worry about the growth of global inequality? Since it is a principal cause of conflict and ultimately of civil war. As wisely indicated by Polachek and Seiglie (2006), 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 jeopardize peace itself. That is why the search for a socially responsible trade integration regime, capable of taking into consideration also the 'pains from trade' (Verdier, 2005), is a duty that the economist cannot escape or forget about.

A related, but different, aspect is the one concerning the relationship between globalization and poverty. In the last couple of decades, poor countries have increased their participation in world trade, so much so that today they can be said to be more globalized than rich countries. Yet, there is very little evidence on that relationship and even the scanty evidence available only deals with the indirect link between globalization and poverty. A notable exception is the recent work by Harrison (2006) who provides a novel perspective on how globalization affects directly poverty in developing countries. 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 labor do not typically gain from trade expansion; b) globalization generates both winners and losers among the poor and this creates social instability in so far as it destroys social capital: c) the poor segments of the population obtain the largest benefits from globalization when national governments endeavour to implement welfare policies aimed at improving the *capabilities* of life of their citizens, rather than their *conditions* of life.

It might be of interest to recall what Adam Smith wrote in *The Wealth of Nations* on the consequences of the discovery of America and the passage of the Cape of Good Hope – 'The two greatest and most important events recorded in the history of mankind'. (Smith, 1950, vol. 2, p. 141). Dealing with the consequences of these events, Smith remarked: 'What benefits or what misfortunes to mankind may hereafter result from those great events, no human wisdom can foresee. By uniting, in some measure, the most distant parts of the world... their general tendency would seem to be beneficial. To the native, however, both of the East and West Indies, all the commercial benefits which can have resulted from those events have been sunk and lost in the dreadful misfortunes which they have occasioned... At the particular time when these discoveries were made, the superiority of force happened to be so great in the side of the Europeans, that they were enabled to commit with impunity every sort of injustice in those remote countries. Hereafter, perhaps, the natives of those countries may grow stronger, or those of Europe may grow weaker and the inhabitants of all the different quarters of the world may arrive at that equality of courage and force which... can alone overawe the injustice of independent nations into some sort of respect for the rights of one another. But nothing seems more likely to establish this equality of force than the mutual communication of knowledge and of all sorts of improvements which an extensive commerce from all countries to all countries naturally, or rather necessarily, carries along with it' (*Ib.* p. 141). I consider this passage a remarkable and fascinating anticipation of the argument according to which nowadays we need a more balanced (and wise) approach in order to acknowledge both the gains and losses from cross-border exchange.

Finally, what can be said about the relationship between globalization and democracy? It is an obvious fact that globalization is draining power away from the nation-state, whose full autonomy is now compromised by two binding constraints. The first one is internal: the democratic rule does not allow taxing the middle classes so heavily in order to finance the welfare systems. The second constraint is external. National governments are no longer able to escape confrontation with the expectations of international capital markets. Indeed, even modest differences in credibility indicators translate into unsustainable interest rates spread. Thus the threat to the governments' ability to exercise their internal sovereignty becomes a threat to democracy itself. Although citizens continue to exercise their voting right, their actual voting power tends to decrease with the decline in internal sovereignty. This point helps us to understand why the task of trying to 'democratize democracy', which means making democracy itself transnational, is so urgent . In fact, if national legal systems are no longer capable of imposing standards through legislation because business firms are capable of eluding them, we need institutions at the international level than can take up this task. A global civil society of transnational associations and NGOs will have to play a decisive role in this respect, besides nation states and the existing worldwide organizations. The time has come when civil society organizations should be given a suitable institutional place – for example, creating a second assembly of the United Nations to flank the one that already exists and which represents the individual nation-states.

As in all human endeavours, it would be naïve to think that the design of a form or other of global governance does not entail high rates of conflictuality. Indeed, the interests, of all sorts, involved are enormous. Not without reason a sort of distress concerning the future of globalization is spreading today in many circles. This distress is being used by some people as a favourable opportunity to generate a new form of market Machiavellism. I do believe that it is exactly against this subtle neo-Machiavellism that intellectuals, economists in particular, have to take a firm position.

4.2. Granted that everybody accepts that a welfare system should be based upon universalistic precepts, the question that naturally arises is the following: is it possible to design a universalistic welfare system without falling into the trap of assistentialism, which is mostly responsible – as we know – for the current crisis? In other words, is it possible to conjugate solidarity (equity) and subsidiarity (reciprocity) in a credible and sustainable way? The affirmative answer is to be sought in the creases of the following consideration. The constituent element of the state's intervention in a universalistic welfare system includes three main duties: (1) the definition of a set of social services (as well as their relative codified quality standards) that are guaranteed to all citizens; (2) the fixing of rules of access for those services and therefore rules for the redistribution that is necessary for assuring that all citizens can effectively benefit from them; and (3) the exercise of forms of control on the effective allocation of the services to people. These are the three specific functions of the state-as-regulator. The task of directly producing the services or managing their allocation is not a constituent of the state's task.

So is it possible for the state, in the universalistic model, to supply one service or another as a public monopoly in certain historical or geographical contexts? Yes, if it can offer its citizens documentation proving that the benefits for becoming the *producer* will prevail over the costs of that decision. In other words, in the universalistic model, the functions of the state-regulator can be said to be *a priori,* while making justifications for the state-manager or state-producer are *a posteriori* – that is, the state must accept the scrutiny of the same evaluation process as every other supplying subject. Such a scrutiny becomes all the more necessary when considering the huge tradeoff between management and regulation. The greater the state's role as manager, the lesser its capacity to regulate, and thus the lesser its capacity to insure those objectives of equity and efficiency that are the hallmarks of any social security system.

Having clarified that, let's return to the question of how to build up a welfare society. There are basically three models under discussion in both the political and theoretical arenas. The first is the neostatist model, according to which the state, while conserving the monopolistic role as a purchaser, should give up, altogether or else in part, the monopoly over the production of the welfare services. Known as the *welfare mix,* the government avails itself of the civil society organizations for help in allocating services, yet makes the political decisions on its own. The government is the only responsible agent for formulating and programming the interventions. The third-sector subjects simply implement. In the welfare mix, therefore, the third sector is a supplementary or complementary resource with respect to government intervention. Such a situation helps us understand the difference between the 'principle of subsidiarity' and the 'principle of surrogacy'. The first declares that the state must promote the organization of civil liberties, favoring all those collective forms of action that have public (i.e., general) effects. The second affirms the contrary. The principle of surrogacy means that intermediate bodies of society should do all that the state is incapable of doing or has no interest in doing.

The second model, known as 'compassionate conservatism', entrusts philanthropy and volunteer action with the job of meeting the needs of those left behind in society, while government intervenes only successively on strongly selective bases. While this model values civil society and its organizations, it does so inadequately regarding the objective of maintaining the universalistic principle. It is the favorite model of the liberal-individualist thought that sees third-sector organizations as a minor segment of the private market, and in any case, a segment that has to be functional – in the sense of functionalist sociology – to the for-profit logic of the market.

Finally, there is the *civil-welfare* model. This model recognizes the organizations of the civil society in their capacity to become active partners in the process of programming interventions and in the consequent adoption of strategic choices. In practice, this means that it is not enough to recognize the juridical subjectivity of these organizations. What is needed, in addition, is that economic subjectivity be recognized. Autonomy, in the sense of being able to exist without the vexations of concessionary regimes, while maintaining the possibility for self-organization, is not enough. What is also required is financial and economic independence; that is, each organization must have the capacity to realize its own programs and to achieve its own objectives without depending, in a constraining way, on either the government or for-profit firms.

Two principal steps need to be taken in order to attain independence in this specific sense. On the one hand, a new category of markets needs to be erected – social-quality markets (which we'll deal with in the next section). On the other hand, changes need to be made in the way donations are made to third-sector subjects. Let's explain. The logic behind the way in which for-profit firms make donations rotates around the principle of reputation. The for-profit firm that donates increases its 'reputational capital', thereby obtaining an advantage in terms of prestige; as a consequence, it gains easier access to a targeted market. If one thinks about it, all the elaborate techniques for fundraising are based on this type of logic. But, in the long run, this approach is destined for self-destruction. If the majority of firms were to become philanthropic, any reputational advantage would cease to exist (even putting aside all possible forms of manipulation and instrumentalization) Our proposal, then, is to get citizens and their organizations into the game and transform the mechanism for donations from the current bipolar one to a three-polar system.

The following scheme exemplifies the proposal. Let *A* stand for the set of firms that sell consumer goods; let *B* stand for the set of organizations that are the potential beneficiaries of donations; and let *C* stand for the set of consumer-citizens. When buying from an *A* enterprise, the citizen receives a coupon with a previously established value, equal to a certain percentage of the amount spent. The citizen then chooses the *B* subject to which he/she desires to donate the coupon. Let's analyze the dynamics that follow. In order to receive the greatest number of coupons, the civil society organizations work to acquire the consumer-citizens' sympathy by informing them of their actions, missions and results, and in so doing they engage the consumers in the effort to meet their goals. For their part, the consumers who 'bond' with a particular organization by sharing its mission put pressure on the firms to increase the value-percentage of the coupons. For obvious reasons, the *A* firms will want to comply with their consumers' requests. What would constitute the positive results of such a scheme? First of all, it would help the nonprofit organization to establish ties with the territory. So many organizations working in the private-social sphere are unknown to the local civil society. Secondly, it would increase the resources at the disposal of the third sector because citizens would be functioning collectively as a 'flywheel', not only as mediators between donor and beneficiary. Also, this type of solidarity competition among various beneficiaries would tend to increase their operational transparency well beyond that which can be assured by either a social report or social auditing. But most of all, it would increase the effectiveness of their interventions, which would result in lowering the risk of paternalistic relationships developing between subjects of type *A* and *B*, as often happens today.

A useful way to understand the basic differences among the three models of welfare society described above is to ask which specific notion of freedom of choice each of them grants to the bearer of needs. Behind the neo-statist model is the idea that the person who utilizes welfare services is a *user,* a subject whose sole option of choice is that of 'voice'; that is, of protest. As A. Hischmann remarks, this user can only protest in the face of an inadequate or insufficient supply of welfare services. The second model leans on the figure of the consumer as a *client* 'who is always right' because he/she is endowed with purchasing power. Within the field of choices, the client exercises sovereignty through the possibility of using the 'exit' option. The third model comes down to us from the theory of rights. It sees the consumer as a *citizen,* who is not limited to consuming the services he/she prefers, but 'pretends' his/her right to concur, to participate with the various suppliers in defining, and sometimes even producing, the service packages.

It's easy to grasp the implications of the three positions. The first would lead to an updated reproduction of the welfare state model that distributes services in response to the abstract needs of subjects. Though it may do so generously, it nevertheless does so regardless of the particular biographies of the subjects. But by now we know that forgetting the specific identities of the beneficiaries of social services, especially in health care, raises costs and increases dissatisfaction. In the field of health, the sick person doesn't lay claim to the exclusive exercise of decisional power so much as to the right to be recognized as the bearer of a specific competence with respect to her own health. On the other hand, the consumer-client is only ostensibly free to choose. It is certainly so in the sense of choosing on the basis of his/her preferences. However, given the ever-present phenomenon of asymmetric information between the producer and consumer of care services, it is extremely easy to manipulate preferences. Consider, as an example, the demand for health services – a demand derived from the 'demand for health'; i.e., from a subjective perception of a desired state of health. It is well known that this is a function, besides health care, of factors such as environment, working conditions, lifestyle, and family, etc. This subjective perception is influenced by many variables, such as social status and level of education, but mostly it is influenced by the 'availability effect' (variations in supply induce a corresponding variation in demand) and by the 'choice set effect' – as the parable of 'sour grapes' and the theory of cognitive dissonance teach – where patients' preferences are conditioned by their opportunity to access the health care packages (cf. Elster, 1989).

This is why circumscribing the concept of freedom of choice around the figure of the consumer-client is too limiting and merely consolatory. Instead, we believe that the principle of freedom of choice should be applied to the figure of the consumer-citizen. This presupposes that civil society be organized in such a way as to convert the need; e.g., convert the need for health into a demand for health services that are respectful of personal autonomy. In order to do this, we must facilitate the cultural passage away from the conception of liberty as the power of self-determination to that of the power of self-realization. Instead of being valued for that which it allows us to do or obtain (as in the case of freedom as self-determination), freedom assumes importance because it enables us to affirm our self-realization. It's the same as saying, while negation of the first form of freedom reduces our utility, negating freedom as self-realization deprives us of our dignity and identity, which is far worse.

Let's consider public health once again. Like social cohesion and local development, public health is a fundamental component of social capital. In the presence of social externalities, such as those associated with the accumulation of social capital, the total benefits generated by the activity of a given supplier are not only those that can be attributed to the output but also those associated with the way that output was obtained, and most of all with the motivational system that animated the people who promoted that activity. So, while the existence of positive social externalities discourages the for-profit firm from increasing its own investment, it represents the very mission of the social and civil enterprises – it is what draws the members of these organizations together to give life to their economic activity. Note that this does not mean that a for-profit firm has no interest in considering social externalities or in contributing to their production. It simply means that the objective of profit maximization (or any other profitability indicator) does not allow this type of firm to 'attribute' any weight to such externalities within its own decisional process. Needless to say, it remains true that another subject, such as a local government or a consumer association, could force or induce the for-profit firm to make such considerations.

4.3. What practical steps need to be taken in order to make the civil-welfare path pervious? A specific type of market – social-quality markets – need to be activated. These *sui generis* markets have a different mode of operating than private goods markets. In this type of markets, the government obtains the resources to allocate to welfare from general taxation. These funds are then utilized to promote and sustain the demand for social services, making this demand effective, instead of merely virtual. In other words, public funds are used for *financing the demand – i.e., the needs-bearer – instead of the supply*. (The operative instruments that can be applied are various in nature, from vouchers to tax deductibility to the promotion of various forms of mutualism in a given territory, among others.)

Secondly, government intervenes on the supply side, with legislative and administrative measures designed to ensure that a plurality of suppliers is always guaranteed, thereby avoiding monopolistic rents, both public and private, and allowing citizens real freedom of choice. The basic idea of social-quality markets is that of inserting the social dimension inside the market mechanisms, not upstream from them, where the proponents of the 'market-as-a-necessary-evil' thesis like to place it; nor downstream from them, where the proponents of compassionate conservatism like to keep it. The paradox of the latter group of thinkers is that these most vocal proponents of the virtues of the market as a social institution don't maintain its adequacy for reaching objectives of a social nature. In fact, they believe that altruism or organized philanthropy is the solution for satisfying the needs of those left behind in the market race.

The basic scheme of social-quality markets rests on the following three pillars. First, on the basis of rules for determining the effective needs of people, the central or local government in one way or another finances the needs-bearer, with the aim of transforming a potential demand for services into an effective demand. Secondly, in order to protect citizens from risks associated with the pervasive presence of asymmetric information, the government ascertains the real capacity of the suppliers to furnish the various types of services. In other words, government assures the citizens about the so-called certified quality of welfare services. Thirdly, by exercising their effective freedom of choice, the need bearers initiate a kind of competition among the suppliers of care services. Note that this form of competition is not over the prices or costs of the services, but over their quality. In such a race, the supplier who, at parity of costs of the service, best interprets and satisfies the demand of relationality of the needs-bearer wins.

By exercising an actual power of choice, consumer-citizens can control the *tacit quality* of the services they receive and in so doing obtain a higher level of satisfaction. The quality of a service is tacit when it can be ascertained only by those who actually receive it. On the other hand, codified quality can be ascertained even by a third party. At the same time, this practice would legitimize the beneficiaries' co-responsibility of making contributions for the services they receive in order to balance the structural insufficiency of relying solely on tax revenues. In fact, the social-quality-markets approach not only aims at widening the area of inclusion for a given configuration of demand and supply, it also sets it into motion. Thus we see how different the social-quality market is compared to the familiar capitalist market. It is rather a *relational market*, to the measure in which the goods produced and exchanged postulate the adoption of relational practices. Note that a market of this type is social not because it is run by government, even though the latter plays an important role, but because social and civil entrepreneurs intervene by making their interactions with needs-bearers the pivotal point of the helping process. It is precisely such interaction that keeps the social-quality market from becoming confused with a capitalist market dealing in the area of social services.

There are three specific reasons why the government should not adopt direct forms of financing welfare-service suppliers (Besharov, 2003). Direct financing tends to create false 'winners and losers' because political pressure is too strong to allow items to be cancelled once they've entered the public budget. Thus unworthy subjects receive perpetual help and worthy subjects have no access to funds. On the other hand, the alternative based on competitive bidding for contracts, which rewards the best offers from the purchasers' point of view, forces service suppliers to cut costs to the point of lowering the codified (as well as tacit) quality of the service, and it sets forms of social dumping into action as well. Secondly, direct financing can alter the nature of services being offered and thus raise the total costs. In fact, when choosing service typologies, it is natural for the government to fix quality standards and/or regulation standards according to the needs of the average consumer. This causes two undesired effects. On the one hand, failure to consider the citizen's personal situation invites complaints and discontent from those people whose needs are located above or below the median level. On the other, offering a service greater in quality than that which a citizen would choose, if given the opportunity, increases costs due to quality wastes.

Lastly, direct financing tends to shadow the cultural identity of civil society's subjects. This happens according to the measure in which the direct transfers of public funds oblige such subjects to specialize in bureaucratic-administrative tasks rather than entrepreneurial talents. It can be demonstrated that greater amounts of direct public financing proportionately lower the entrepreneurial capacity of third-sector subjects. This tends to weaken their very mission, which is the principal cause of their comparative advantage in supplying the relational goods typical of welfare services. It can also be shown that the dominance associated with direct public financing tends to create vertical ties between public bodies and the suppliers, which weakens the horizontal networks existing among the suppliers themselves. In Italy, for example, direct financing has blocked the creation of social and civil entrepreneurial districts. Italian industrial districts (those of the 'made in Italy' brands) are famous all over the world. Their success depends on their ability to activate local culture and tacit knowledge embedded in a given territory. In spite of this successful model, Italy has failed, thus far, to implement a similar model for its social and civil enterprises.

4.4. In light of what precedes, it becomes clear that putting the civil-welfare model into practice presupposes the existence of social-quality markets and therefore of social and civil enterprises. If one were happy with the welfare-mix model alone, it would suffice to give life to the services of social markets, and to this end, it would be enough to rely upon nonprofit organizations, which are neither fully autonomous nor independent.

In order to move beyond the ambiguity frequently found also in specialized literature, it must be repeated that the social-quality market is substantially different from the social market of welfare services, known also as quasi-market services. The latter is a market of welfare services created by a public body that manages it according to politically fixed principles, thus it is a market in which the public-service culture prevails. The social-quality market, on the other hand, is characterized by the relational content of the services exchanged. What truly characterizes the social quality of the goods and services exchanged in the markets of social quality is not so much their technical characteristics (ascertained with standardized procedures such as the ISO 9000 type and others), but rather the active involvement of citizens in the process of producing the services. The citizen, in fact, is both a bearer of needs as well as a bearer of knowledge and resources. In the words of P. Donati (2003), 'The quality is social not simply because it valorizes the importance of interpersonal relationships in the economic transactions because of their fiduciary and affective quality [...], but because it regenerates social capital. In other terms, it is necessary to pass throughout more elaborate and specific concepts for social quality in terms of social capital' (p. 11).

These distinctions are also important because they allow us to clear up the fact that the criticism and concern that have been advanced against the quasi-market model (Fazzi, 2000) have nothing to do with social-quality markets, as intended here, if for no other reason than these markets have yet to exist.

The basis for proposing social-quality markets is Sen's concepts of capabilities and functioning. Though universally known by now, these ideas have yet to be put into practice. Sen's approach to well-being suggests moving the focus of attention from the goods and services at the disposition of the needs-bearer to the effective capabilities of people to 'function' with the goods they possess, and therefore to expand the opportunity for human flourishing. This would mean placing persons – with their identities, biographies and demands for well-being – at the center of the new welfare, instead of centering in accordance with today's practice on the supply of services, which conserves the value of the instrument instead of the end of the welfare intervention. It is necessary to go against the self-referential distortion of welfare policies, distortions that are the first cause of their own failure. Even though they may be technically efficient, such services as healthcare, education, and assistance, etc., are ineffective and ultimately useless unless they allow those who use them to increase their functioning. In this sense we can say that civil welfare represents an authentically alternative perspective for our present historical contest.

What kind of institutional modifications will the realization of this perspective require? It is necessary to go beyond the well-known neocorporatist model of social order – a model according to which the subjects of the civil society, bearers of culture, do not act autonomously from the state, but either through it or with its permission. It is the (central or regional) government that conducts the various classes of stakeholders in society towards a social equilibrium. Cassese (2001) applies the term 'bipolar paradigm' to describe the nature of the relationship between public administration and citizens typical of that model. 'The State and public law are dominated by the conflict State-citizen, two irreducible and contrasting poles. This paradigm slowly formed in the passage from an order...in which there is no difference between State and civil society, to an order in which we now live that is founded on the separation between the State and the community' (p. 602). The reasons that the neocorporatist model cannot function well today after reaping advantages and merits in the past are well known. The most relevant of these reasons is that in the bipolar paradigm, the public administration is always addressing a passive subject, or a client at best. This is true even where it is efficient and generous in supplying its services.

In the face of the unsustainability of the neocorporatist model, two positions have taken center stage in discussions today. On the one hand, the neoliberal one looks favorably upon the decline of the collective players and asks that individual actors and private market mechanisms (regulated by the principle of the exchange of equivalents) be entrusted with the duty of setting the social order. On the other hand, there is the position of those who want to put civil society into play and think that the organizations of civil freedoms should constitute a genuine institutional infrastructure in today's societies . In this lies the definitive meaning of the principle of horizontal subsidiarity, according to which pluralism *within* the institutions is not enough: This principle requires, in addition, the pluralism *of the* institutions themselves.

The civil economy perspective favors this second position. Arena (2002) uses the term 'shared administration' to signify a particular alliance between public administration and organized civil society, an alliance that postulates the autonomy and responsibility (thus the independence) of all the subjects involved in the relationship who are working towards solutions for problems that neither could reach alone: 'The principle motivation for realizing co-administration experiences cannot be merely solidarity...rather those must also be the interest of all the subjects to resolve a certain problem' (Arena, 2002, p. 187).

What's more, if we look carefully, we realize that the civil welfare model takes seriously all the dimensions of the principle of subsidiarity. Until now, this principle has been declinated in vertical and horizontal terms, but it has never taken into serious consideration a third dimension, which has to do with the principle of reciprocity. The principle of subsidiarity emanates from a more fundamental anthropological principle, according to which the human being is more than just an individual (a distinct and self-sufficient reality); he/she is above all a person who becomes fully himself/herself only within the context of reciprocal relationships with others. Anchored to this personalistic premise, the principle of subsidiarity implies that, given the same levels of efficiency and effectiveness, those institutions with the highest 'density' of interpersonal relationships are to be preferred. Therefore, we need an extension of the principle of subsidiarity. It is not enough to affirm, as the horizontal version of subsidiarity does, that '[t]he State shall not do that which reciprocity can do'; in a civil welfare perspective we have to add that 'the contract shall not do that which reciprocity can do'. With this extension we gain a substantial enrichment of the principle of subsidiarity. Indeed, if this third dimension of subsidiarity is not recognized, there is no way of favoring a social cooperative over a joint stock company for running a crèche! Looking back to the second section above, we realize that this principle was clear to both Genovesi and Smith even if they did not know the expression. They both placed love and friendship well above market exchange, even though they knew that larger societies had to rely on the division of labor and thus were realistically 'resigned' to the exchange of equivalents. Commerce and market cannot rank first in civil life. According to these authors, the 'invisible hand' of the market comes in to *subsidize* and help civil virtues, not replace them.

5. In Conclusion

The main message I want to convey is the following. It is by now a well recognized fact that market systems are consistent with many cultures, conceived as tractable patterns of behaviour 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 extreme individualism will produce different results from a culture where individuals, although motivated also by self-interest, entertain a sense of solidarity. In the same way, a culture of peace and harmony will certainly produce different results, on the economic front, from a culture of confrontational 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 although a precarious one. Contrary to what many economists continue to believe, 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.

Perhaps what we need is a new anthropological orientation within economics, capable of enlarging the scope of economic research in order to make it more relevant for the analysis both of policy means and of policy ends. In fact what is called for today is a theoretical set-up by means of which one can explain how cultural factors and economic choices interact and how this interaction feeds back on the ongoing social relations. The key notion in this respect is that of coevolutionary dynamics: individual behaviours and social norms evolve jointly as micro and macro changes in the latter prompt adjustments in the former and viceversa. This is clearly a very complex and far-reaching scientific endeavor, which the most recent economic literature has just begun to explore. The various attempts to demostrate the self-sufficiency of the categories of economic discourse do not help to expand its grip on reality. As it is well known, during the last century, mainstream economic theory argued for the divorce of economic judgement from moral and political philosophy. This divorce was supported by the idea that economics should only be concerned with means and not with ends, which has rendered the discipline of little use for the understanding of social processes and for the analysis of structural change.

I do not wish to hide the difficulties lurking in the practical implementation of a cultural project targeted at nothing less than a 'paradigm shift' in economic analysis. As in all human endeavors, it would be naive to imagine that certain changes do not create conflict. The differences of vision and the interests at stake are enormous. It is no accident that a kind of wide-spread anguish about the future is running throughout society today. Some people and 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. It is precisely against this neo-Machiavellian culture and its underlying ethical relativism that those who, like the Christians, are the bearers of a specific message of hope should put up a fight.

I would like to conclude with a passage from the letter Vilfredo Pareto wrote to his collegue and friend Maffeo Pantaleoni on July 30, 1896: 'I am more and more convinced that no study is more useless than that of Political Economy. Tell me, had this science never been studied, would we be in a worse state than the present? All our Political Economy is a vaniloquium'. I do believe that economists cannot resign themselves to an economic discourse reduced to vaniloquium. If so, I think we have to avoid dismembering the economic sphere from the other domains of life. This is what Christian Social Thought is ultimately urging economists to do.

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