Introduction
Luigino Bruni and Stefano Zamagni

> The political economy is unpopular with the general public. The war, the postwar and the crisis have given many and such denials of what appear strictly to be scientific estimates, advanced by economists. It is no wonder that any layman could believe to be authorized to proclaim the bankruptcy of the political economy. Hence, at times it happens that economists must take a stand against the false news of the death of their science. To the voices, some calumny, not a mitigating factor is lacking. In fact, many economists have sinned by immodesty. On the eve of the world war itself, too many have proclaimed, on behalf of the economic laws, that the war itself could not do or if it could have, the active forces of the nations would have been depleted within the strict limits of time. Nevertheless, the war had run its course for many years, refuting and depleting its deniers. In the early days of the economic crisis, other economists did not hesitate to declare themselves on the basis of the conjuncture of science fallacy that the crisis could not explode or that if it exploded it would soon be quelled. (R. Michels, 'Inaugural Address of the academic year 1933–1934', University of Perugia, 1934)

DOING ECONOMICS IN THE AGE OF CRISIS

This time of crisis (much deeper and more serious than just a financial or economic crisis) calls us back to individual and collective responsibility, even of thought. One dimension of such an appeal to responsibility is the need today to reopen a new, true and profound debate about the nature of business, banks, profit, market and, therefore, of capitalism. The challenge is in being able to speak about these major aspects of civilization while freeing oneself from ideologies and overused words. Over the last 20 years, such ideologies and words have obstructed the reopening of a season of deep review and a highpoint of our economic system, for which people recognize a growing and urgent need.

The main idea underlying the various contributions of this Handbook is the acknowledgment of the civilizing nature of market and firms when and if they are understood as expressions of civil virtues. Civil virtues in relation to markets mean in particular that what is typical of markets and firms is the dimension of reciprocity: the peculiar virtues in the economic domain are social by nature. There are of course also individual virtues (prudence, innovation, creativity . . .), but the actual 'golden rule' of the market is reciprocity, because contracts, business, exchanges are matters of cooperation and of common advantage, i.e. forms, albeit different one from the other, of reciprocity.

We are aware that to speak today of virtues in the market can appear odd or at least controversial in this age of crisis, when an influential part of today's public opinion views market logic as corrupt of civil virtues, as it leads to the commodification of all human relationships. In fact, in previous writings we have highlighted the serious risks associated with fundamentalism in the market and its individual and collective vices (Bruni and Zamagni 2007). In as much as it is a human activity, the market is perfectible and should therefore always be subject to the critique of thought. However, especially in periods of crisis, we believe that it is very important to call people, institutions and human reality back to their 'vocation', inviting them to rediscover, or finally discover, their best part. As those who have lived through serious crises know, and as those who have helped others overcome crises know, it is not possible to get out of these impasses if one does not find his/her own Socratic 'daimon' again, without rediscovering one's profound vocation. Something similar happens for collective realities, institutions and societies. In difficult moments, pessimism will not help. Instead, we need to know how to look deeper and draw from purer waters.

In fact, we should remember that the current phase of the market economy (which we might call financial-individualistic capitalism) arises from an anthropological pessimism that dates back to Guicciardini, Machiavelli, Luther, Calvin and Hobbes. The great premise or anthropological hypothesis on which both economic theory and the western economic system rest is the assumption that human beings are radically opportunists and too self-interested to think that they can commit themselves because of higher motivations (like the common good). The Italian economist, Maffeo Pantaleoni, one of the great figures of 20th-century economics, wrote a very eloquent passage in this regard. In a writing from the beginning of the 1900s, he challenges the 'optimists' to show that the motivations that lead:

> street sweepers to sweep, tailors to make suits, the tram conductor to work 12 hours of service on the tram, the miner to descend into the mine, the stockbroker to follow orders, the miller to buy and sell grain, the farmer to hoe the earth, etc., be they honours, dignity, spirit of sacrifice, the waiting for heavenly rewards, patriotism, love of neighbour, spirit of solidarity, imitation of ancestors and the good of descendants and not only a kind of benefit that is called economic. (Pantaleoni 1925)

Such anthropological cynicism is one of the building stones of the contemporary economics system, that we would like to challenge with this Handbook.

This Handbook, in fact, does not share this cynical or pessimistic view. We are convinced that there is today an ethical responsibility of thought to propose and foster a more positive outlook on the world, on mankind, on politics and on the economy. This different and positive outlook can start from a reflection on how the market 'should be', on its moral task in edifying a good and just social order – a civil society that dies when community life is regulated only by the market but also dies or does not flourish without the market and its typical virtues. They are virtues that seem, and often are, far from the economic praxis of our time, and that is why they ought to be called back into our personal and collective consciousness.

The cultural vision that inspires the architecture of this Handbook is that of *Civil Economy*, a tradition of thought that has its roots in the late Middle Ages, and that in modern times includes among its founders economists such as Antonio Genovesi, Giacinto Dragonetti, Pietro Verri, Adam Smith, John S. Mill, Alfred Marshall, Luigi Einaudi, Giorgio Fuà and many others. For these authors, even in different gradients due to the diverse cultural backgrounds, historical contexts, etc., market exchange is also and above all a form of reciprocity and social tie, a branch of common living, where at work are the same passions, the same vices and the same virtues of the entire life in common, because 'political economy or economics is the study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and use of the material requisites of well-being' (Marshall 1890, p. 1).

IN SEARCH OF THE 21ST-CENTURY PARADIGM

The main ambition of this Handbook is to face and overcome one of the most profound dichotomy of modern economic and social thought, in particular in the 20th century, namely that between the Anglo-Saxon (US-Protestant in particular) and the European (Latin-Catholic) economic and social systems. The former is based on the principles of individual freedom and a sharp distinction-separation between the logic of the market and that of solidarity: business is business and what is associated to solidarity is something that does not belong to the economic domain. In the Anglo-Saxon culture, philanthropy has been the *link* between the world of business and that of solidarity, and the non profit sector is a consistent economic and social expression of this humanism. The Latin-Catholic economic and social culture, on the other hand, has been built in Europe upon community and a weak (or no) distinction between market and (civil and political) society. In this system the link between business and solidarity has been the Welfare State, and the strong European cooperative movement on the one hand, and the industrial district model on the other, are just natural consequences of this communitarian model. In the European system, in fact, the economic dimension has been embedded into the community (local and national). In the US model business is business, and philanthropy cares about the social dimension; in Latin and Catholic culture, business has never been only business, because strong communitarian ties have always impeded market and firms from being really distinct – let alone separated – from both community and society. The Latin/catholic market has never been 'pure', because it has tried to 'save' something of the communitarian model of the first Medieval foundations of markets within the *comuni*, where market economy came out from the hearth of the Christian *communitas* (Todeschini 2002).

The 20th century has been the century that has exalted this dichotomy, where two different models of market economy have been alternatives. In this dawn of the 21st century it is evident that both systems of market economy and society are both in crisis. Many people feel the need for something new, capable of building a bridge between these two humanisms. Globalization has in fact radically changed the scenario, and neither philanthropy nor the welfare state is enough to face the new challenges successfully. Indeed, the Anglo-Saxon model based on philanthropy is failing in the area of community and social belonging, as the various paradoxes of opulent unhappiness are more and more evident (Bruni and Porta 2005). On the other hand, the welfare state system has flopped because of its inability to keep up with the growing costs (the enormous public debt in Europe is at the basis of the many financial difficulties of most countries, in particular in the Latin/Mediterranean ones) and for not being able to develop an appropriate market culture. Too little community and too much individualism in the Aglon-Saxon world; too much statism and an immature market mentality in the European one. In the search of something new, of a post-capitalistic market economy, we think that the paradigms of Reciprocity and Social Entrepreneurship can offer new hints and indicate viable paths of research. Reciprocity, in fact, is neither philanthropy nor solidarity, being the social and economic translation of the 18th-century keyword fraternity. Fraternity is in fact the forgotten principle of Modernity: equality has been at the centre of the welfare state system; freedom in the Anglo-Saxon world, but fraternity is still waiting its moment. We read this new interest within economics for the issues of reciprocity, relational goods, and public happiness as important signs that the time of the fraternity principle is again forthcoming. In fact, when the founders of Modernity announced the new principles of the new world – *liberté, égalité, fraternité* – they said something crucial: individual freedom and social equality are not enough to build the new post-*ancient régime* society, because neither liberty nor equality denotes a 'link', relationships *among* persons. Certainly the fraternity we are referring to is not the one that refers to shared bloodlines, nor exclusively to family and clan ties. Neither is it the fraternity often used by closed and discriminating communities. Rather, it is the kind of fraternity, grouped with freedom and equality, that is close to the notion of 'open impartiality' used by Sen (2002). This kind of fraternity on the part of members of a community means feeling part of a common destiny, of being united by a link less exclusive and elective than friendship, but which is capable of generating feelings of reciprocal sympathy, and which can and should be expressed even in ordinary market transactions. Better said, the construction of a market economy was understood by Enlightenment thinkers as a pre-condition so that fraternity would not remain an abstract principle or a mere utopia but would become a general, everyday praxis.

How does the vision of the economy and the market change if we take fraternity into serious consideration? How can we reconcile the idea of the market envisioned as a locus of possible fraternity with price mechanism? This Handbook aims at answering these questions. To choose reciprocity as a keyword of contemporary economics means to conceive market interactions as fully human and moral, builders of fraternal relationships. Ultimately, the aim is to help economics overcome the acute reductionism from which it suffers – a reductionism which represents a serious obstacle to the entry of new ideas and a dangerous form of protectionism against innovations stemming from other social sciences.

THE TRUE ENTREPRENEUR IS SOCIAL

Another keyword of this Handbook is *social enterprise*. We are convinced that being a social entrepreneur is the rule not the exception of entrepreneurship. In fact, when the market functions correctly, it is a place in which innovation and human creativity are favoured and rewarded. Market competition (as it emerges from many entries of the Handbook) can be – and if we want to understand it in its truest nature, should be – seen as a race to innovation. Those who innovate grow and live, while those who do not innovate remain behind and leave the economic and civil game.

The author who has most caught this virtuous dynamic of the market (the capacity to innovate is undoubtedly a virtue, because it is an expression of *arête*, of excellence) is J.A. Schumpeter. In 1911, he published *The Theory of Economic Development*. There, Schumpeter masterfully describes the dynamics of the market as a 'run' between innovators and imitators. To explain the nature and role of innovation, Schumpeter draws upon a model where the starting point is the 'stationary state', the situation in which businesses only carry out routine activities and the economic system perfectly replicates itself over time, without profits and loses, without creation of added values and true wealth. Economic development then starts when the entrepreneur breaks from the stationary state by introducing innovation, which can be a technical invention, a new organizational formula, the creation of new products or new markets, which reduce costs and make it possible for the business to create new wealth.

The entrepreneur-innovator is the protagonist of economic development, as he/she creates real added value and makes the social system dynamic. The innovator is then followed by a 'swarm' of imitators attracted by that created added value, just as bees are attracted by nectar. When they enter into those sectors that verify the innovation, they cause the market price of that given product to decrease, to the point that all the profit generated by the innovation is entirely absorbed. The economy and society return to the stationary state until a new innovation restarts the cycle of economic development. Therefore, for Schumpeter, profit has a transitory nature, as it subsists as long as there is innovation, in that time lapse between the initial innovation and the imitation.

This classic text of economics reminds us that the truest nature of the entrepreneur and the entrepreneurial function is the capacity to innovate. The entrepreneur is not a profit-seeker: profit is only a signal that innovation is present. When the entrepreneur (including the social entrepreneur) complains because he/she is imitated, his/her vocation is already in crisis. He/she must be reminded that imitation also plays an important role, as it ensures that derivative advantages that come from an innovation do not remain in the innovating business alone but are spread throughout society (for example, through the reduction of market prices, which increases collective well-being). The entrepreneur is not a 'rational' agent as understood in neoclassical economics. In fact, what motivates her or him is 'the dream and the will to found a private kingdom. . . the will to conquer; the impulse to fight, to prove oneself superior to others. . . the joy of creating' (Schumpeter 1911, p. 93). Many other economists belonging to this 'broad' civil economy tradition believe in this thesis: what is typical of entrepreneurship is not profit-seeking per se but innovation, and in doing this she or he also promotes the common good, is a social entrepreneur. When an entrepreneur stops innovating, he/she dies as an entrepreneur (perhaps transforming himself/herself into a spectator or a rent-seeker), and so blocks the innovation-imitation relay race, which is the true virtuous dynamics that pushes society ahead, not only the economy.

One of the deepest reasons for the current crisis was the progressive transformation of many entrepreneurs into mere speculators, which took place in the past decades following the financial boom. The entrepreneur-innovator, compared to the speculator, thanks to his/her vocation, sees the world as a dynamic place that can be changed. He/she doesn't simply think of increasing his/her own piece of a given 'pie'. He/she creates new 'pies', welcomes new opportunities, looks ahead and not beside him/her in search of rivals to battle with so that he/she can hoard the pie.

THE IDEA OF A CIVIL ECONOMY

From the period of civil humanism in the 15th century up until today, western civilization has been capable of economic and civil development when cultural and institutional conditions have allowed people to cultivate the virtue of creativity and innovation. The civil vision of the market as an institution that awards innovation places the accent on people and not so much on capital, finance or technology. Innovation is first of all a matter of vision, of a different outlook on things and on the world, and therefore a matter of people that see reality differently. And, in fact, in the 1940s, Schumpeter himself foresaw that the passage of innovation from persons to research offices and development of large businesses would change the nature of capitalism. It would cause capitalism to lose contact with the personal dimension – the only one that can really favour innovation. And still today, after decades of getting drunk over what's 'big' and anonymous, we're realizing that the businesses that are able to grow and be leaders in the globalized economy are, increasingly, those where there is one or more persons capable of seeing reality differently, capable of innovation.

The only true key to innovation and creation of economic value is people's intelligence (that is, their capability to 'read and see inside' things), as an Italian economist even older than Schumpeter said. We are referring to Milanese Carlo Cattaneo (1859), who, in the mid 19th century, wrote one of the most beautiful and humanistic theses on economic action, in which he reminds us that the virtue of innovation is founded on an even more radical virtue (because more universal): creativity. 'There is not job or capital that does not begin with an act of intelligence,' he wrote. 'Before every job, before all capital. . .it's the intelligence that begins the work and stamps the character of wealth into it for the first time.' The notions, recently introduced in economic discourse, of 'connective capital' (Ichiniowski and Show 2009) and 'shared capitalism' (Kruse et al 2006) are clear indication of a revival of attention to the argument sketched above. What induces workers and firms to invest in connective capital, intended as the sum of the person's own capital and the knowledge capital of others who he/she taps into to solve problems? Why should each worker tap into the skill of others and how much should others be willing to share their skills? Why is shared capitalism – conceived as an organizational system which seeks to align the interests of the employee with the owner by sharing participation in decisions and the residual return – today increasing and spreading in many different places? These are only some of the questions that are being raised in the current economic debate.

The virtuous relay race of innovation-imitation is greater than just the economic environment. This gives us a beautiful and original key to understanding not only the market but also the civil history of peoples. When societies and markets favour people who innovate, when these people do not lament but delight in being imitated, when even institutions universalize these innovations, then common living and the market work, and they are beautiful places in which to live. Finally, from such a perspective comes an idea of market seen basically as cooperation before and more deeply than pure competition. When economists such as Smith, Genovesi, Mill, Edgeworth or Marshall thought of market interactions, for them it was normal to depict such relationships in terms of cooperative competition.

This Handbook reminds us that the world is a place where water falls from mountains to valleys, and where human relationships are founded on the law of reciprocity, including the reciprocity as market relationship. Mill, for instance, was convinced that over time the market would develop and strengthen people's capacity for cooperation, and therefore their civic virtue. He wrote in his *Principles of Political Economy*:

> One of the changes which most infallibly attend the progress of modern society, is an improvement in the business capacities of the general mass of mankind . . . Works of all sorts, impracticable to the savage or the half-civilized, are daily accomplished by civilized nations [. . .]. The peculiar characteristic, in short, of civilized beings, is the capacity of co-operation. (Mill (1920[1848]), p. 698)

Today, more than a century and a half after Mill wrote these words, looking at cooperation in the market and at the culture it has produced, would Mill still consider the market in the same way? In light of his thought, were he to observe a company, a commercial centre and ordinary social and economic life (from air travel to a football league), we believe that he would not have second thoughts, and would see his insights and his predictions confirmed. On the other hand, we would begin to have some doubt about his answer if Mill, or one of the fellow economists or liberal philosophers of his generation (as well as those that have followed), encountered the digital, financial, and technological world of our time. In fact, he would understand immediately that there is an ever increasing fundamental alliance between market and technology, and after brief reflection he would see that the logic of these relationships in a network differs little from that which drives the relationships within a multinational company or in the supermarkets in our cities. He would understand, that is, that the market has not only increased relationships, human contacts, and cooperation, as compared to the pre-modern world; it has also changed their *nature*, becoming more and more a great 'mediator' that makes interpersonal relationships and common life 'immune', a change in relation to which ethical judgement is complex and ambivalent.

Ambivalence is, perhaps, the most characteristic dimension of the ethos of the market, since ambivalence is the characteristic that marks all great human words (which are great *because* of this ambivalence). The great linguist Émile Benveniste (1971, p. 272) reminds us that even the word gift, a word that should be free from any ambivalence, is instead marked by 'a curious semantic ambivalence', because in many Indo-European languages the concept carried by the verb 'to give' can be expressed also by the verb 'to take'. The market, in fact can also be a social mechanism that, when working properly, is not in contrast with the authentic gift and can be read also as remuneration for civic virtues.

The civil economy perspective – as several of the entries in this Handbook indicate – is founded on the premise that the market is capable of hosting not only the principles of exchange of equivalents and redistribution, but also the principle of reciprocity. This implies that markets can serve multiple functions, not just one, i.e. efficiency, as the 'institutional mono-tasking' school of thought advocates, provided it makes room for the gift principle. An economy that loses contact with the spirit of gift does not have a future as an economy, for it will not attract those people with high vocation. If the enterprise becomes only a business (in the sense of 'a machine to make money') and excludes the passions and moral sentiments, it will only attract those people with a low capacity for human relations, meaning poor managers and workers. Money and profits are weak incentives if we want to move people at the level of their most noble and most powerful energies. Not only this, but when we act because we are motivated only by monetary incentives, freedom becomes of little value, until it fades away. That is why good businesses, those that give value to ideals, passions, reciprocity are so important: they foster personal and collective freedom. And from freedom all wealth is created.

We would like to conclude this Introduction with an ancient thought by the Latin author Seneca that vividly conveys the general idea of reciprocity. In his *De Beneficiis*, he wrote:

> Why are the Graces three in number and why are they sisters, why do they have their hands interlocked, and why are they smiling and youthful? Some would have it appear that there is one for bestowing a benefit, another for receiving it, and a third for returning it; others hold that there are three classes of benefactors – those who earn benefits, those who return them, those who receive and return them at the same time. But of the two explanations do you accept as true whichever you like? Yet what profit is there in such knowledge? Why do the sisters hand in hand dance in a ring which returns upon itself? For the reason that a benefit passing in its course from hand to hand returns nevertheless to the giver, the beauty if it is continuous and maintains and uninterrupted succession. (Seneca 1985, p. 13)

Those with no hope in the future have only the present; and those who have only the present have no compelling reason to be interested either in reciprocity or in innovative endeavours. But, fortunately, people who continue to entertain a hope in the future and who do not suffer the whims of the 'gloomy passions' (in the sense of Baruch Spinoza) have not disappeared altogether.

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