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“Toward a Moral Dimension of Economics”

“Political economy is a mere skeleton unless it has little human covering and filling out, a little human bloom upon it, a little human warmth in it”

Charles Dickens

0. This Paper

Edmund Phelps anticipated some of the themes of this conference in his article “Economic Justice and the Spirit of Innovation” (in *First Things*): the “foundations of economics” must be based on a “moral dimension”. For Phelps, only such moral dimension of economics can permit us to correctly understand and confront problems such as financial stability and economic distribution. All too often, when discussing economics, we forsake such moral dimension, and indulge in merely “technical” debates on the way in which society should regulate financial markets or distribute “primary goods”. To avoid such myopic strategy we should aim higher –suggests Phelps- and accept that a proper understanding of the morality of economics requires an investigation of human nature. In other words, true morality of economics has a lot to do with the capacity to capture the real nature of human beings. The standard view of homo oeconomicus fails this task for a substantial lack of imagination. Human beings for example are not so risk averse and acquisitive as framed by the standard view. They are on the contrary much more creative and generous, prone to realize themselves through bold choices and altruistic forms of behaviour. Economists should take a vision of the morality of economics – one based on an interpretation of human nature- in more serious consideration.

So far goes Phelps. I agree with the general intent behind his position. For instance, I approve of Phelps’ emphasis on ethical values in economics and on the shortcomings of the standard view of homo oeconomicus. Moreover I agree with his suggestion that left-right political distinctions presuppose some moral dimension in economics rather than being a solution to the problem posed by it. Finally, I share his view according to which –particularly in this time- economic science must be interrogated from a foundational point of view. In so doing, I think that the radically narrow

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1 I thank Edmund Phelps for the opportunity to discuss the topic within such rich an intellectual environment. I thank also Gianfranco Pellegrino, Marcello di Paola, Valentina Gentile, Domenico Melidoro, Michele Bocchiola.
assumption of self-interest behind the notion of rationality has severely limited the capacity of
economic science to predict and operate. In my paper, however, I try to pursue similar goals in a
different way.

The main difference between my position and Phelps’ is that I see a fundamental methodological,
ethical and political reason behind the difficulty to recognize a moral dimension to economics. This
reason consists –in my view- in a (popular) wrong interpretation of individualism. (Note that) I am
not suggesting the adoption of a kind of communitarian or holistic alternative to individualism.
Moreover. I am fully aware of the social and political benefits connected with standard
individualism, beginning with those basic personal liberties we would not like to lose. I want only
to suggest that there are two common ways to misinterpret individualism we should take in
consideration when discussing the moral dimension of economics: first, individualism must not be
seen in terms of pure subjectivism; second, individualism should not be confused with egoism.

The first misinterpretation of individualism can be brought to light through an investigation into the
theory of value that is behind the foundations of ethics and economics and the relationships among
them. I will argue that standard theories of value in ethics and economics are reciprocally
incoherent, being usually objectivist in ethics and subjectivist in economics. From this point of
view, I believe that economists should take more seriously the ethical analysis of the foundations of
economics, abandoning the “preferentialist” subjectivism on which they often rely. In this sense,
individualism should not be interpreted as mere subjectivism. However, I am rather sceptical about
Phelps’ own remedy to this inconvenience, that is, on the possibility to construe a moral dimension
of economics starting with an interpretation of human nature. The reason for my scepticism is a
concern for pluralism. In contemporary society, there are many interpretations of human nature and
we cannot select one of them at the expense of others. At least, we cannot do it if we care about the
basics of liberalism. This conclusion does not encourage the adoption of scepticism about values.
To the contrary –as we shall see- my aim is to defend an objective view of value compatible with
pluralism.

The second way to misinterpret individualism is by construing it as a declination of egoism. The
significant incompatibility between the theories of value of ethics and economics notwithstanding,
both refer to individualism at least within the Western tradition of our times. In fact, the core notion
within this dominating trend in foundations of ethics and economics has been shaped by what we
can call individualism. My thesis is that this common individualism must be seriously questioned to
avoid any reading of it as a form of disruptive egoism. Of course, I am conscious that terms like
individualism are vague: ethical individualism and economic individualism not to mention political
individualism are not identical and there are conceptual differences among them. Moreover, of course individualism does not conceptually coincide with egoism. Still, in my opinion the present crisis invites us to reflect upon some degenerations of individualism in order to better figure out some moral dimension of economics.

My thesis is presented in this paper in four related sections.

In the first section of the paper, I will analyze some foundational aspects of business ethics and corporate social responsibility (CSR) in order to present the overlapping of morality and economics in an academic standard way. To take the morality of economics seriously, we have to start where ethics and economics normally meet in academic discourse. The latter will also shed some light on the relationship between financial crises and the pre-conditions of CSR. CSR however is highly controversial, not only as a strategy, but also for foundational reasons connected with the moral dimension of economics.

To show why CSR is so controversial, in the second section I will explore the complex relationships between two realms of different imperatives, economic and moral imperatives, both present in CSR. The logics embodied in these two realms are often at odds. This tension creates enormous difficulties in working on a more general project that –like the aim of this conference- can capture basic moral elements of economic life. To face such difficulties, I argue, we need to reflect upon the theories of value we normally assume respectively in ethics and economics to pursue a possible and plausible project of morality in economics. Of course, a similar task is neither popular among scholars nor easy to pursue for any of us. Too often, the “preferentialist” logics of the economist value theory resists accepting the “deontological” logics of the ethical theorist, and viceversa the categorical logics of the ethicist is troubled by the trade-off based logics of the economist. My thesis is that in discussing the moral dimension of economics, a critical intersection between these two logics is instead necessary. One should simply be less dogmatic, on both sides. A way to do so is to adopt an objectivist theory of value compatible with some elements of the economist’s view. To put it flatly, if normally economics presupposes a subjectivist theory of value, and ethics an objectivist theory of value, then we should convince economists to accept part of the objectivist theory of value inspired by ethics. According to many, however, there could be problems connected with the idea of perfectionism if we take up an objectivist theory of value. In particular, an objectivist theory of value–being perfectionist- could be not coherent with individual freedom of choice. To avoid such risk, I will try to propose a liberal model in which a critical view of individualism and a objectivist theory of value are compatible with the free choices of persons. This
model explores the possibility of maximizing the power of personal choices under some constraints of moral nature. To make such proposal less obscure, one could say that if we identify the power of personal choices with what moral and political philosophers call the “good”, and the constraints upon it with what they call the “right”, then we are exposed to a more usual terminology and a more familiar dialectics (at least for philosophers...).

Such argument is developed in section three. Considering that society is a collective enterprise the personal pursuit of the good cannot overcome the relational non-individualistic limits imposed by the right. These limits are inspired by an objectivist theory of value but they do not imply perfectionism and respect pluralism, which in an open society is both a positive fact and a normative requirement. The necessity to balance an objectivist theory of value with moral pluralism gives origin to what John Rawls has called the “priority of the right” which can be considered the core of his liberal vision of justice. Balancing an objectivist theory of value with pluralism and correcting individualism in name of the social character of persons are not easy tasks. Through a brief analysis of the Encyclic letter by Pope Benedict XVI “Caritas in Veritate” I try to show how a theory of the good based on what Phelps calls an interpretation of human nature -in this case a Catholic reading of it- risks to be, being perfectionist, inherently incompatible with a liberal vision of justice. The main reason for this incompatibility is that the Catholic interpretation of human nature runs the risk to pursue the good independently from the limits imposed by the right. This kind of violation of the priority of right can be of more general interest if we consider that in a regime of pluralism there are different and contrasting visions of human nature. So that the idea itself of construing a moral dimension of economics straightforwardly based on human nature is problematic if we accept the pluralistic core of liberalism. In the conclusion of the paper I argue that the logics implicit in the priority of the right can realize an optimal combination of objective value and personal fulfilment.

In the fourth section of the paper, I discuss a difficulty concerning what these two different logics have in common, namely individualism. To seriously speak of a moral dimension of economics, I claim, one must first criticize a standard misinterpretation of individualism implicit both in ethics and economics: namely the one that brings individualism near to egoism. According to many, however, such a proposal runs the risk of throwing away the baby with the dirty water: individualism is a precious heritage of the Enlightenment and for many of us it is hard to bet on the progressive virtues of some form of communitarianism (as opposed to individualism). There is

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2 Of course this is a wild generalization. It is not always so and there are non-objectivist theories of ethics
however another more liberal possibility. I will explore such possibility in terms of a dialectics between the “reasonable” and the “rational”.

The fifth section presents some final remarks concerning the relation between the vitalist interpretation of creativity and capacity for innovation on one side and a liberal normative standpoint on the other.

1. On Corporate Social Responsibility

Section 1 is devoted to discuss CSR within the broader domain of business ethics. Main reason for this is—as I said before— that in CSR the moral dimension of economics is, as it were, structural. In so doing my intention is twofold: on the one hand, I want to show that CSR requires a critical approach to the foundations of economics; on the other hand, I want to show that CSR implies the arduous balancing of two different logics, the subjectivist logics of the economist and the objectivist logics of the ethicist.

Speaking about the morality of economics in these days, it is difficult not to begin with the contemporary financial and economic crisis. We feel that there must be some connection between the moral dimension of economics and (directly) the taming of greed or (indirectly) the aspiration to regulate markets. More generally, the very idea of an economic crisis invites us to reflect upon the foundational apparatus of economics. After all, the ancient Greek notions of “crisis” and “criticism” are semantically and conceptually linked. In this sense, it is natural that a robust economic crisis invites all of us to criticize among other things the philosophical foundations behind standard assumptions of economic theory. I mean assumptions like rationality, invisible hand and self-sufficiency of the market. The direction for this criticism is not new and has been already settled by some prominent economists—like Adam Smith and Amartya Sen—who are also moral philosophers: to work well, the wild spirits of competitive economics need a non opportunistic moral and social background. Self interest and even greed can be source of important productive energies, but without public virtues like trust and honesty one cannot go too far. This general

4 In this paper I am more concerned with what ethics can do for economics than with its converse, even if I think that a closer contact between ethics and economics can be beneficial also for ethics (for example by taking more seriously consequentialism).


6 Here reference is to the literature on collective action problems
premise is useful here to present CSR as a device which forces virtues like trust and honesty into the markets.

According to many interpretations of CSR there are some economic features that usually generate the need for CSR. Among these, the most well known are: moral hazard, asymmetrical information, incomplete contracts, adverse selection. It is easy to show that these features are present during financial crises like 2008’s. Moral hazard is a normal feature during financial crises. Often financial insiders have some guarantee that they can be released by their losses through an involvement of tax payers. Asymmetrical information plays a role favouring insiders that can profit of many savers ignorance to create and sell risky financial items. Incomplete contracts must be periodically re-negotiated, and insiders can profit by re-negotiating (to re-negotiate) in an opportunistic way. Adverse selection is the consequence of a series of choices in which the riskiest alternative is systematically preferred. These four premises normally are considered necessary and sufficient to generate a situation in which the system needs regulation in terms of CSR.

Perhaps the best way to make sense of the nature of CSR is through the opinions of those that deny any plausibility to it. These denial based approaches can be leftist, like Marx’, or rightist’s, like Milton Friedman’s. For Marx, CSR makes no sense because capitalist and workers are bound in an exploitative relationship by the force of history. Nobody can do anything from an individual point of view –given this radically desperate background- and only a total overthrow of capitalist system can break such bond. Until this cathartic event will eventually happens, ethics is only a palliative, or worse it is an another ideological tool in the hands of dominant classes to keep the existing unjust situation like it is. For Friedman situation is asymmetrically analogous. The only duty of a firm consists in making profit. “Business of business is business” and nothing else, as Friedman flatly stated in a (in)famous article published by “New York Times Magazine”. CSR comes from another tradition, a liberal tradition according to which decisions of persons and firms matter from a moral point of view. In the world of business, one can act ethically or unethically, and the decision to take one or the other course of action is significant.

This liberal tradition –whose origins are in the Enlightenment- is the tradition of business ethics from which CSR stems. Main core within this tradition is s.c. “stakeholder analysis”. Historical origin of stakeholder analysis is in the late eighties. By stakeholders we mean a group of persons that have a “stake” in the firm like “clients, staff, stockholders, environment, public administration…”. All these people are entitled, in different manners, to consideration and respect by managers. This duty originates a larger a wider notion of “corporate responsibility”. CSR goal consists in creating a widespread trust in the system. One can note that CSR in terms of stakeholder
analysis is someway structurally shaped to favour an ethical approach to business which goes beyond mere individualism. Stakeholders have rights and duties of objective moral nature and these rights and duties can derive from a contract that put the stakeholders in a structured relationship\(^7\).

Stakeholder theory is evidently incomplete. We are told that it is fair to take in consideration all stakeholders’ views but not how much these views weigh in case of conflict. A sustainability based approach can be complementary to stakeholder theory. In case one accepts such approach one can count on an objective value, sustainability, from which conflicting claims of stakeholders can be weighed: stakeholders with sustainable claims count more. The guiding principles from which this kind of sustainability take inspiration are well known and derive from UN 1948 human rights Declaration and various documents with it connected including ILO workers protection and environmentalists provisos. So interpreted, sustainability rests on the s.c. “triple bottom line” whose pillars are ecology, efficiency and fairness. This sustainability favours business ethics (and CSR) by providing accountability across time for the firm and in such way protecting stakeholders from the danger of instability.\(^8\)

This is a reconciliatory view able to compromise between business needs and ethical claims: in the long run accountability provided by a sustainable behaviour of the firm protects not only the generality of stakeholders but also the interests of stockholders. Of course, if one accepts the idea of regulating in this way dangers and risks of economic development then there is the huge problem of providing opportune empirical methods to realize the project. A system of adequate indexes is required to create a metrics that enables us to compare different forms of behaviour in terms of CSR.

It is fair to say that the international economic and financial community is progressively accepting to regulate business transactions via CSR. And perhaps the actual crisis forces many economic actors to go in this direction. The main problem of course is the relative success of CSR strategies from the market point of view: will consumers buy sustainable goods, favouring CRS committed firms? Here comes the difficulty to reconcile ethical criteria with market efficiency. Risk and opportunities assessment form together a complex budget in which one can compare economic consequences of alternative choices with their ecological and social effects. The creation of this mixed framework also raises foundational problems linked to two different logics at stake, the economical and the ethical.

\(^7\) The adoption of a contract view in business ethics is not argued in the paper. For such adoption, see T.Donaldson and T.W.Dunfee, *Ties that Bind: A Social Contract View to Business Ethics*, Harvard Business School Press, 1999

\(^8\) Here the notion of sustainability is not defended
2. Subjectivism vs. Objectivism in Value Theory

Logics of ethicists and economists often conflict, I said. By this I do not mean that they are in strict contradiction, but only that they are potentially in tension.

I assume that the logics of the ethicists consists in the core of the theoretical model adopted by moral philosophers when they discuss business ethics and CSR. Usually this model is inspired by a deontological background (of course there can be different deontological versions of that background). This deontology provides moral rules for economic behaviour, rules often derived by standards of social justice and human rights. Applied to the business world these moral rules assign duties and rights. Justice based deontological standards assign rules for preserving liberty, equality and fairness in the business world. The individualistic basis of the model is framed by notions such as personal autonomy and respect for every person. The requirement of fairness insists on the necessity to distribute harms and benefits that derive from economic cooperation in a way that could be accepted by any reasonable and rational participant in a given society.

Notoriously, there is a multiplicity of categories of ethics. This multiplicity has often been taken as a problem for many traditions of ethics. This is why utilitarianism approaches the diversity of moral goods in terms of a unique and homogenous magnitude, like utility is supposed to be. Now—as Sen—as shown- this thesis has two different implications: (i) there is a unified meter of goodness; (ii) all the objects of value must be of the same type. When discussing utilitarianism the first implication amounts to consequentialism ad the second to welfarism (to adopt Sen’s terminology). It is this second implication that I am trying to reject in the paper: ethical considerations might suggest having consequences of our action which improve our previous situation but not in terms of welfare. The meta-ethical model I have in mind permits consequentialist considerations within deontology but does not allow monism when objects of value are at stake. In other words, it would be a mistake to ignore consequences in ethics but this does not mean that only welfare related information is significant.

I assume that the logics of the economists is prevalently influenced by some variant of neo-classical economics (of course there are many other possible options such as those derived by Marx and Keynes). This kind of logics establishes a peculiar relationship between rationality and value. Rationality is the individual characteristic of a self-maximizing person and value is conceived of in

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10 Op cit p. 61-62
terms of utility. The mediation between rationality and value is offered by the idea of (individual) preference. In such way this view presupposes a strict correspondence between the choices a person makes and the self-interest of the person. From this combination, economic theory derives a complex vision of efficiency as allocative efficiency. Within this view social goals are often expressed in terms of Pareto optimality. According to Pareto optimality a given economic situation is efficient or optimal if no one can be made better off without worsening the position of others. In this way, Pareto optimality keeps the notion of efficiency at safe distance from controversial theories of distribution.

Note that standard neo-classical economic models do not consider the moral dimension of economic behaviour. Rationality is defined in terms of individual preferences that presuppose only self-interest. Of course searching for a moral dimension of economics it comes natural to ask why it should be uniquely rational to pursue one’s self interest to the exclusion of everything else. And this self-interest confined view of rationality implies the rejection of typical ethical motivations. The idea of Pareto optimality –showing how self-interest and social good are related- works here as a tool to give economists indications without using moral rules about rights and duties. Only some form of legal and social control (as opposed to moral) can restraint the value seeking activity of the utility driven individuals of the model.

It is interesting to understand what is the main difference between these two approaches in terms of value theory (I do not deny that there are intermediate options. I choose this binary model of exposition for the sake of clarity). Generally speaking, there are two conceptions of practical reasons within a theory of value. According to the first objectivist way there are facts that give us reasons to have certain aims and behave coherently with them. These reasons are objective because they refer to “objects” that make certain outcomes worth-pursuing or certain acts worth-doing. According to the second subjectivist way reasons for actions do not depend on objects that make our aims and behaviour intrinsically significant. On the contrary, reasons for actions depend on us as “subjects” because they are provided by desires and aims we actually have in the present time. Within the first, objectivist, view value rests on the objects that give us reasons to act in order for them to be well pursued and realized. Within the second, subjectivist, view, value rests on the fact that we as subjects have interests in some acts or outcomes. In terms of goodness, one can say that for the objectivists goodness precedes and determines our motivating reasons and that for subjectivists at the opposite goodness rather follows and is determined by our motivating reasons. There is partial overlapping between these two views: both objectivists and subjectivists can agree upon the fact that we should act in agreement with the best reasons we have. What is different
between them is—as we have seen—the ground upon which we can maintain that some reasons are better than others. Consequently often there are disagreements concerning the nature of prevailing reasons and the choices we are supposed to make. For subjectivists naturally are “preferentialists”, in the sense that the best reasons we have depend on our actual present desires as expressed by our preferences. Objectivists instead claim that there are aims whose relevance transcends our actual present desires. This is why objectivists are in favour of a revisionist approach: according to them often our actual present desires should be revised, generally speaking because they invite us to pursue aims less worth achieving.

The tension between the ethical and the economic model—the one that makes difficult any discourse on a moral dimension of economics and on CSR in particular—can be re-formulated via this reconstruction. In fact, it is illuminated by the theory of value and the opposition within it between objectivism and subjectivism. If we imagine a wide spectrum of positions on the moral dimension of economics, we can suppose that at the extremes we have two opposite views of value: on the one hand, there is the purely subjectivist position of neo-classical economics, and on the other hand there is the objectivist position of deontological ethics. I think that in order to overcome the tension between the logics underneath the economic and the ethical model we must look for a reconciliation between these two opposite views of value. Of course such reconciliation is not so easy. Economists often favour a strict interpretation of a subjectivist theory of value and tend to approve whatever output generated by it as a consequence of rational self interest. Ethicists on the contrary cannot justify an output on this basis, which they usually consider “narrow” from a moral point of view. They rather claim that—in order to respect their objectivist theory of value—we have a duty to act to promote some outcome which is intrinsically good.

On this basis, any strategy of reconciliation should go through a mutual reconsideration of the background theories of value. Economists—within the neo-classical mood here considered—conceive of value in mere subjective and self-interested terms. Ethicists—within the deontological mood here considered—conceive of value in objective and duty based terms. It is possible to think of a broader theory of value in which value is conceived of as a vector in which both these requirements are considered. A more plausible logics should start with a more complex theory of value able to overcome the two standard and myopic alternatives. In particular, I believe that economists should abandon the pure subjectivist interpretation of their theory of value, whereas ethicists should give room to pluralism within their theory of value. Note that both approaches (the traditional alternative theories of value—the ethicist’s and the economist’s—) are similarly inspired by a “mono-functional” vision. I am just saying that they should use a more complex matrix to give
a reasonable account of value. This aim seems coherent with the Aristotelian end of achieving the “good for man”, an end that is central in our conference on the “good economy”. Speaking of it, Aristotle said: “Though it is worthwhile to attain the end /namely, the “good for man”/ merely for one man, it is finer and more godlike to attain it for a nation or for city-states”.

3. The Good and the Right

The Rawlsian distinction between the good and the right is similar to Aristotle’s distinction between the good for man and the good for a nation, where in Rawls roughly the good plays the role of the good for man and the right the role of the good for a nation. In my view, the core distinction within a project like Rawls’ is just this between the good and the right. Every subject is supposed to be rational in the standard (social-science) sense, and consequently is a potential maximizer of his/her vision of the good. The good does not coincide however with what we usually mean by “self-interest”. It has instead a much broader compass, including in it ideals, altruistic goals and even comprehensive world views starting with metaphysical and religious views. The right consists in a set of limits imposed on the pursuit of the good by a liberal (pluralistic) interpretation of the social nature of human beings and by their concrete participation in a historical society seen as a cooperative venture. In this way, the distinction between good and right fits the Aristotelian end according to which the good of man has to be achieved together the good for the nation.

The right for Rawls is prior to the good. The right precedes the good in the sense that all practical deliberations concerning justice, desires and preferences which define the good of the persons must be subordinated to the demands of the principles of right. In such a way, the idea of the good embodies claims of a subjectivist interpretation of value, whereas the right introduces elements of an objectivist interpretation (of value). This is why the complete theory is well balanced with the objectivist part of it forbidding a relativistic view and the subjectivist part of it forbidding an authoritarian view.

In this way, we have that reconciliation of objectivity and subjectivity within a theory of value. This is not a simple reconciliation however. Its real worth is that the objectivistic limits pivoting around the notion of the right do not deprive personal choices of their free search for the good. The objectivity of the right, in other words, cannot be interpreted like the dominance of one vision of the good over the others. There is no monopoly of one point of view here. Rather there is an area of

12 See Maffettone op.cit.
partial overlapping between the preferences of different subjects in peculiar spheres of human activity. In this way, objectivity means inter-subjectivity and this inter-subjectivity is valid only within some fundamental institutional domain. The institutional constraint –which corresponds to Aristotle’s good for a nation- is particularly important. Citizens share a vision of how just institutions should behave in a well ordered society and for the sake of this vision they are ready to give up to part of their “preferentialist” apparatus. They think that to constrain their “natural” preferences for keeping the institutional setting in good shape is in the interest, all things considered, of their “real” preferences.

Aristotle lived his life before liberalism and Rawls afterwards. This is why objectivism and subjectivism can be reconciled –via the priority of right model- in a way compatible with liberalism understood as pluralism. The device permitting such opportunity is the distinction itself between two realms: the right and the good with the related priority of the first over the second. The sense of this distinction is often tricky and anyway difficult to grasp. To understand why the right-good distinction is basic to the preservation of pluralism, I will compare it with another objectivist ethical model whose main claim consists in overriding the subjectivist logics of the economist. The model I have in mind presupposes the social and economic doctrine of the Catholic Church and has been recently presented by the Pope himself in his Encyclic Letter “Caritas in Veritate”. The core of the proposed view consists in an interpretation of business ethics in terms of the “common good”. In the Catholic view –one could say- the idea of common good plays the role that the right plays in the Rawlsian model. The common good of the Catholic Encyclic however is based on more comprehensive background than the one behind the idea of right. The background behind the Catholic view presupposes in fact a comprehensive reading of human nature, or to put in more traditional Catholic terminology a religious anthropology. This means that preferences of individuals are not restrained by a shared sense of justice, but rather by a peculiar interpretation of goodness within human nature.

Now, whereas a shared sense of justice concerns some constraints whose main aim is to permit respect for the others conceived of as persons with different values, in the common good based Catholic model all decent persons are supposed to share analogous values. This is why we speak of a common good. On this basis, the whole Encyclic letter can be read as a twofold document: on the one hand, there is a mild vision of business ethics that every liberal could accept; on the other hand, there is an austere vision of anthropology that is difficult to accept if you are not a strict Catholic. Economic practice must be rooted in “caritas”, we are said, and this is the objectivist core of the ethical logics. But caritas is far from being sufficient for Catholic ethics as exposed in the Encyclic
letter. Caritas must be in “veritate”, which means that it must be founded on truth where the truth correspond to the Catholic interpretation of human nature. But of course such strong interpretation of ethical objectivism makes the defence of pluralism hardly possible and plausible. This is so because the Catholic view is perfectionist and perfectionism is anti-liberal\textsuperscript{13}. Within a perfectionist view human virtues and activities have value only if they provide a specific realization of human nature. Consequently, for a perfectionist public institutions are supposed to promote or discourage the social and individual practices that do not correspond to the intrinsic value inherent in such a vision of human nature. Perfectionist justice coincides with the implementation of an interpretation of goodness.

Perfectionism is anti-liberal because it is substantially paternalistic. The improvement of the good for the person, within the perfectionist view, does not depend on the decisions of the single persons involved. They cannot decide what is good for them if their own interpretation is in conflict with the one provided by the preferred doctrine. On the contrary, within the liberal priority of the right model, persons are free. This is why they are in conditions to autonomously form and revise their conception of the good. In the Catholic social doctrine persons have to share the same vision of the (common) good. Liberal justice instead relies on the choices of the individuals who autonomously form and revise their conceptions of the good. The first option is liberal and the second is not. And the first option is liberal because the right does not depend on a comprehensive view of human nature and on a perfectionist application of it.

4. “Be Reasonable!” to Avoid Egoism

With a drastic simplification one can suggest that a strong limit of both approaches consists in the fact that both logics –the ethicist’s and the economist’s- assume strongly individualistic premises. I am saying instead that the relational apparatus and the social context in which we move are relevant factors. In one case Kantian-like moral imperatives presuppose the centrality of an autonomous subject, and in the other case the self-interested rationality of neo-classical economists presuppose de-contextualized individuals. Both the Kantian subject of the ethicist and the self-interested rational subject of the economist should be seen instead as potential cooperators in a “well-ordered society”. This means that they should be seen not only as autonomous and rational individuals but also as relational and social beings.

\textsuperscript{13} Of course, this is very general. There are possible forms of reconciliation between liberalism and perfectionist such as J.Raz, \textit{The Morality of Freedom}, Oxford, The Clarendon Press 1986. For a criticism of this reconciliation see J.Quong, \textit{Liberalism without Perfectionism}, Oxford, Oxford University Press 2011.
The most evident way to see how individualism conflicts with the search for a moral dimension of economics consists in looking at its degenerated version. We can label this degenerated version “egoism”. In principle, individualism and egoism are two different items.

Individualism is a methodological, moral or social and political view that stresses the special worth of the individual in itself, meaning of any individual. Individualism interprets collective entities in terms of their parts and promotes the exercise of personal goals emphasizing autonomy and independence while opposing external interferences. Egoism instead is a stance according to which each person has only one aim: promoting her own well-being. Egoism, so understood, can be a descriptive or a normative position. Psychological egoism, the basis of the descriptive position, says that the promotion of personal well-being is coherent with the standard behaviour of human beings. Ethical egoism, the basis of the normative position, says that the pursuit of personal well-being is sufficient for an action to be morally right.

Individualism becomes more similar to egoism if the individualist stance does not lend credence to any ethical option that requires the sacrifice of the self-interest of the individual for higher social causes. Note that to deny, as I do, that people act always selfishly does not mean that they act always selflessly. I suggest however that a pure subjectivist (in terms of theory of value) reading of individualism brings individualism near to egoism. In fact, if we assume that the standard theory of value adopted by economists is subjectivist we get what is called rational egoism. Rational egoism claims that it is necessary and sufficient for an action to be normatively justified that it maximize one's self-interest. Also individualistic ethics is not immune from an egoistic reading if one chooses to forsake the relational foundations of it.

My thesis is that egoistic foundations do not permit us to find a proper moral dimension of economics. The diffusion of egoism in Western societies has been noted by many intellectual observers. Richard Sennett –in this conference- has suggested that egoism is connected with the crisis of “sociability”. Sociability in its own turn can be defined by what he calls the “social triangle”, meaning the relationship among authority, trust and cooperation that keep people united. This social triangle appears in all forms of social organizations like schools and hospitals, churches and military groups, offices and factories. From it derives social cohesion.

The central idea concerns the relationship between self and world, where by world I mean the community in which we live. The force of this relationship (self-world) which used to be significant during the period after the second world war has been lost with the time. The consequence has been often detected in terms of progressive isolation of the self. According to many observers we live in
mass egoist societies within which also politics is practiced in terms of individualistic claims without universal ambitions. This egoist society runs the risk of incurring in both economic and political crises. The moral dimension of economics is lost in them because nobody tries anymore to reconcile self interest with general interest. We can speculate about the causes of a similar phenomenology of division between self and world which sees its climax in the post-modern climate, a climate in which all general meta-narratives are a priori condemned to failure. To use for instance an Hegelian background vision we can say that we observe an interruption of the mediation, that is of the flux going from individual projects to the their collective realization. Intellectual outsiders, such as Pier Paolo Pasolini and Tony Judt, tried to find a complex aetiology behind this phenomenology. But this task clearly exceeds our aim here. It is enough to say that the egoistic interpretation of an individualistic society is an obstacle toward the creation of a moral dimension of economics.

The antidote to the transformation of individualism into egoism consists in accepting an objectivistic theory of value that sees the individual as part of a liberal-democratic community. To see how this inter-subjective and social side of the person could be used to revise individualistic approaches dangerously close to egoism we can resort to Rawls again by saying that persons must not be only “rational” but also “reasonable”. This is how Rawls defines the rationality of a person:

“A rational person is thought to have a coherent set of preferences between the options open to him. He ranks these options according to how well they further his purposes; he follows the plan which will satisfy more his desires rather than less, and which has the greatest chance of being successfully executed.”

For Rawls, on the contrary, reasonableness is based on two premises: (i) everyone is ready to accept the burdens of (the) judgment (ii) every citizen respects other citizens. So conceived, reasonableness has both an epistemological and an ethical-political aspect, and the latter prevails over the former. Being reasonable means that the agreement on a political conception keeps into account what other persons think.

The reasonable is defined in contrast to the rational. This contrast has a definite ethical-political significance. Reasonable persons are willing to adjust their behaviour based on principles that take into account consequences that may affect not only themselves but also other persons. In so doing, reasonable persons cooperate on fair terms, provided that others do the same. This allows a mutual justification of the rules of conduct. From this point of view, reasonableness presupposes

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reciprocity (and vice versa), and does not necessarily entail an altruistic motivation based on the will to assert the common good. The contrast is not necessarily between exasperated self-interest on one side and pure general concern on the other.

For Rawls, being reasonable is a standard feature of agents in the political life of a liberal-democracy. But the concept of reasonableness includes a more general pretension of normative validity. I am suggesting that we can expand the normative meaning of reasonableness to make it part of an objective theory of value. This theory will keep its basic individualism but will not run the risk to become egoistic because the rational tendencies of the subjects will be mitigated by their reasonable attitude. Within this theory of value persons are conceived as both rational and reasonable, where the reasonable introduces an objective (of inter-subjective kind) element within the theory.

Reasonableness so understood is different from altruism, and is supposed to be compatible with rationality. Always in a Rawlsian scheme, the reasonable nature of the subject does not imply bypassing (economic) rationality in name of ethics but only limiting and qualifying it. A Rawlsian distribution, for instance, can be sensitive to Pareto-optimality but insists on selecting –among Pareto optimal outcomes- the ones that most advantage worst off people. The logical background of a similar approach is objectivist without loosing sight of the autonomy of the subject. This compromise can be achieved by assuming the preliminary and fundamental social nature of the human beings.

The dialectics of reasonableness and rationality mitigate the excesses of individualism. A reasonable person cannot be a pure egoist. To be reasonable means to be able to conceive of the relationship with others as foundational and primitive. This virtuous form of behaviour is connected with the institutional life of liberal-democracy, even if it can be expanded to the conception of whole personality. In standard political-philosophical literature after 1970, discussions on liberal-democracy focused on themes such as the best definition of principles of justice and the nature of political justification. From this point of view, scarce attention has been devoted to the relational side of the public person (the citizen). Actions based on group loyalty can be an important mediation between pure self-interest and pure altruism. There are many associative links connected with group loyalty –in a liberal-democratic society- in which this relational side of the person reveals itself. I have in mind associations such as political parties, labour unions, no-profit activities, advocacy groups, religious organizations or citizens lobbies, through which persons play a significant role in liberal-democratic public life. The idea is that the flourishing of reasonableness

15 *Theory of Justice* cit. p. 143
is linked with the implementation of liberal-democracy which in its turn requires these forms of active participation. Egoism, as I conceptualized it, coincides with the separation between self and world, with the “sin” of being isolated from the community in which we live. So conceived, egoism is a peculiar type of human vulnerability. Such vulnerability can be interpreted by a philosopher in Hegelian terms, as a consequence of the “atomism” implicit in the liberal view of civil society. This atomism can be removed through the active participation of citizens in medium level associative groups that characterize liberal-democratic life. In this way, citizens understand together the partiality of their conceptions of the good and the necessity to take others in serious consideration. These are necessary premises to adopt reasonable civic attitudes and to become less vulnerable to egoism.

5. **Nietzsche at the House and Liberalism in the Public Sphere**

There is some contrast between the vitalist interpretation of creativity –in some way re-proposed by Phelps and Robb in this conference- and standard liberal wisdom. Liberalism sees the right as prevailing over the good because the right incorporates political and social aims that trump the individualist nature of the good. Analogously, liberal insistence on reasonableness as complement to rationality serves to mitigate an excess of individualism based on self-interest in name of a more balanced community oriented form of behaviour. Underneath the aim of a good life and a good economy, for Phelps and Robb there is instead the idea of individual creativity and personal satisfaction. This idea can be philosophically tracked in the writings of authors like Nietzsche or Bergson and in a perfectionist interpretation of Aristotle. In such a way, the crisis is seen in terms of lack of “élan vital”, translated in its own turn in capacity to create new schemes of work and intersubjective relationships. The moral of the story is that a non superficial reading of the American and Western crisis must be in terms of deficient personal engagement and existential freedom. Human flourishing, within this view, has to be pursued –if we want more good life and more good economy- as individual perfectionism.

This narrative is empirically not implausible. May be the difference between Europe and US -a difference in favour of US- in terms of capacity of innovation has some origin in the American vitalism and culture of the frontier. Even inequality could have played some role in the comparative success of US from this point of view if we look at it from an empirical standpoint. Still, the same conclusion hardly can be taken from the normative side of the issue. From a liberal-democratic normative point of view there is no doubt that the vitalist and perfectionist view is wrongly elitist and illiberal.
It is impossible to forget the core of Nietzschean vitalist vision of morality. This vision of morality is based on the distinction between “masters” and “slaves”. Nietzsche’s permanent claim is that we live within a world dominated by the morality of the slaves whereas we should live in a world dominated by the morality of masters. The difference between these two forms of morality is simple. The morality of masters is direct: human beings and their actions are evaluated naturally like other parts of nature. Consequently they are “good” if they possess desirable attributes like health, strength, physical attractiveness, wit, imagination, intelligence, capacity for passion, and much more. For those (few) who possess these qualities to experience goodness is nothing more than to feel joy and happiness for their possession. Always within a Nietzschean morality “bad” implies the lack of these qualities. Slaves in particular lack these qualities. In such way they feel deprivation and unhappiness. For Nietzsche slaves so conceived are not members of an oppressed and unlucky group of people but rather the set of untalented and ungifted. Their are prisoners of their own inferiority.

Liberals cannot accept such vision. Before having a better life for few –liberals say- we are supposed to have a decent life for all. And we cannot expand the merely individualist idea of self-realization to the community as a whole.

Still, it is plausible that the vitalist and perfectionist view has some significance in the attempt to construe a plausible view of the good life and the good economy. There could be for instance a correspondence between vitalism on one side and what Keynes famously called the “animal spirits” of capitalism on the other side. It is possible that the conjunction of elitist-perfectionism and open society creates major opportunities for risk taking and innovation. However it is exactly from this point of view that the two distinctions I presented in the paper –good versus right and rational versus reasonable- play their role. All together these distinctions display a conceptual picture at the centre of which there is a significant division of the self. Both dichotomies –good versus right, rational versus reasonable- offer a vision of the self joining individualism on the one side and social cooperation on the other side. Rational persons in the sphere of the good can cultivate themselves and give free impulse to their vitalist sentiments. At the same time, however, they cannot be fully subjectivist or egoist because they are blocked by their reasonable nature which we recognize in the limits imposed by the concept of the right.

From this cooperation of the two parts of the self derives my final slogan here -‘Nietzsche at home, Rawls in the public square’