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The interpersonal dimension of economic activity. The case of the Economy of Communion

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The century just over will be remembered in the history of economic thought as that of the economic man.

Strongly anchored to positivism and utilitarian philosophy the economists of the beginning of the 20th century believed it possible to create a science free from ideologies and social values and also capable of promoting the greatest welfare for all citizens.

From the point of view of the theoretical construction the path followed was that of representing human behavior in a simplified way with respect to real life. The men and women of the real world, as was described in the 18th century by Adam Smith in the "Theory of moral sentiments", act also in consideration of social norms such as reciprocity, bonds of affection like fellow-feeling, and of ethical references. It is not like this for the man of economic models who, pushed – as Richard Dawkins would say – by a selfish gene, is guided in his actions only by the logic of interest.

As Vilfredo Pareto claimed, the rising economic sciences should have cut themselves one slice only of the varied universe of human activity, focalizing their attention on logical and instrumental actions.

Originally the scholars of economics held it possible to quantify the happiness of individuals and to use interpersonal utility comparisons to define the lines of intervention of public policies, whose objective should have been to promote the utmost happiness in society and to eradicate extreme poverty and suffering. In the 30s this work hypothesis was abandoned, however, in favor of a less ambitious path, taken by authors such as Lionel Robbins. Because of the obvious difficulties implied in the measuring of happiness and carrying out interpersonal comparisons, Robbins suggested limiting economics to the study of the behavior of the single economic actors who could be predicted with reasonable approximation assuming the interests of each to be stable in time.

The classic behavior hypotheses of economic theory nowadays are (a) profit maximization for firms (b) utility maximization for consumers (c) re-election for government and politicians (d) discretional power and as large a budget as possible for bureaucracy. In fact, in the theory of rational choice the relational character of economic subjects has been forgotten. Thus the values have also ended up losing their relational base and own social component, assuming a dimension which is more and more private and subjective, and reducing themselves to the grade of simple individual preferences. In a more or less conscious way it was believed possible to apply the category which characterizes the relationship man-goods (what Hirschleifer [9] called the "man-thing" activities), that is the concept of utility, also to the relations between people (the man-man activities). Through a semantic metamorphosis the happiness-eudaimonism – which qualifies the flourishing of social relationships - was made to coincide progressively with the concept of utility, which defines the relationship which exists between man and goods. But, in fact, this means having reduced the ambit of interpersonal relationships within the narrow borders of instrumental relations. Intuitively we can realize that this closing of horizons on the universe of others makes the economic man an "unhappy solitary person". We all know that the human relationships which give us most pleasure are those which presuppose the recognition of the value and identity of the other in and for himself, the other perceived as necessary because I too can exist in relationship with him. These are human relationships characterized for example by the dynamics of reciprocity, in which people are an end and not a means to reach objectives.

The economist from Zurich, Bruno Frey, has rightly shown how the economic analysis of the last 20 years has been characterized by a high degree of complexity and formalism [7]. However, a second important matter of fact is noted; unfortunately, to a decreasing extent the research programs have been formulated with the intent of finding a remedy, a response to the many ills which afflict contemporary society: increasing relative poverty (increase in the gap between the richest and the poorest), climatic problems, destruction of social capital and less-than-optimal production of relational goods.

The result of a survey conducted at the end of the 80s in American universities is symptomatic; only 3% of the candidates for a PhD in economics claimed that it was necessary to possess a profound knowledge of the economic institutions and of the society surrounding us in order to be successful in the academic field. On the other hand, 57% felt that an excellent knowledge in math was indispensable and 65% judged the ability to solve formal problems indispensable.

This situation risks transforming economics from a dismal science, as Thomas Carlyle used to define it in the 19th century, to what Frey defines as “boring science”.

How to get out of this stalemate? In the volume entitled “Inspiring Economics” Frey underlines the importance of going back to get inspiration from knowledge developed in other social sciences. After years in which economics has exported its own model of analysis and own certainties to the other social sciences, it is time for economists to go back to a dialogue with the other social sciences, such as psychology, sociology and anthropology.

Without doubt a fertile terrain for a dialogue is represented by a recent strand of studies which marks the return of the happiness issue in the research agenda of economics. Some empirical reports realized on data collected in surveys, like the euro barometer for example, have attracted attention; these annually submit a long list of questions to very large samples of people, among which the following question stands out: “Taken all together, how would you say things are these days? Would you say that you are very happy, fairly happy, not too happy?”

Summing up the answers a “paradox of happiness” seems obvious, pointed out for the first time by the American sociologist, Richard Easterlin in the 70s [5].

Modern society, which has made a raison d’être of the search for efficiency, implicitly claims that economic growth, by increasing the welfare of individuals, has also the virtue of increasing the total happiness of people. The paradox of Easterlin and the in-depth analyses which followed tell us that this is an empirically false hypothesis.

Although the GDP per capita more than doubled between the 40s and the 90s, the percentage of people in the United States who consider themselves very happy has progressively decreased. The same result is obtained for European countries and Japan.

The analysis of the level of happiness reached on average in various countries with regard to different standards of living is also striking; in fact, a positive correlation between happiness and economic welfare up to a per capita income of 15,000 dollars per annum can be noted. Beyond this threshold, which coincides in an indicative way with the satisfaction of basic material needs, any correlation whatsoever between happiness and income disappears at aggregate level.

Somewhat similar results are obtained in a second field of study, that of public health [10]. Up to a certain threshold of income there is a positive correlation between welfare and the average life expectancy of a population. However, once an annual pro capita income of 4000 – 5000 dollars has been exceeded, this correlation mysteriously disappears.

For developed countries the relationship between GDP per capita and life expectancy at birth becomes negative. It will be said this is the fruit of physiological limits, since after a certain age limit, years of life can no longer be bought with money.

But one intriguing piece of data remains. If in the case of developed countries income and economic growth lose any capacity to explain life expectancy, this is not the case as far as the distribution of wealth is concerned.

In fact, there is a significant correlation between life expectancy and social inequalities, which remains negative even at high levels of economic welfare. What counts, even for health purposes, is not so much absolute poverty as relative poverty (knowing that belonging to a certain social class is also associated with lifestyles and behaviors which can promote or damage health). Thus, for example, the following puzzle is explained: a female child born into a manager family in Hanoi (with an income of 4800 dollars per annum, when the GDP pro capita income in Vietnam is US $2,300 and the Gini index equal to 36.1) has an average life expectancy of 74 years. The situation of a black male child born in a ghetto in Washington into a family which earns 12,000 dollars per annum (we know that the GDP per capita in the US is around US $36,000 and the Gini index equal to 40,8) is quite different. In the latter case the life expectancy is only 58 years, 16 less than the Vietnamese child's.

Therefore, in order to produce longevity, economic growth is not sufficient, but equal distribution of opportunities is required, a result which empirically attests the importance of relational aspects in the production of health and finally in the creation of well-being.

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Robert Frank also arrives at similar conclusions with his theory of positional competition [6]. What determines the satisfaction of individuals is not only the absolute of consumption but also and above all the research of status, the desire to improve one's own position compared to the people who make up the community of reference. A generalized growth in the standard of living rarely involves an increase in happiness, since one's own position on the social scale remains unchanged. It is even possible that the search for economic welfare, fueled by positional competition, will have negative repercussions on other spheres of human activity, causing what three Italian economists [1] define a "relational poverty trap". As a society becomes more affluent, the effect of higher income on individual happiness tends to be offset by lower consumption of relational goods. Standard market goods would substitute relational goods, "normal" economic activity would crowd-out the production of relational goods.

Then some recent research studies have demonstrated a second interesting fact: when attention is upgraded to economic incentives only in economic and social relationships, regulated by means of formal contracts or controls, a depreciation is also produced of the so-called social capital, made up of loyalty, trust, reciprocity, cooperation, intrinsic motivations to follow social norms.

The effects which the recognition of these results might have in terms of re-orienting public policies are obvious [2].

Unlike what is argued by the paradigm of the economic man, the values, the preferences of individuals are not a-prioris, they are not defined once and for all. Society, culture, job training, television and above all the quality of interpersonal relationships have a very important impact in shaping these values. I would say more. Nothing is perhaps easier than manipulating a person who, having lost all his value references, follows only his personal interest. We can think about how communication techniques have become sophisticated in making us believe that buying a certain item, imitating a given social model, voting for that politician are essentially in our own interests.

Among economists themselves the awareness is growing that an excessive expansion of market logic, of instrumental relations might lead to a progressive desertification of civil society. Many today are becoming aware of the fact that it is necessary to base economic action on a variety of driving factors, so that other aspects, such as a desire for equity and justice, the sense of responsibility, the logic of reciprocity etc. find room on the market and in businesses too.

Unlike what happens in the natural sciences, where theory and practice are two independent spheres, in social sciences the image, the description of man which we use always ends up in any case modifying the object of study – man himself. A reductive anthropological vision, such as that of the economic men, risks making the spread of self-interested and anti-social behaviors legitimate and so encouraging them, with negative consequences also for the functioning of the economic system. In other words, economic performance depends strongly on the institutions and culture of the subjects who make up the social fabric. A marked individualist culture tends to produce suboptimal results in terms of welfare and productivity with respect to a context where reciprocity can become a contract enforcing device [9].

To conclude this talk, I would like to speak about a project called “Economy of Communion” [3-4]. The EoC is a project that attracts the attention of many scholars and economists, and hundreds of small and medium-size businesses on the five continents participate in it. The idea for the project was born from an ingenious intuition by Chiara Lubich, the founder of the Focolare – a Christian Movement - while she was crossing the city of San Paolo in Brazil. If you arrive in that metropolis by plane, you are struck by a scene which is an icon of the potentialities and the contradictions of capitalism. It is a forest of skyscrapers surrounded by a savannah of “favelas”, shantytowns. That view of San Paolo was an eloquent sign that the gap separating rich from poor was getting bigger. From that flight over San Paolo at the end of May 1991 arose what was immediately called the Economy of Communion; businesses managed with a culture that pushes people to share their profits for the purpose of creating a portion of humanity "without any deprived" and thus become a model for many.

Chiara Lubich’s first intuition was the destination of profits for three goals. One part is reinvested into the business so that it may develop and create new jobs; a second part of the profits is utilized to create culture – a culture which may motivate men and women to live communion in their lives; and finally, a third part is directly designated to help the poorest people to be reintegrated fully into the dynamics of communion and reciprocity. This tri-partition of the profits is a "pre-economics" intuition, since it does not represent a new juridical or organizational form of the business, nor the suggestion of an accounting technique, but rather it points to a vision of economics and of society. Beyond its own growth, then, the enterprise of communion is directly interested in culture, and in poverty. In addition, conceiving the profits of the business as a means and not as the ultimate end of the entrepreneurial activity is a great innovation that can lead to a radical rethinking of what the business, the economic activity and the profits are.

A key word of the whole EoC is of course poverty. The "poor" have been viewed from the beginning as the ultimate purpose of the project. Each time a person, a family, a community manages to come out of poverty, reintegrating themselves fully into civic life, a more humane society is truly being built.

The EoC recognizes that there are two different kinds of poverty. On the one hand, there is a poverty which people suffer from, almost always brought about and caused by the injustices of human beings and institutions; this is indigence, destitution, the lack of the most basic needs to live a life worthy of human beings; it is poverty which must be opposed with great commitment and on all levels (personal and institutional), because it attacks the dignity of the human person and cannot make anyone happy and flourish as a human being.

On the other hand there is a second type of poverty, one that is freely chosen. This second type of poverty prompts people to free themselves of goods as absolute possessions in order to make them bridges, paths of reciprocity.

This conviction is also shared by Majid Rahnema, the Iranian Minister of Culture at the end of the Sixties and recent author of a nice book on the topic of poverty [11]. *In the depths of any human being whosoever* – Rahnema writes – *there is an archetype of poverty – which pushes us to search for a simple life full of relationships (p. XII). A radical transformation of our lifestyles, and especially a re-invention of voluntary poverty, are the sine qua non conditions of any efficient battle against the new forms of production of destitution (p. XIII). Only poverty by choice can lead to supreme wealth, that which gives freedom from the reign of need. (p. 7) In fact, an economy whose aim is to transform scarcity into abundance will not be long in becoming the main producer of needs itself, destined to generate new forms of scarsity and as a result modernizing poverty. (p. XV). Civilization does not consist in multiplying needs but in reducing them voluntarily. (p. 175).*"

The proposal, the humanism of the Economy of Communion can therefore be summarized as follows: defeating indigence (poverty that is not chosen but suffered from), by inviting everyone to freely choose a moderate but convivial style of life.

The EoC logically alters also the attitude towards the poor. Poor people are considered as crucial stakeholders of the enterprise, who can actively contribute to spread this concept of communion to other persons who live in similar circumstances of poverty.

Therefore the Economy of Communion is much more than a simple process of redistribution of wealth. It is a process of production that, through sharing a company's goods and activities, "generates" an immaterial yet touchable output: the experience of communion.

The EoC recalls all economic activity to its original vocation, which is a peaceful encounter between free persons. That is why the EoC does not condemn private entrepreneurship and the free market, but admonishes us to see them too as places where true well-being, happiness and authentic encounters between people can be brought about.

The EoC tries to propose a multi-dimensional view of entrepreneurial activity, where efficiency has its place but is not the only factor that counts. In seeking a new relationship between market and society, the Economy of Communion sees companies as a social good and it transcends the idea of the market as a place where relationships are only self-serving. In envisioning and experiencing business in this way, while remaining fully inserted in the market, the experience of the EoC joins together the market and civil society, efficiency and solidarity, economy and communion.

And this is not trivial. If market economy wants to function and to have a future which is sustainable and humane, it must allow for the development of behavior founded on these other principles.

Most human communities are sustained by the interaction of three fundamental principles: exchange, redistribution of wealth and giving. In the course of history there have been villages without exchange but there have never been villages that have survived without some form of donation. In our view, market economy, which is centered around the principle of contract, has a tremendous need to incorporate the "principle of reciprocity as well as of unconditional giving". But how can we justify the extension of reciprocity and unconditional giving from the private sphere – which no one contests – to the economic sphere, to markets? With the French Revolution modernity has launched its civil and cultural program: freedom, equality and brotherhood. Liberty has given rise to and is fully expressed in market exchange, equality has given rise to the experiences of "the Welfare State" founded on the redistribution of wealth. Brotherhood has been recognized as an important element for a peaceful cohabitation of people. However, the spirit of brotherhood has still a long way to go in order to enter, with equal rights, the framework of modern society. Reciprocity and unconditional giving could become a regulating principle of economics and of society if acting towards one another in a spirit of brotherhood is recognized as a key principle of civil life.

In the EoC we encounter a more complex type of economic actors, who can also inspire economic theory. They are quite different from the individual economic men that dominate most economic theories. Nevertheless, the EoC does not question the centrality or autonomy of the subject that chooses and decides in an autonomous way. What it does is to “complicate” the image of the human being. It doesn’t substitute the individual subject with the community or with the group. Rather, it substitutes the individual – defined without reference to its relational dimension – with a relational-subject. The EoC challenge to economic theory is to enrich the methodological individualism – which explains collective phenomena as a result of individuals’ actions and choices – transforming in into a methodological personalism in which the person, seen intrinsically and ontologically as being in relation to others, is at the center of the theory.

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