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ON THE BIRTH OF ECONOMIC SCIENCE DURING THE ITALIAN-SCOTTISH ENLIGHTENMENT: TWO PARADIGMS COMPARED

1. INTRODUCTION

The most provocative justification for capitalism ever put forward was that of Bernard Mandeville, author of the famous work *The Fable of the Bees: or, Private Vices, Publick Benefits* (1713), a work in which Mandeville developed in full the idea that Machiavelli and Guicciardini had already advanced in the 16th century, although, in truth, the German philosopher L. Fransberger had already foreseen Mandeville's arguments in his own work *The praise of self-interest* published in Ulm in 1564. Peasants, merchants and artisans only operate in the pursuit of their own interests, and in doing so they guarantee public order and the general interests of the population as a whole. Mandeville, however, was the one who utilised the term 'capitalism' for the first time. Marx, in fact, always spoke of capital and not capitalism. This was one of the most brilliant "discoveries" of modernity, namely that human conduct can give rise to unforeseen, indeed unintended, consequences which may be good or bad depending on the circumstances. Contrary to what had long been believed (and is perhaps still believed by some today), Mandeville's intention was not really to extol the pursuit of self-interest to the detriment of the interests of others, but rather to demonstrate that the safest, most effective way of achieving the common good was through private vices. The basic reason for this was that the exercise of virtue—whose intrinsic value is not denied, however—would inevitably lead to negative consequences in circumstances of strong strategic interdependence.

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It is known that the major problem European political philosophy was faced with during the period from the Renaissance to the French Revolution, was that of guaranteeing a social order without having recourse to authoritative principles or theological premises. The solution that Thomas Hobbes (1651) proposed, namely an absolutist State or Leviathan capable of rendering collective life sustainable, while it could have been acceptable in an age of absolutist regimes during the 16th and 17th centuries, could no longer be tolerated after 1649, the year the Commonwealth of England (republican government) was proclaimed, and in particular after the "Glorious Revolution" of 1688 and the Declaration of Rights in 1689. Mandeville's cultural operation needs to be interpreted within the context of such circumstances: not only is it not true that Man is a "civil animal", as the 15th century Italian humanists believed, but even when he is, or becomes so through the operation of culture, he needs to curb his virtues as they are detrimental to the common good. Mandeville wrote as follows:

> I flatter myself to have demonstrated, that neither the Friendly Qualities and kind Affections that are natural to Man, nor the real Virtues he is capable of acquiring by Reason and Self-denial, are the Foundation of Society; but that what we call Evil in this World, Moral as well as Natural, is the grand Principle that makes us sociable Creatures; the solid Basis, the Life and Support of all Trades and Employments *without Exception* (italics added).

Having to weigh up the intrinsic and extrinsic value of those dispositions that guide human action, the moral appraisal of agents' conduct is a particularly burdensome exercise, Mandeville believed, also because no metric exists for such purpose. Thus it is understandable why Mandeville's conceptual framework was welcomed by all those who wished to show that the forms of behaviour condemned by tradition were in fact the very ones needed in order to achieve "public benefits." One can certainly morally disapprove of greed—the strong expression of the vice of avarice—but if it is shown that under certain conditions, favouring such behaviour can reduce poverty more effectively than the promotion of self-sacrifice can, then it is clear that said behaviour will ultimately be considered beneficial. The profound nature of capitalism—its ontology as a philosopher would say—will never be fully understood without realising that this socio-economic system, in order to function, employs to a previously unseen degree hidden mechanisms resulting in undesired, unforeseen consequences. (Formally speaking, a mechanism is a structure that performs a function thanks to its component parts and their organisation, where interactions between those parts, and the orchestrated working of the mechanism as a whole, are responsible for one or more phenomena). This had significant political and cultural consequences:

from that moment on, the moral protests raised by those who were not aware of, or did not understand, such mechanisms were either set aside or, indeed, ridiculed.

So, it is against this background that the present essay intends to propose a critical comparison of the two alternative, but not rival, paradigms of the classical political economy and the civil economy. The essay's purpose is two-fold: on the one hand, I would like to stress those points on which the two paradigms converge, and those in regard to which they differ; on the other hand, I wish to give account of the reasons for the re-emergence of interest in the civil economy paradigm over the last quarter of a century.

At this point I believe a terminological clarification is appropriate. I use the term 'paradigm' in the sense given to it by Thomas Kuhn: that is, a paradigm is a solid structure of anthropological and theoretical assumptions that guide research in a specific field. Thus a paradigm is something akin to an intellectual "beryl" (in the sense adopted by the famous humanist Nicolò Cusano): that is, a way of delving into reality on the basis of certain premises. A paradigm may comprise a number of different theories and models, each of which constitutes a specific concretisation of that paradigm. *Oikonomikè*, the term used by Aristotle, is an adjective not a noun. In Aristoteleanism, nouns express entities, that is, substances; adjectives, on the other hand, express accidents, something that it does exist in other. What kind of accident is the economic then, and what substance does it refer to? This is the kind of question I wish to focus on here.

Before proceeding, however, I would first like to make one important point clear. One characteristic common to the two founders of the aforementioned paradigms—Adam Smith and Antonio Genovesi—is their vision of the economy as a dimension of social life that is never superseded by the other dimensions, specifically the political, legal and ethical dimensions. This is why economic analysis is also political and social. It was not until the latter half of the 19th century that the economic was considered a separate, independent dimension. Over the course of time, the evolution of the economic discipline followed an "hour glass" pattern: in other words, at the beginning its scope was extremely broad, ranging from the study of moral feelings to that of political decisions. This field of observation subsequently narrowed until the early 20th century when it began to widen once again, and the questions dealt with by present-day economists have more or less gone back to being those analysed by Smith and Genovesi, albeit using very different methods and tools, and having purposes of a rather different nature.

2. THE SCOTTISH SCHOOL OF POLITICAL ECONOMY

It is widely known that Newton's universal theory of gravity, in contributing towards the divulgation of the idea of an ordered, rational universe, exercised a considerable influence on Enlightenment thought. Nevertheless, the impact that the natural sciences had on the social sciences in the 18th century, cannot be accounted for solely in terms of the remarkable prestige achieved by the natural sciences. In fact, perhaps it can be better accounted for in terms of one theoretical requirement pertaining exclusively to the social and political thinking of the time. In the Middle Ages, social consensus was sustained by two key principles: the principle of authority and the principle of loyalty. Both principles were premised on a belief in God's existence. The problem of modern social thought was the following: how is human life based on the association of individuals possible without recourse to those two principles and their metaphysical justification?

An initial answer to this quandary was offered by Thomas Hobbes, when he affirmed that the natural egoism of people prevented them from freely associating with one another in civil society, thus requiring the establishment of an absolutist State. The principle of authority is based on the monopoly of power, and does not require legitimation but rests on the concept of violence, as a result of which obedience is only achieved through the use of force. Citizens, mindful of a primitive "social contract of submission," and driven by the instinct of self-preservation and the desire for security, have no choice but to obey.

The social classes that emerged from the growth of capitalism, and that were excluded from power in the Absolutist States, demanded that they be given what they believed was due to them on the basis of the 'money is power' principle. Thus on the one hand there was a need for a political philosophy justifying the existence of civil society, regardless of the State's existence. On the other hand, this justification needed to take account of the real processes resulting in the formation of wealth. It was therefore necessary to show how free civil association was possible even in the presence of individuals' egoism; and since human egoism operates mainly in the economic sphere, it was necessary to shift the focus from politics to economics. Finally, given that a metaphysical form of justification was excluded, it was also necessary to formulate that justification in "scientific," rather than purely speculative, terms. One of the lines attempted was the natural law approach, whereby it was claimed that a "natural order" existed which presupposed the free manifestation of human activity. The "positive order," meaning the order based on laws and conventions, is established by the State, but this is only legitimate if it does not contrast with the natural order. This was a risky line to take, as shown by the difficulties that Locke had when trying to justify the unequal distribution of wealth and property.

A different line was adopted by the English and Scottish empiricists and philosophers of "moral sense" (Hume and Hutcheson, Adam Smith's teachers), based on the assumption of the existence of a natural form of "goodwill," "sense of humanity" or "sympathy" in Man's disposition towards the well-being of his fellow men. If people are not naturally egoistical, then they will tend to associate spontaneously, without the need for any external intervention giving meaning to such civil association; neither God nor the State are required; all that is required is the assumption that the human psyche is of a certain structure. Now, apart from the fact that this resolved the problem simply by denying that such a problem existed, the main difficulty that this approach has lies in the fact that the underlying assumption of goodwill not only fails to reflect common sense, but is also not very different from, and thus no less arbitrary and indemonstrable than, other metaphysical assumptions. Well, Adam Smith's genial move consisted not in refuting the empiricist position, but in taking it to its logical extreme by doing without the arbitrary hypothesis of benevolence as well. The second chapter of Book One of the *Wealth of Nations*, in fact, reads as follows:

> But man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and show them that it is for their own advantage to do for him what he requires of them […]. It is by treaty, by barter, and by purchase that we obtain from one another the greater part of those mutual good offices which we stand in need of.

As this shows, a key concept in Smith's writings is that of self-interest. As the famous passage from Book 1 of the *Wealth of Nations* states: "It is not from the benevolence of the butcher, the brewer, or the baker that we 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."[1] This means that in Smith's view, the market does not need the "benevolence" or love of others towards their fellow men; in order for it to function properly, all that is required is that people pursue their own interests. While at first sight it would seem that Smith offers a negative view of human nature, on closer examination it becomes clear that he wishes to point out that

[1] A. SMITH, *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed. S.M. Soares (Amsterdam–Lausanne–Melbourne–Milan–New York–São Paulo: MetaLibri Digital Library, 2007), 16.

independence from "the benevolence of our fellow citizens" is a virtue, the development of which had been made possible by the new form of relationship established by the market economy. Market relations, being impersonal, enable us to satisfy our needs without having to depend on the benevolence and magnanimity of others. For this reason, according to Smith, the market performs a civilising function: it is a means by which individuals can free themselves from their dependence on others for their sustenance. More generally, Smith saw the market as emancipating people from those situations of servitude underpinning the feudal system which, on the contrary, was characterised by very few benefactors (the aristocracy, the clergy, large landowners) and a great many people (serfs and vassals) "dependent" on those benefactors' hand-outs.

As Smith points out in the *Wealth of Nations*, the market system enables people to be dependent on the many, and upon nobody, at one and the same time: each trader or craftsman earns his/her living not from one customer but from hundreds, even thousands, of customers. Although said trader or craftsman is in a certain sense connected to all of them, in practice he/she is not entirely reliant upon any one of them.[2] This is why Smith believed the market economy to be not only more efficient, but also on a higher ethical plane, than the restricted feudal economy. The reason for this is that the market frees people from their dependence on those figures characteristic of the feudal age (the clan, the landowner, the head of the family). At the same time, Smith was equally aware of the fact that the market—this new, impersonal form of relationship between individuals—could impoverish social relations, and consequently could produce unhappiness and solitude. While Smith believed that in order to achieve the wealth of nations, individuals simply had to pursue their own self-interest, in his earlier work *The Theory of Moral Sentiments* (1759) he was already fully aware that while Man was an egoist by nature, there are clearly certain principles that lead him to take an interest in the lot of others, and that render the happiness of others necessary to him.[3]

In order for the model based on self-interest to function, however, Smith needs another element to come into play. In fact, the question now is: what guarantees that the pursuit of diverse "personal interests" by a multitude of different people (butchers, brewers, peasant farmers, etc.) automatically results in social order, wealth and general well-being, rather than conflict and widespread malaise? To account for the beneficial effects of individual, self-interested actions, Smith introduces the concept of the "invisible hand" (*They are led by an invisible*

[2] SMITH, *An Inquiry*, 411–12.

[3] A. SMITH, *The Theory of Moral Sentiments* (Cambridge: Cambridge University Press, 2012).

hand to advance the interest of society […] *without intending it, without knowing it*), an idea that also appears in the work of a Neapolitan author, Ferdinando Galiani, in 1751. The emulation of the rich and powerful by those in the latter's service, represents the principal "desire" driving individuals and peoples, and the most forceful mechanism generating wealth and furthering the public good. This desire induces normal people to work harder in the hope that one day they too will become rich like the people they are working for. Smith gives the example of the poor man's son who toils night and day in an attempt to acquire greater talent than that of his rivals.

This almost morbid desire to accumulate wealth (the tragic fate of King Midas comes to mind here) is underpinned by a psychological mechanism of which individuals are the unknowing victims, which Smith terms "self-deception": this derives from the idea that a rich person is invariably happier than a poor person, and thus becoming richer and more powerful equates to greater happiness. Smith considered this idea to be completely mistaken, since he believed that the happiness of the rich was in truth not much different from the happiness of the poor. However, he added that behind the aforesaid invisible hand there was a widespread feeling of trust in "good reason" (which at times Smith also refers to as "providence"), which conceived the world in such a way that individuals, albeit acting in their own interests, will unknowingly and unintentionally contribute to the public good (the wealth of a nation) provided that the economic and social system is well organised through appropriate institutions and laws guaranteeing people's basic rights (to life, liberty, ownership, public order and justice) and safeguarding the exercise of such rights.[4]

3. THE NEAPOLITAN-MILANESE SCHOOL OF CIVIL ECONOMY

As Bousquet argued, the thirty-year period 1750-1780 may be considered the golden age of Italian economic thought. It would appear that the Italian Enlightenment in fact appointed economics to the position of most important academic subject. In Naples, there was Antonio Genovesi, at the time considered the "head of the extended family of Italian economists," together with his pupils Gaetano Filangieri and Giacinto Dragonetti; Milan had Pietro Verri, Cesare Beccaria and Gian Domenico Romagnosi. A common characteristic of the Italian Enlightenment figures from that period was their focus on public happiness as the core concern

[4] For a more detailed discussion of this question, see E. SCREPANTI, and S. ZAMAGNI, *A Profile of History of Economic Thought* (Oxford: Oxford University Press, 2004).

of economic discourse. Indeed, the term "happiness" is to be found in the title of a considerable number of treatises written by those economists. In fact, the emergent academic subject was tasked with identifying the conditions required in order to augment public happiness, considered as a form of interest superior to the individual one. The English school of economists replaced the concept of public happiness with that of the wealth of nations. Well, it was during the blossoming of Neapolitan economics, under the reign of King Charles III of Bourbon (1734-1759), that the civil economy research programme, representing a modern reinterpretation of the principal themes of the civil humanism, got underway. In 1753, Naples University established the world's very first Chair of Economics—to be more precise, Chair of "Civil Economy and Mechanics"—and the Salerno-born Antonio Genovesi, who was the initial holder of that Chair, entitled his 1765 treatise *Lessons of Civil Economy*.

The civil humanism contributed two key ideas to economics. On the one hand, there was the idea that technology and scientific research in general, are not to be developed as ends in themselves, but as instruments with which to civilise, and improve the well-being of the population. Hence the encouragement for general education programmes. On the other hand, there was the idea of "public faith" as a key factor in economic growth. Genovesi wrote: "Nothing is more necessary than public faith [*fede publica*] in a wide and easy circulation" (*Lessons*, p. 148), and in a note he added: "This word *fides* means rope that binds and unites. Public faith is therefore the bond of families united in companionship." This "*fides*," in turn, is fostered by the principle of reciprocity, and thus by the market as the economic institution through which "mutual assistance" is provided. This represented more than simply a rudimentary version of the present-day concept of social capital, that is, the form of capital constituting the essential prerequisite for any process of integral human development.

In fact, unlike Smith, Genovesi believed that self-interest alone does not automatically result in the proper functioning of the market *even* in the presence of the "invisible hand." Genovesi cited, for example, the disastrous situation that the Kingdom of Naples found itself in at that time: despite it being a populous state (and thus with a plentiful supply of labour), boasting a mild climate, land that was suitable for growing a variety of different crops, and with ideal sea access for maritime trading, it had failed to develop as much as other European nations, or indeed the other states within the (now) Italian peninsula. Genovesi ascribed the misery and unhappiness blighting the Kingdom of Naples to its population's lack of morality, that is, *that fundamental civil virtue consisting in mutual respect and the common good*.

This concept was reiterated a little later by the jurist Gaetano Filangieri (1752-1788), who believed that a nation's primary resources consisted in "confidence in the government, the magistrates, and in Man's fellow citizens." Thus "public faith" is people's main asset according to civil economy tradition, also in regard to economic growth. In fact, while it is true that the extension of the market helps a people develop its civil virtues, Filangieri pointed out in his *Science of Legislation* (*Scienza della legislazione,* 1780) that if public trust is not cultivated, markets cannot grow and the economy stagnates: "Trust is the life and soul of commerce [...] without it, all those parts comprising it will collapse of their own accord" (Filangieri 2003, lesson 10, chapter 10, p. 5).

The key point here to be underlined is that while in the view of Genovesi—who was inspired by the Aristotelean-Thomistic school of thought—the common good cannot be achieved without intentional benevolence, Adam Smith on the other hand believed that the public good is the unintentional result of the pursuit of self-interest. In other words, Smith argued that there is no need for any gifts or gratuitousness in order that the market functions. *Philia* (close friendship) and market relations belong to separate spheres. True relationality exists within the family, not the market; that is to say that people, in order to achieve *liberté* and *egalité* in the public sphere, can do without *fraternité.* Genovesi adopts a very different perspective: his idea is to introduce *philia* into the market, whereby market relations become relations of mutual *assistance* rather than simply of mutual *benefit*, as Smith believed.

Finally, there is the question of happiness. Genovesi and the Neapolitans used the expressions "civil economy" and "public happiness" synonymously. In Genovesi's view, happiness is of an inherently social nature: people can be wealthy even by themselves, but to be happy you need to be at least two or more, as Aristotle had taught. Thus if we wish to be happy, we need to take the happiness of others to heart as well. The following is the key passage that immediately reveals this aspect of Genovesi's conception of happiness:

> You labour in your own interest. No person could act other than for his own happiness; if he did he would be less than human. Yet do not desire to cause misery to others; and if you can, when you can, strive to make others happy. The more one works for one's own interest, the more one needs to be virtuous, if one is not mad. *It is a universal law that one cannot make oneself happy without making others happy as well*" (Genovesi 1962, 449, italics added).

4. A COMPARISON BETWEEN THE TWO SCHOOLS

The Scottish school and the Neapolitan-Milanese school have several things in common: their anti-feudal stance (the market is, above all, perceived as an occasion of superseding feudal society); praise for luxury as a factor of social change, without overly worrying about the "vices" of those who consume such luxuries; a considerable capacity to grasp the cultural change that the growth in trade was producing in Europe; acknowledgement of the essential role played by trust in the workings of a market economy; the "modernity" of their views of society and of the world. At the same time, however, there were a number of profound differences between Scotland (*Political Economy*) and Italy (*Civil Economy*). Despite recognising people's natural tendency to be sociable (sympathy towards, and the correspondence of sentiments with others), Smith did not consider sociability, that is, non-instrumental relationality, to be of relevance to the functioning of the market. ("Civil Society may subsist among different men… from a sense of individual utility, *without any reciprocal love or affection*" (*The Theory of Moral Sentiments*, II.3.2, my italics).

Indeed, in certain passages in both *The Theory of Moral Sentiments* (1759) and *The Wealth of Nations* (1776), Smith specifically states that benevolent sentiments and behaviour complicate the market's functioning, and that the market would work that much better the more instrumental were those interpersonal relations existing within it. So what is needed is the design of a market system so perfect that it does not require any degree of benevolence, that is, the capacity to do good, on the part of anyone. The market in Smith's mind, and in the mind of those who thereafter constituted the mainstream school of economic thought, is a mechanism by which genuinely social relationships are formed (there can be no civil society without markets), since it is free of any unwanted vertical, status-based ties; however, it is not in itself a place of relationality. The fact that trade relations are impersonal and mutually indifferent is not a negative thing in Smith's view, but is, on the contrary, a civilising aspect of the market: it is only by being so that the market can guarantee well-being and growth. Friendship and market relations are thus perceived as belonging to completely different spheres; indeed, the existence of market relations in the public sphere (and only in this sphere) ensures that friendships in the private sphere remain authentic, freely chosen and unconnected to personal status: if a beggar goes to the butcher's shop to beg, he can never be the butcher's friend outside of the market place. If, on the other hand, a former beggar walks into the butcher's shop or into the beer seller's in order to buy products, in the evening that former beggar may meet his suppliers at the pub in a more dignified manner, and perhaps become their friend. In the view of Adam Smith and of traditional economic science, the market represents civilisation and not friendship, neither is non-instrumental reciprocity or fraternity.[5]

Civil economy scholars fundamentally disagree with Smith in regard to the aforementioned aspects, which are of key importance to contemporary economic practice and theory. In the views of Genovesi, Filangieri and Dragonetti in Naples, and of Verri, Beccaria and Romagnosi in Milan, the market, the firm and the business sphere are also places inherently characterised by friendship, reciprocity and actions performed gratuitously. The civil economy does not agree with the idea, or rather ideology—which is nowadays broadly accepted everywhere—according to which the market is something radically different from the civil sphere, and as such is governed by different principles from those governing the latter: civil economists see the economy as essentially civil, and the market as a place where people live together and share the same fundamental principle, namely that of mutual aid. Genovesi's mutual assistance goes beyond Adam Smith's mutual benefit: to obtain a mutual benefit a contract suffices, whereas to achieve mutual assistance you need *philia* (close friendship), and perhaps *agape* (love).[6]

The civil economy nowadays offers an alternative (but is not opposed) to Smithian economics which see the market as the only institution really needed to guarantee democracy and freedom. The civil economy is a reminder that while a good society is certainly the result of the operation of the market and of freedom, there are certain needs associated with the principle of fraternity that cannot be overlooked or relegated to the private sphere, and in particular to philanthropy, alone. At the same time, the advocates of the civil economy do not side with those who challenge the essence of markets, and who perceive the economic sphere as by nature conflicting with the good life, and who consequently call for a degrowth and the withdrawal of the 'economic' from communal living. Rather, the civil economy proposes a multifaceted humanism whereby the market is not opposed or "controlled," but is seen as a civil arena on a par with others, that is, as one aspect of the public sphere; as something that if conceived and experienced as an environment open also to the principles of reciprocity and gratuitousness, can contribute towards the construction of a *civitas*.

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[5] L. BRUNI, and R. SUGDEN, "Fraternity: Why the Market Need not be a Morally Free Zone," *Economics and Philosophy* 24, no. 1 (2008): 35–64.

[6] See A. PABST, "Political Economy of Virtue: Genovesi's Civil Economy Alternative to Modern Economic Thought," *International Review of Economics* 14 (2005).

The core concern of the civil economy's plan could be summed up by the expression: *an economy as if people mattered*. In order to grasp the meaning of this conception, just think of the two opposing ways of viewing the relationship between the economic sphere (which for the sake of convenience we may call the *market* in the broadest sense of the term) and the social sphere (which we may identify with the sphere of *solidarity*). On the one hand, there are those who see the extension of the market and the principle of efficiency as the solution to all of society's ills; on the other hand, there are those who see the market's advance as a form of "desertification" of society, and thus try to protect themselves by establishing restrictions and creating counter weights to the market's force. The former vision considers the market as basically an "a-social" entity: from this viewpoint, which echoes certain forms of liberal ideology, the "social" is distinguished from the mechanisms of the market as an ethically and socially neutral institution. The market is required to be efficient, and is tasked with creating as much wealth as is possible. Solidarity, on the other hand, starts where the market ends, since it concerns itself with establishing the criteria by which the wealth produced is to be sub-divided, that is, redistributed by the Government.

In complete contrast to this vision is the other approach which sees the market as an essentially *antisocial* entity. This view goes back to Karl Marx and Karl Polanyi, and is currently adopted in the various forms of alternative economy on show ("the solidarity economy, the social economy, the communitarian economy" and so on). It is characterized by a conception of the market as a place of exploitation, where the strong oppress the weak, and as such is a threat to society. In Polanyi's words: "the market advances over the desertification of society". Hence the appeal to "protect society" from the market, based on the argument that truly human qualities (i.e. friendship, trust, giving, non-instrumental reciprocity, love, etc.) are being destroyed by the advance of a market-based culture. This latter vision tends to see the economic sphere and the market as dehumanizing entities capable of destroying the "social capital" that is indispensable for all truly human co-existence and sustainable economic growth.

The idea of the market-society relationship that characterizes the civil economy differs radically from the aforementioned two visions. The central idea of the civil economy is to experience human sociality *within* the framework of normal economic life; in other words, neither before, nor after, nor on the fringes of that life. The civil economy approach asserts that principles other than profit and the exchange of equivalents can be accommodated within the framework of economic activity. This undoubtedly supersedes the first conception of the market as an ethically neutral space where the only principle that holds is that of the exchange of equivalents, since it is the economic sphere itself which, depending on the presence or otherwise of these other principles, becomes either civil or uncivil. Moreover, it also supersedes the second conception of the market, which sees giving and reciprocity as restricted to other moments or spheres of social life, and which to this day is still rooted in various embodiments of the Third Sector organizations; this second conception is no longer tenable for at least two specific reasons.[7]

Firstly, in the age of globalization, the "two phases" approach (first enterprises produce wealth, and then the State intervenes to redistribute that wealth fairly) constituting the basis of the relationship between the economy and society (in the form of the Welfare State for example), no longer works, since the underlying basis of that logic—the strict connection between wealth and territory—no longer holds. Consequently, enterprises are required to pay particular attention to the social sphere during the course of their *everyday* activities. This is what is meant by the movement of ideas underlying "corporate social responsibility."[8] Secondly, there is the "crowding out" effect. If the market and the economy in general, become simply spheres of instrumental exchange, then this results in one of the greatest paradoxes of our time. "Bad money drives out good money" states Gresham's Law, one of the oldest, most famous laws of economics. This mechanism has broad-reaching consequences, and operates, for example, every time that intrinsic motivation (such as reciprocity, gratuitousness) encounters extrinsic motivation (the profit motive): the bad drives out the good. Exchange based purely on the pursuit of self-interest destroys other forms of human relationship. As a consequence, the market—left to its own devices—develops and "erodes" the basic premise of its very existence, namely trust and the propensity to cooperate with others.

In fact, all societies need to appeal to three different, complementary principles in order to develop in a harmonious manner, and thus be capable of ensuring a future. These three principles are: the exchange of equivalents, the redistribution of wealth, and reciprocity. All societies are familiar with this "triad" of principles, even though only two of these principles have been incorporated each time into the models of social order that have succeeded one another over the course of recent centuries, with unsatisfactory results in each case. What in fact happens when one of the three principles is not adhered to? Well, if we do away with reciprocity, we get a model of social order based on the State-market dichotomy mentioned above. If we eliminate the redistribution of wealth, the result is

[7] See *Dizionario di Economia Civile*, eds. L. Bruni, and S. Zamagni (Rome: Città Nuova, 2009).

[8] See S. ZAMAGNI, *Impresa responsabile e mercato civile* (Bologna: Il Mulino, 2013).

compassionate capitalism (American-style welfare capitalism, for example). The market acts as a lever of progress, and as such has to be left to operate unhindered, according to the advocates of neoliberalism. In this way the market generates wealth, and the "wealthy" offer their "charity" to the poor, "utilising" civil society and its organisations (the various charities and foundations established for this purpose). On the other hand, the elimination or underestimation of the exchange of equivalents leads to present and past forms of collectivism and communitarianism, where people live (or lived) in the belief that contracts are unnecessary (with incredible levels of wastage and inefficiency as a result, however). The core theme of civil economy, on the contrary, is the pursuit of a social order where the three principles can coexist, that is, where they can find genuine room for their actual implementation, interaction and mutual contamination.

Here lies a substantial difference between the two paradigms: the political economy paradigm only takes into account the first two of the aforesaid principles. Hence the dualistic State-market model of social order. The market is called on to guarantee the largest possible production of wealth, and to do so it must comply with the principles of commutative justice: that is, the justice of the exchange. The State, on the other hand, is called on to intervene in order to correct "market failures" and to guarantee distributive justice somehow, and to some degree. If the emphasis is placed on the production of wealth, then one obtains some version of economic liberalism; if, on the other hand, the emphasis is on the distribution of wealth, then one obtains one form or another of left-wing reformism. One thing is certain, though: all of the various different schools of thought that adopt the political economy paradigm—ranging from the classical to the neo-classical, from the Keynesian school to the monetarist school, from the Austrian school to the neo-institutionalist school—share one thing in common, namely their neglect of the principle of reciprocity. To avoid any misunderstanding here, I would like to point out that also Smith and the political economy scholars are not unaware of the importance of reciprocity—how could they be? However, they consider reciprocity and mutual aid as clearly distinct from economic activity, which only requires contracts and the legal rules in order to function properly. To them, the sphere of reciprocity is that of the family, of associations, of society's intermediate entities, none of which are called upon to generate economic value.

In the civil economist's view, on the contrary, the three principles sustaining the market order—the exchange of equivalents, the redistribution of wealth, and reciprocity—must be interrelated in a multiplicative, rather than additive, manner. This means that all three principles must operate simultaneously:

there can be no trade-off between them. For example, the civil economy does not accept the idea that in order to create more room for the exchange of equivalents, the principle of reciprocity is to be sacrificed in the market or State sphere. Those who accept Genovesi's fundamental idea of the market as a place of mutual aid or assistance, will be unlikely to accept the reductionism of the political economy paradigm. The reason for this is the different visions of Man underlying the two paradigms, namely: Hobbes' *homo homini lupus* in the case of the political economy paradigm, and Genovesi's *homo homini natura amicus* in that of the civil economy paradigm.

A second feature that sets the two paradigms in question apart is the purpose—the *telos*—of economic activity. For the advocates of the political economy, this purpose or objective is the *total* good, that is, the sum of all individual wellbeing; whereas, for civil economists this ultimate purpose is the common good, a good that can be expressed, metaphorically speaking, as the product of all individual well-being. The meaning of this arithmetic metaphor is clear. In a sum, even if certain summands are annulled, the total sum always remains positive. Indeed, if the annulment or reduction of certain summands is a sufficient condition for a more than proportionate increase in the magnitude of the other summands, then it is a good idea that this comes about if the ultimate purpose it to maximise the total good. In a multiplication, on the other hand, the annulment of just one factor will result in the zeroing of the entire product. The logic of the common good does not permit the good of one individual to be sacrificed in order to augment the good of another: in other words, trade-offs between individuals are not admitted. For example, the civil economist does not passively accept what J. Schumpeter called the driver of capitalism, that is, "the creative destruction": the capitalistic market has to "destroy," that is, it has to expel those enterprises and workers deemed scarcely productive or non-productive, in order to create room for the affirmation of new, better--equipped individuals and entities, and thus expand indefinitely. This could be described as a watered-down version of social Darwinism, which reduces economic relations between people to relations between objects, and the latter to the status of commodities.

I would like to briefly mention a third point on which the two paradigms differ, regarding the theological background to the works of Smith and Genovesi. Recent studies by Waterman, Hill, Agamben and Oslington [9] have

[9] G. AGAMBEN, *The Kingdom and the Glory. For a Theological Genealogy of Economy and Government* (Stanford: Stanford University Press, 2011); A.M. WATERMAN, "Economics as Theology: Adam Smith's Wealth of Nations," *Southern Economic Journal* 68, no. 907 (2002): 907–21;

thrown new light on the interpretation of the idea of the "invisible hand" as a specific form of theodicy. In truth, a strict comparison of the two paradigms has to take account of the fact that Smith's and Genovesi's interpretations of the market point to different answers to the key question of theodicy, namely: if God is omnipotent, then why does he permit moral evil to exist? While Smith's "invisible hand" expresses the providential plan whereby despite the evil present in humankind, people tend to act for the public good, in the vision offered by Genovesi, evil is, on the contrary, an element that serves to strengthen people's virtuous conduct which naturally strives for the common good. The diversity of the two thinkers' positions derives from the fact that Smith inherited the anthropological pessimism passed down from Augustinianism, Calvinism, Jansenism, and also Christian Stoicism; while Genovesi, on the other hand, was inspired by the Aristotelean-Thomistic school of thought, by the writers of the counter-reformation, and by the ideas of his master Giambattista Vico regarding the transformation of destructive passions into civic virtues. The present essay is not the appropriate place for the further development of this argument[10]; this is, however, a vitally important task, also in view of the fact that the so-called *Adam Smith problem* has recently been revisited by certain scholars[11] who reject the idea of consistency between Smith's *Theory of Moral Sentiments* and his later work *The Wealth of Nations*.

5. THE CURRENT REVIVAL OF INTEREST IN THE CIVIL ECONOMY

Why is it that in the last quarter of a century, the civil economy perspective is re-emerging in public debate after more than two centuries of oblivion? Why is it that the transition from national economies to the global economy has made the study of the civil economy such an attractive prospect? In order to answer these questions, it should be pointed out that from the first half of

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L. HILL, "Further Reflections on the Hidden Theology of Adam Smith," *The European Journal of the History of Economic Thought* 11, no. 4 (2004): 629–35; *Adam Smith as Theologian*, ed. P. Oslington (New York: Taylor & Francis, 2011).

[10] L. BRUNI, and S. ZAMAGNI, "Economics and Theology in Italy since the 18th century," in *The Oxford Handbook of Christianity and Economics*, ed. P. Oslington (Oxford: Oxford University Press, 2014); S. ZAMAGNI, "Catholic Social Thought. Civil Economy and the Spirit of Capitalism," in *The True Wealth of Nations*, ed. D. Finn (Oxford: Oxford University Press, 2010), 63–94.

[11] M. PAGANELLI, "The Adam Smith Problem in Reverse," *History of Political Economy* 40, no. 2 (2008): 365–82; L. MONTES, "The Adam Smith Problem," *Journal of the History of Economic Thought* 25, no 1 (2003): 63–90.

the 19th century onwards the civil vision of the economy disappeared from both scientific research and political-cultural debate. There are many different reasons for its demise; I am going to examine the two most important ones.

On the one hand, there was the rapid spreading of Jeremy Bentham's utilitarian philosophy among Europe's salons of high culture; Bentham's principal work, published in 1789 took several decades before achieving its hegemonic status within the economic profession. Utilitarian ethics rather than the protestant ethic (despite what some people continue to believe), accompanied the emergence of the hyper-minimalist anthropology of *homo oeconomicus*, and of social atomism, within economics. The following passage from Bentham's work is extremely clear and meaningful: "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."[12]

On the other hand, industrial society found its full expression following the industrial revolution. Industrial society produces goods, machinery is a dominant presence everywhere, and the pace of life is established by machines. Energy largely replaces the brute force of Man, and in doing so accounts for enormous increases in productivity which accompany, in turn, the advent of mass production. Energy and machines transform the nature of labour: individual skills are broken down into basic elements, hence the need for coordination and organisation. The world that emerges from this process of industrialisation is one in which people are perceived as "objects," as it is easier to coordinate objects than human beings; a world where individuals are separated from the role they play. Organisations—first and foremost enterprises—deal with roles more than they do with people. This happens not only inside the new factories, but within society as a whole. Here lies the fundamental meaning of Ford-Taylorism as the (successful) attempt to theorise and implement this model of social order. The advent of the "assembly line" is accompanied by the spread of consumerism. Hence the schizophrenia of "modern times": on the one hand, work loses its meaning (resulting in the alienation of the de-personalised worker); on the other hand, to balance things out a little, consumption becomes opulent. Marxist thought and its political forms adopted over the course of the 20th century, try to offer a way out of this model of society, with some success, albeit intermittent.

The great political and cultural challenge of today is to go beyond the traditional capitalistic market economy model without, however, renouncing the

[12] J. BENTHAM, *An Introduction to the Principles of Morals and Legislation* (Kitchener: Batoche Books, 2000).

benefits that such a model has guaranteed to date. In fact, regardless of what some believe, it is not true that if the aim is to preserve and extend the market-based social order, then the traditional capitalistic form necessarily has to be accepted (or endured). This has not been the case from the very beginning, as we have previously mentioned. Today, there is a belief widely held among large sections of the public, that the so-called "turbo-financial capitalism" has exhausted its propulsive force, and what we now have is a unique opportunity to rethink our idea of what the market is and should be.

At present, the "fourth industrial revolution" undoubtedly constitutes the strongest incentive to a reconsideration of the civil economy paradigm. It is widely known that the success of convergent technologies, that is, those technologies resulting from the synergic combination of nanotechnologies, biotechnologies, information technologies and the cognitive sciences (NBIC) —is radically changing not only the mode of production, but also, and above all, social relations and the cultural fabric of society. We still do not know how digital technology and the culture governing that technology are going to impact the essence of capitalism in coming years. What we do know, however, is that a new Polanyian-style "grand transformation" is taking place, with far-reaching consequences for the meaning of human labour (not only in terms of job losses), for the relationship between the market and democracy, and for the ethical dimension of human action.

The promise of the enhancement, and thus the transformation, of both Man and society, by the aforementioned NBIC technologies, takes account of the extraordinary focus on techno-science in a variety of different spheres, ranging from the cultural and scientific to the economic and political. The pursued objective is not only the enhancement of the mind, or the increased diagnostic and therapeutic capacity of medicine in regard to a variety of diseases, or even the improved control and processing of information. The true objective is the artificialisation of Man, together with the anthropomorphization of machines. The veil of silence regarding this question needs lifting, and a high-level debate begun. This question, in fact, concerns the anthropological level of the argument. Two conceptions of Man are being compared here: the first is that of Man-as-person, the second that of Man-as-machine pursued by the trans-humanist project. The latter is gaining ground on the former as things stand.

In what problematic areas of modern-day society would the introduction of the civil economy paradigm into economic debate and practice reveal its full salience and practical relevance? Due to the limited space available here, I am only going to focus on the specific question of the worrying, systemic increase in social inequalities. This question may be framed as follows: if inequality is on the increase, but this is not a result of any lack of resources or technological know-how, or of specific adversities affecting certain categories of individual or specific areas of the world, then ultimately what are its underlying causes, and more importantly, why does it not lead to rebellion against such a state of affairs? The most plausible answer, in my view, is that this is due to the continued belief, within our societies, in the ideology of inequality. (Vilfredo Pareto indeed considered inequality to be an iron law that mankind could never escape). There are two fundamental dogmas of this ideology of inequality. The first is that society as a whole would benefit if each individual acted for his or her own personal gain. This is false on two counts. Firstly, because in order for Adam Smith's "invisible hand" argument to hold true, markets need to be close to the ideal of free competition, that is, a situation in which there are no monopolies, oligopolies or information asymmetries. However, everyone knows that the preconditions for perfect market competition are never fulfilled in reality, and thus the "invisible hand" cannot operate.

Moreover, people possess different abilities and skills, and consequently if the rules of the game are formulated so as to extol opportunistic, dishonest, immoral behaviour for example, then those persons whose moral constitution is characterised by such tendencies, will invariably end up crushing all others. Likewise, avidity, that is, the passionate desire to possess things, is one of the seven deadly vices. Therefore, if systems were introduced into the workplace offering strong incentives—not rewards, but incentives—then it is clear that the more avid workers would tend to dominate their less avid colleagues. Thus it can be said that poor people are such not by their nature, but as a result of their social conditions; that is, due to the way in which economic institutions are designed. Condorcet had already made this point, in his work *Esquisse d'un tableau historique des progress de l'esprit humain* written in 1794, when he stated that: "It is easy to prove that fortunes naturally tend to equality, and that their extreme disproportion either could not exist, or would cease, if positive law had not introduced *fictitious means* of amassing and perpetuating them."[13] The "civil laws" that the French Enlightenment writer spoke of, are simply the rules of the economic game.

The second dogma of the ideology of inequality is the belief that elitism should be encouraged since it is highly effective; in other words, the wealth of the majority of the population would grow more if the abilities of the few were

[13] M.J.A.N. CARITAT DE CONDORCET, *Esquisse d'un tableau historique des progress de l'esprit humain* (Torino, Einaudi, 1969): 171.

promoted. Therefore, greater resources, attention, incentives and rewards should go to the most gifted members of society, since it is their endeavour and commitment that underlie society's advancement. Consequently, the exclusion of the less gifted from the economic sphere—through their employment in temporary jobs and/or their unemployment, for example—is not just normal, but is also necessary if the GDP growth rate is to increase. The crisis of the ideology of equality, resulting from the fact that application of the principle of distributive justice always requires some form of sacrifice, was clearly described by Norberto Bobbio when he wrote that the battle for equality is invariably followed by the battle for diversity:

> Human history shows that struggles for superiority alternate with struggles for equality. This alternation is natural, because the battle for superiority presupposes that certain individuals or groups have attained a certain degree of equality among themselves. The battle for equality generally precedes that for superiority […]. Before reaching the point of fighting for dominion, each social group has to achieve a certain degree of parity with its rivals.[14]

We can now understand what the adoption of the common good viewpoint would imply in respect to the solution to the problem in question. It would imply a transition from a "transcendental theory of justice" based on the anthropological premise of self-interested individualism, to a "comparative theory of justice" in the words of A. Sen.[15] In his radical critique of John Rawls, Sen explains (convincingly in my view) why the time has come to speak of *iustitium*—justice exercised in real situations—rather than *iustitia*, which presupposes the pursuit of the perfect, universally valid theory. In the language of the economist, this means that it is better to pursue Paretian improvements (*iustitium*) than Paretian optimality (*iustitia*). In practice, this means moving from an abstract conception of justice based on the hypothetical preferences of the agents, to the notion of benevolent justice, that is, a form of justice aimed at the common good.[16]

A simple, yet effective anecdote offers us an idea of the importance of the notion of benevolent justice. It is based on an old Arabian tale, and goes like this: a father of three children, a camel driver by trade, on his death bed decides to make out his will. After much thought, he decides to leave the oldest son one half of his wealth, the second son one quarter of his wealth, and the youngest son one sixth of his wealth. Following the death of their father, the three sons open his will to discover that the wealth in question consists in eleven camels,

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[14] *Destra e Sinistra* (Rome: Donzelli, 1999): 164.

[15] A. SEN, *An Idea of Justice* (Cambridge: Harvard University Press, 2009).

[16] See also M. SANDEL, *Giustizia. Il nostro bene comune* (Milan: Feltrinelli, 2010).

that is, all their father had managed to accumulate over the course of a lifetime. This is when the quarrelling started, since eleven cannot be divided by two. The oldest son, who according to the will should receive five-and-a-half camels, demands that this number be rounded up to six; but the other two sons argue that since their father had favoured the oldest brother by leaving him the largest share, the oldest brother should make do with five camels. A similar argument ensues with regard to the second and third sons' inheritances. The three brothers, after a very heated argument, end up fighting, and would have resorted to weapons had a passing merchant riding his own camel not intervened. Curious to discover what the fighting is over, the merchant gets the brothers to recount the reasons for this perilous state of affairs, and when he hears what the argument is about, he decides to offer his own camel in a gesture of pure gratuitousness. In this way, the inheritance now consists of twelve camels: the oldest son receives six, the second son three, and the third son two, making a total of eleven camels. At which point the merchant takes his own camel back and continues on his way.

This apologue tale contains two messages. The first one is that the rules of justice—in this case represented by the testator's will—are not always sufficient to guarantee peace. History teaches us that numerous battles have been fought in the name of "transcendental justice." However, when the rules of justice are combined with a gratuitous gift, the desired result is guaranteed. It is important to note here that what I am saying is not that the principle of the gift can replace the rules of justice; if anything, it should supplement and complete such rules, thus rendering them functional. In fact, in the case of the final division of the old man's wealth, the rules of justice were complied with, but this was achieved without any bloodshed thanks to an act of gratuitousness. The second message that emerges from this tale is that the practice of freely giving never results in impoverishment; on the contrary, it enriches the giver. In this ancient fable, not only does the merchant get his camel back, but he "earns" the appreciation and gratitude of the three brothers, in addition to his own inner joy at having managed to prevent serious conflict in that family. Note that the gratuitous gift—unlike the gift as a present (*munus*)—is that of a "third party." The merchant is from outside; he is not part of the three brothers' *civitas*. Thus the necessary condition for the resolution of the conflict is the involvement of a third party. This is the meaning of the metaphor of the "perfect stranger."[17]

[17] S. ZAMAGNI, "Disuguaglianza e giustizia benevolente," in *L'essere che è, l'essere che accade*, eds. C. Danani, and B. Giovanola (Milan: Vita e Pensiero, 2014).

6. CONCLUDING REMARKS

In my opinion, a successful way of meeting present-day challenges is that of placing the principle of fraternity at the centre of economic discourse once more. It is European culture's great merit that the principle of fraternity has been interpreted in both institutional and economic terms, and established as a cornerstone of the social order. It was the Franciscan school of thought that gave the meaning to the term 'fraternity' that it has preserved over the course of time. There are pages of St. Francis' "Regola" (his spiritual guidelines and practical rules) that clearly help the reader understand the true meaning of the principle of fraternity: that is, the supplementing, and at the same time, the superseding, of the principle of solidarity. In fact, while solidarity is the principle of social organisation whereby non-equals can become equals, the principle of fraternity permits people who are already equals to be diverse. That is, fraternity allows people who are equals in terms of their dignity and fundamental human rights, to express their life plan or their vocation in a diverse way. The 19th century, and even more so the 20th century, were characterised by large-scale cultural and political battles in the name of solidarity, and this was obviously a good thing: the history of the trade-union movement, and the struggle for civil rights, are just two examples of this. The point is that the good society cannot be satisfied with pursuing solidarity alone, since a society that is only solidarious, without being fraternal as well, is one from which all would attempt to flee sooner or later. The fact is, that while a fraternal society is also a solidarious society, the opposite is not true.[18]

The fact that a society in which the sense of fraternity is lost, and where everything comes down to optimising transactions based on the exchange of equivalents principle, on the one hand, and to increasing the transfers made by public welfare organisations on the other, is not a sustainable society, has been forgotten, would explain why it is that despite the quality of the intellectual forces at play, no credible solution to present day challenges has yet been forthcoming. A society in which the principle of fraternity is neglected, is a society with no future; that is, a society cannot progress if it is only capable of "giving to receive", or of "giving as a duty." This is why neither the liberal-individualist vision of the world, in which everything (or nearly everything) is exchange, nor the State-centric vision of society, where everything (or nearly everything) is based on a sense of duty, can safely lead us out of the shallows, where globalization and the digital revolution are severely testing our existing model of civilisation.

[18] S. ZAMAGNI, "L'economia civile come berillo intellettuale", in *Etica dell'economia*, eds. A. Biasini, and C. Vigna (Napoli: Orthotes, 2016), 149–70.

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ON THE BIRTH OF ECONOMIC SCIENCE DURING THE ITALIAN-SCOTTISH ENLIGHTENMENT: TWO PARADIGMS COMPARED

Summary

The essay pursues a double aim. On the one hand, it offers a comparative analysis of the two main economic paradigms of the Enlightment period, i.e. the political economy one, associated with the name of Adam Smith, and thecivil economy one, associated to the name of Antonio Genovesi. On the other hand, it gives reasons why, in the last quarter of a century, the civil economy paradigm is gaining more and more grounds. The paper ends up with some considerations on the major drawbacks of libertarian individualism in the present epoch.

Keywords: political economy; civil economy; market capitalism; solidarity; fraternity.

O NARODZINACH NAUK EKONOMICZNYCH W OKRESIE WŁOSKIEGO I SZKOCKIEGO OŚWIECENIA: PORÓWNANIE DWÓCH PARADYGMATÓW

Streszczenie

Autor artykułu postawił sobie dwa cele. Po pierwsze, proponuje analizę porównawczą dwóch głównych paradygmatów ekonomicznych funkcjonujących w okresie oświecenia, tzn. paradygmatu ekonomii politycznej kojarzonego z Adamem Smithem i ekonomii obywatelskiej związanej z osobą Antonia Genovesiego. Po drugie, autor podaje przyczyny, dla których w ostatnim ćwierćwieczu paradygmat ekonomii obywatelskiej zyskuje na popularności. W końcowej części artykułu autor przedstawia przemyślenia na temat najpoważniejszych wad libertariańskiego indywidualizmu obserwowanego współcześnie.

Słowa kluczowe: ekonomia polityczna; ekonomia obywatelska; kapitalizm rynkowy; solidarność; braterstwo.