Stefano Zamagni

Receiving the "Economy and Society" award from the Foundation "Centesimus Annus – Pro Pontifice" has been an honor for which I am most grateful. A great honor indeed and I am deeply conscious of its symbolic, not just material, value. Over the past twenty years I have followed the Foundation's work closely and I greatly admire its achievements.

Thomas Eliot once wrote that culture is like a tree: one cannot build it, one can only plant it and wait for time to make it grow. But – he added – we do have to water and fertilize it in order to help it grow faster and stronger. The Foundation Centesimus Annus Pro Pontifice has treasured this famous aphorism. Some of the people here today sowed the seed, many others worked to make it grow, and in time that seed has become a tall tree. Today's gathering shows it. I am sure that the next twenty years will see a further growth of its activity and I wish you all the best in your efforts.

The book that was awarded the "Economy and Society" prize is actually a collection of essays I wrote in the last fifteen years. It is a fact that economics today is anxiously searching for a definition of good adequate to the new times we are living in. To tell the truth this is not really news because from the beginning economics has been the science of doing good. Through the centuries, however, the concept of "good" has been interpreted in diverse and often conflicting ways. Until the end of the 18th century good was identified with "bonum" in the Aristotelic-Thomist acception of the word. This concept of good as "what is good" found fertile ground especially in Adam Smith's Scotland and in the Italian Enlightenment, which interpreted "bonum" as public happiness. It is not by chance that almost all the books on economics published in Italy up to the end of the 18th century included expressions such as "public happiness" in their title.

The same can be said for the Scottish school of economic thought. In 1776 Adam Smith published his main work "The wealth of nations". When it was translated into Italian, the curator chose a misleading title, i.e. "La Ricchezza delle Nazioni". But in English *wealth* means much more than riches, it has the same root as *welfare* and welfare means wellbeing, being well. Translating *The Wealth of Nations* into "La Ricchezza delle Nazioni" (and the equivalent in other languages) focused the attention of economists and post-classic scholars in a direction far from Adam Smith's intentions. We should never forget that Adam Smith was a professor of moral philosophy.

At the beginning of the 19th century the concept of good becomes identified with that of merchandise: good is what takes the form of merchandise, that is marketed and thus acquires value: market value. In the first part of the 19th century economic thought centers entirely on the conditions that bring about an increase of available goods. It talks about "goods and services" to indicate merchandise and services. It is not that surprising, considering that we are in the middle of the first industrial revolution, an era in which accumulation of capital is the goal to pursue and physical capital is made of merchandise. If this is understandable we must also acknowledge that except for a few dissenters (such as John Stuart Mill's support of a stationary condition) nobody thought of criticizing the identification of "good" with maximum possible production of merchandise.

Towards the end of the 19th century the picture changes. The concept of "good" is associated to that of usefulness. This is a semantic evolution that had and still has major consequences on economic thought and particularly on how it can be put to practical purposes. The problem of the relationship between useful and good – a problem first raised by Jeremy Bentham and then by J.S. Mill – is the problem of how to transform ethics into a proper science such as physics. What does it mean to say that good coincides with usefulness? As Aristotle taught, usefulness is an object's ability to satisfy needs. In other words, usefulness is the property of the relationship between a man who has needs and an object capable of satisfying them. And thus economics, in as much as it deals with the conditions that promote increased usefulness, becomes also the science of good.

At the end of the 19th century the concept of need becomes too cumbersome for the spirit of the time. Vilfredo Pareto, the famous Italian economist, showed that there is no need to talk about needs, it is enough to formulate the economic problem in terms of preference. Good is whatever satisfies individual preferences and economics, if it wishes to be a science, must concentrate on recommending ways to promote maximum satisfaction of individual preferences.

When, after WWII, the wind of libertarian individualism began to blow in force, neoclassical economic theory had all the resources to become mainstream. It is easy to see why. For individualistic philosophy individual preference has the same epistemological value as right: if I prefer x to y, my right to obtain x must be acknowledged. Consequently an economic discourse built on the category of good as *preference satisfaction* could only be received with satisfaction and admiration. There were dissenting economists – Giuseppe Toniolo, Amintore Fanfani, Fracesco Vito, etc. – who found inspiration in the philosophy of the person of Rosmini, Bergson, Mounier, Maritain, etc. but they could do very little to invert the trend.

And what is the approach now? For the last 25 years, acknowledging the *aporeias* [1] associated with methodological reductionism in economics, the trend has been to work one's way back to the old notion of good as *bonum*. To this day there is not yet convergence on this. It will take longer for it to happen, but it is significant that many of us feel the need to reorient economic thought.

How can one explain this return to antiquity? The fact is that the *res novae* of our era (globalization, but also the third industrial revolution i.e. digital technology) present our societies with problems and social dilemmas unknown in previous times, which the *received view* of economists is unable to solve. It is becoming evident that people need not just material goods but also human relationships. It is not by chance that the concept of "relational good" is a recent discovery. To be precise, the expression "relational good" was used for the first time in 1989, the year of the fall of the Berlin wall, by two scholars: Carole Uhlaner (USA) and Benedetto Gui (Italy). It was certainly a coincidence but a significant one. A good is relational when the benefit to the person who uses it depends largely on the type of relationship if fosters. Friendship, trust, a certain kind of labor organization are so many examples of relational goods. The intrinsic properties of the good I am

[1] doubts, lack of definitive answers

about to consume define its usefulness to me; but the insuppressible need to achieve happiness that we all have can only be satisfied by interpersonal relationships.

It is this "novelty" that the paradox of happiness has forcibly brought to our attention. The US economist Richard Easterlin discovered it in 1974: happiness is in no way a function of increased per capita income. On the contrary beyond a certain level increased income involves a reduction in the happiness index caused by a reduced availability of relational goods. Later works by the Nobel Prizes Daniel Kahneman, Nussbaum, Amartya Sen and many others guided policy makers towards the adoption of indicators of wellbeing alternative to – but not in opposition to – GNP (for instance in Italy there is ESW, Equitable and Sustainable Wellbeing).

The other big news of our time was the economic-financial crisis that exploded in 2007, a crisis first of all of meaning, i.e. of direction. What was the major casualty of this crisis? The anthropological foundation of economic thought. It is widely acknowledged the time has come to go beyond the conventional wisdom that all economic players are prompted to action by egocentric motivations. We do know that this premise is factually false: it is certainly true that, depending on contexts and historical periods, there is a more or less high percentage of people whose only goal is the pursuit of self-interest, but this does by no means apply to the entire world of economic players. And yet templates of financial theory still presume that all players are *homines oeconomici*. The consequences are obvious, for those templates determine the policies which are "sold" to the banking and financial sectors. Banking and financial executives then transform those policies into specific products that are skillfully presented or recommended to the wide public of individual or institutional investors. Some of the latter are motivated by greed but many other are led into choices they would not have made if a wider range of options had been available. The point is that mathematical-financial templates do not simply recommend policies; they change people's mindset, as the latest results of neuroscience experimental research confirm *ad abundantiam*.

This last consideration leads me to dwell for a moment on the role that avidity – as a peculiar form of avarice – had in preparing the ground on which the tree of the crisis could flourish. Most economists think that avarice is a minor vice, to be easily corrected through the introduction of adequate incentive plans. It is not casual that texts of economics – from the more sophisticated to the ones aimed at the general public – never talk about avaricious behavior. They do not even consider the question of whether the preferences of *homo oeconomicus* are or are not avaricious. The *homo oeconomicus* must simply behave in an instrumentally rational way, maximizing under certain conditions his own interest whatever that may be. And yet avarice – the most "economic" of the capital sins - represents one of the most frequent cases of "reason's failure" in the economic field. Since he lacks a well functioning rationality, the miser is not master of his greed: he does not know how to orient such a passion – in itself physiological – towards goods it is reasonable to covet. The miser amasses wealth, preventing its circulation; he does not promote but rather hinders production, eventually developing behaviors that go against his very interest. It is a fact that the absence of a theory of motivations to rational behavior explains the inability to understand the phenomenon of avidity in its manifold manifestations (so much so that economics does not even take it into consideration): why does a miser keep on amassing insatiably even though he is aware that the power deriving from his riches can never be fulfilled? Economics does have a theory of the reasons to do what *homo oeconomics* thinks should be done, but not yet a theory of the motivations that would lead him to do what he knows he should do.

The last quarter of the 20th century, more or less in concomitance with the onset of globalization and the digital revolution, has seen an unexpected reawakening of interest in the issue of avidity. Avidity, accused of being the major cause of secondary scarcities in as much as it makes no distinction between needs and desires, is the vice that more than any other has grown in a spectacular way during the last century. Today unfettered craving for material goods is once again perceived as one of the most serious impediments to the civil and economic development of our societies. The miser's behavior is unmistakable: he amasses but does not invest; stashes but does not use; owns but does not share. Even societies, not just individuals, can become misers and this is what hinders social progress. Machiavelli's old admonishment: "Countries suffer far more from the avarice of their citizens than from the rapacity of their enemies" is still valid.

We have come to believe that a society can make progress towards the achievement of integral human development while keeping separate the code of efficiency which, under a well defined regulatory system, would ensure the well functioning of the market, and the code of solidarity which, under the attentive guidance of the State, would guarantee distributive justice. Hence the paradox afflicting our societies: there are ever more declarations in favor of those who, for whatever reason, are left behind or even excluded from market competition but at the same time education is focused on efficiency. Is it a wonder then if social inequalities keep growing even while global wealth is increasing? And if the principle of merit is mistakenly confused with meritocracy, as if they were the same thing? And if reciprocity is confused with altruism or philanthropy? And if communal goods (water, air, territory, identity) are treated as if they were property of the government?

I do not think we can continue on this path much longer. Nobody denies the difficulties and perils involved in the efforts to go beyond the present situation. Imagining that the novelties and changes required would not involve a great deal of conflict would be naïve. But it is an unavoidable task if one wishes to overcome both the lamentations on the scant practical relevance of economic theory (which benefit only those who are interested in discrediting the real potential of that science) and the disenchanted optimism of those who see the perpetuation of individualistic rationalism in economics as a sort of triumphal march towards a solution of all the real world's problems. S.J. Gould, the famous biologist and paleontologist author of the theory of punctuated equilibrium, reminds us that "the world is too complex and interesting for one sole form of knowledge to provide all the answers. One sole mode of knowledge, however refined, is not sufficient to understand reality.

Pope Benedict XVI's encyclical *Caritas in Veritate* tells us that to solve this problem we must put back together what was mistakenly separated. Expressing support for that idea of the market – typical of the civil economy – according to which social bonds cannot be reduced to the sole cash nexus, the encyclical suggests one can live the experience of human sociality within a normal economic life and not outside it as a dichotomic social model would have. The challenge is to follow Plato's recommendation: we should not view economics in endemic and ontological conflict with the good life (the structural theory which sees the market as the venue of exploitation and alienation), nor think of it as the answer to all society's problems (the anarchic-liberistic thought).

I would like to conclude with a parable of Jewish origin that I find particularly evocative: the parable of the four lit candles. In a silent room there are four lit candles. The first one says: I am peace, but men decided they want war, therefore I will let myself be snuffed out because it makes no sense to keep on burning. And this is what happens. The second candle says: I am faith, but men have decided they want to become atheists, why should I keep on burning? I will let myself be snuffed out. The third candle says. I am charity, but men have become selfish, they care only for themselves, therefore I, too, will let them snuff me out. At that point a small child enters the room crying because he is afraid of darkness. And the fourth candle comforts him: don't cry, I promise you that I will keep on giving you light until somebody comes to fetch you and I will let you use my flame to relight the other candles. I am hope.

What we can wish each other is to remain lit and do everything we can to relight all those candles that for one reason or another have let themselves be snuffed out. Is it not true that all great achievements are attained not for a specific time but for all times? This is, after all, the true mission of the Foundation Centesimus Annus – Pro Pontifice to which I extend once again the expression of my gratitude and admiration.