

ETHICS IN THE ECONOMY AND TERRITORIAL DYNAMICS

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Abstract

Starting from the broad ethical debate on the economy, the paper highlights “other forms of economy”, and evidences their main elements. The focus is on the need to develop a collective consciousness that implies taking a relational approach. In this respect, the affirming of the Benefit Corporation phenomenon confirms the trend involving development actors in terms of following the “shared value perspective of creation”. This strengthens the links between a visible (economic and financial choices) and immaterial dimension (collective wellbeing), in order to support effective territory policies for the pursuit of the common good.

1. Introduction

The spread of the economic-financial crisis worldwide due to the interconnecting of markets, intermediaries, nations, etc., has posited relevant debate on the planet’s future and the values underpinning its evolution. In this respect, several years have passed since Sen (2003, pp. 7-21) claimed that development cannot be conceived simply as an increase in per capita GDP, industrial growth, technological innovation or social modernisation, but its value must be linked to the territorial impacts of progress. Despite great achievements, our world is still marked by both prosperity and extreme poverty. Already in 1994, Ruffolo in *The Development of Limits*, argued that the question was badly posited as the dichotomy we face poses not the dilemma between growth and non-growth, but between “growth of power” and “conscience”. In this context, in 2000 the representatives of 189 countries signed the Millennium Declaration, indicating a series of objectives considered fundamental both to reduce inequality and to narrow the segment of world population that does not have the opportunity of living a dignified life. At the same time, the European Council Meeting in Lisbon assigned the European Union the task of eradicating poverty and combating social exclusion. Subsequently, in 2015, the United Nations Summit adopted the Agenda for 2030, an Action programme for humanity and the planet¹. Other global

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¹ The 2030 Agenda objectives, universal in nature are based on the integration between the three dimensions of sustainable development (environmental, social and economic), as a prerequisite for eradicating poverty in all its forms. The new Agenda fully recognizes the close link between individual wellbeing and the optimum state of natural systems, as well as the presence of the common challenges that countries are obliged to face.

institutions albeit working against unsustainable situations, have failed however, to foster confidence in the future. Negative phenomena persist in a context of unprecedented gravity, constituting a thorn in the heart of our civilisation. Solutions require the presupposing of various conditions, however, this leaves open wide gaps in current debate. Unanimous however is the consideration that change is desirable, but becomes alarming when the quality of life of a large segment of the population deteriorates to such an extent. The present study attempts to provide insights on contributions aimed at presenting reasonable prospects for collective wellbeing. After years of vain hope, we are on the threshold of a phase of greater awareness of the need for the cooperation of all the players in the territory. The attempt to “create economic value” sustainably by simply obeying the imperative to consume more in a period in which citizens earn less is giving way to a change of direction towards an ethics/ethical economy to “create shared value” (Porter and Kramer, 2011, p. 72). However, misunderstandings intrinsic to such approach have not made dialogue easy, to the point of causing sectarian closures and difficulty in prospecting accurate definitions (Bruni and Zamagni, 2009). Finally, we will come to argue that the actors of development (regardless of the roles they play in the economy) through cooperation can create a shared value and generate collective well-being.

2. Forms of alternative economy

As is well known, Ethics mainly invests the field of philosophy and theology, placing humanity at the centre of reflection and attributing actions that modernism would have dependent on external causes, separated from the assumption of individual responsibility. In the period characterising the transition from the II to the III Millennium² the reconciling of an efficient economic system with the principles of solidarity, fairness and respect for the individual and the environment, had generated strands of studies previously considered the prerogative of the Church alone³. The latter, over the years, has clarified that any system aimed at subordinating social relations to economic factors is contrary to the nature of humanity. For the Church, true development cannot consist in the simple accumulation of wealth and in the greater availability of goods and services if achieved without due consideration for the social, cultural and spiritual dimensions of the person. In other words, wealth remains a good and whoever possesses it must use it and make it circulate, so that even the needy can enjoy it; the failure of the market must be seen in the immoderate attachment to the wealth and profit of the individual (John Paul II, 1987, 1991). To this purpose, the economy is a useful tool both in the scientific field and in practice: it is entrusted with the partial task of producing, distributing and consuming material goods and services, but it must not betray its function of “instrument for the global growth of humanity and society, and in particular for the improvement of the quality of human life” (Pontifical Council for Justice and Peace, 2004). It stands to reason therefore, that the relationship between morality and economics is fundamental: economic activity and moral behaviour are intimately linked. Morality is neither in opposition

² This has happened above all because of the gradual loss of ethical and moral values that in the past characterized the economic sciences.

³ The Church, already with Pope Pio XII, in 1941 had begun to talk about ethical economics in the Social Doctrine, mentioning the issue again in successive papal encyclicals, up until 1997 when with Pope Giovanni Paolo II, the issue of ethical economies was endorsed in the third part of Roman Catholic Doctrine.

nor neutral to the economic process. On the contrary it is a factor of efficiency of the economy itself and becomes an opportunity for everyone to live in solidarity and with the vocation for interdependence. In this respect, ethics is configured as a “guideline” to reconstruct the gap between the economy, seen as an autonomous mechanism from which output can be evaluated (income, power, etc.), and behaviour, which transforms resources into products. At the end of the 20th century, in a society where the collapse of ideologies has risked overwhelming even the most profound ideals of man, impoverishing him and reducing him to a mere link in the chain of consumerism, the need was felt to overcome utilitarian and individualistic conceptions, giving space to the *homo ethicus* (and not exclusively *religiosus*). He is a person, open to relationships with the world around him, willing to seek not only his own good but that of the environment in which he lives, of his family, business, community. Forms of “other economies” have since emerged, parallel to the realisation that:

(1) the classical theoretical-scientific system is no longer able to explain a large part of contemporary social phenomena with consequent organic and exhaustive distortions;

(2) Inappropriate behaviour undermines the bases of the market economy given that reality is complex and never completely corresponds to the descriptions of the manuals.

After about a century, mainly in Great Britain, in 1980 it was specified that the “Social Economy” a set of organisations that:

(1) does not belong to the public sector whose functioning is based on democratic principles and equal rights and duties;

(2) is equipped with a specific regime of ownership and distribution of profits;

(3) uses surplus to expand the activity and improve the offer of services to its members and society as a whole⁴.

Such distinctive features have been extensively examined and disseminated by economic essays and have delimited the area that is structured around cooperative Associations, mutual societies and associations, to which the foundations have recently been added (European Economic and Social Committee, 2012). During the 1980s pioneering initiatives aimed at improving the living conditions of the Southern countries of the world, not so much by virtue of welfare, humanitarian or income support but rather by developing the productive and entrepreneurial capacities of the inhabitants and favouring economic growth through the trade of products in the markets of rich countries. These experiences represented the first form of “Solidarity Economy”. Exponents of the Catholic and Trade Union universe engaged in social work, the Organisations of the Third Sector and international cooperation, ecologists, pacifists believed in the ideal of creating direct bridges between “weak” economic subjects and “critical” consumers/savers, aware of the unfair distribution of resources. In this context, in 2002 the path of constructing the Solidarity Economy Network was undertaken, putting the economic subjects of the diverse sectors in direct relation, to render them more independent from the system of trade and relations of the capitalist

⁴ The definition of social economy was coined in France in 1970 by the Comité national de liaison des activités mutualistes, coopératives et associatives or CNLAMCA (National Coordination Committee of Mutual Societies, Cooperatives and Associations). The most recent definition of the concept of social economy by the organisations of the sector is that endorsed in the Charter of The Principles of the Social Economy promoted by the Permanent European Conference of Cooperatives, Mutuals, Associations and Foundations.

market. Along the same lines, “Districts of Solidarity Economy” (DES) were created as laboratories in which to experiment forms of territorial organisation with networks created at local scale.

The “Economy of Communion”, on the other hand, was disseminated by the Focolare Movement in 1991 to advance a form of management of economic phenomena where companies were obliged to create wealth for the poor, sharing part of their profits with society as a whole. The model consisted in a form of brotherhood in business management of the company and in the sharing and tripartition of profits produced: one third reinvested, one in favour of the diffusion of culture, the other for the poor (Chiminazzo, 2007). It therefore became a practice and an economic culture marked by gratuitousness and reciprocity, proposing and living a lifestyle alternative to that predominant in the capitalist system. This conviction gave rise to the creation of productive and industrial centres in the small towns of the Focolare Movement, of which they represented the vital and life-giving component, as foundational and fundamental places in which to develop and make visible the Communion Economy. In the new Millennium the school of thought led by Zamagni and Bruni (2009) had the merit of placing the “Civil Economy” at the centre of studies and founded on the values of reciprocity and fraternity, as a potential alternative to the capitalist concept in economic and financial activity⁵. Although based on the characteristics of a market economy (division of labour, development/accumulation, freedom of enterprise), the difference concerned objectives to be pursued: while for the civil economy the aim was to achieve the common good, for the second is the product / service. The challenge was to achieve the coexistence of three principles of the social order: efficiency, equity, reciprocity. As economic science is often linked to a specific ideological form it is fundamental that the latter does not erase the ethical perspective.

The brief overview on the profiles of “alternative economies” shows that the solution to the crisis of capitalism cannot be entrusted to generic theories, religious opinions or to the various relationships of force in the global world, but to scholars who systematically and scientifically reflect on potential outcomes. Certainly, the absence of clear boundaries between the aforementioned forms makes it difficult to identify and classify the many applied case studies, as well as to analyse the impacts generated in the various geographical areas. However, the common characteristics of ethical economy initiatives are evident, which - interpreted within the sphere of inductive methodology - lead to exalting the importance of territorial roots. As concerns factors that favour the spread of praxis involving entrepreneurs, savers, consumers, public Institutions and banks, positing a territorial approach capable of interpreting the reasons and relations of the dynamics of reference cannot be avoided.

3. Territoriality as a driver of the ethics in the economy

The prosperity of a geographical area cannot be induced from the outside by intervening on its economy; only change in the system of moral values can generate

⁵ The authors argue that the civil economy is a typical Italian practice of intending the economy, already in place during the XV and XVI Centuries and later developed during the XVIII Century, with Antonio Genovesi (1713-1769). Genovesi conceived human society as “civil” and the marketplace founded on the rights/duties of its members to be helped on the basis of principles of mutual assistance and reciprocity. The social order is the result of the balance between personal interest and cooperation. Trade thus becomes a specific form of mutual aid that enables a complex society not only to survive but to grow by virtue of the constant interaction of the marketplace with the Institutions.

collective well-being and, consequently, enrich the economy of an area. Such change represents the condition for the development of a territory: from the improvement of the individual follows that of the mass in a vision of “integral ecology”. To provoke inclusive growth, the key element is to cement productions of both economic and social value (Venturi and Rago, 2015). Economics is the visible part of ethics and ethics is the invisible part of the economy (D’Anna, 2011, p. 428): ethical economic processes are basically the result of interactions between individuals with specific identities and between them and the communities of reference⁶. Hence the criticism of utilitarianism according to which the increase of social utility depends on the sum of the private utilities pursued by individuals (Sen, 2006, p. 42).

On the basis of such assumptions, new pathways are being undertaken to respond in a concrete manner to the need for justice, solidarity and reciprocity, which are at the basis of integral development. In this direction participatory and transversal dynamics is justified involving a plurality of subjects with “place consciousness” (Magnaghi, 2010) aware of the profound change of perspective for the creation of shared value, relational goods, sustainable happiness (Bruni, 2002). The backdrop to such evolution is the overcoming of the clear - and now obsolete - contrast between local actors, in order to work together, interacting and influencing one another up to the creation of a renewed territoriality (Governa, 2005, pp. 60 -61). Such procedural approach (Raffestin, 1981) thus becomes the lever for the ethical economy, which does not depend simply on human behavior, but on its construction in the light of specific priorities in the scale of values, from the set of praxis and knowledge of men in relation to material reality, to the sum of the relations between individuals and between the latter and the outside.

The ethical economy in other words has become a collective choice built through initiatives shared by territorial subjects, in a way that is also distinct from the specificities of the places⁷. Citizens, have discovered a new protagonism: thanks to recent technologies and the web acting as facilitators, in some cases organising themselves to face common problems (e.g. the success of the sharing economy), in others - as consumers - active in rewarding or punishing companies and / or countries that are more or less responsible from a social and environmental point of view (Bechetti, 2008). Moreover, not to be neglected are the Institutions that, by ceasing their traditional function aimed at solving the problem of negative externalities generated by companies during production, assume the responsibility of co-production of welfare services for the benefit of collective wellbeing. The non-profit sector is also currently gearing up to respond to emerging needs that the State is no longer able to satisfy, evolving towards so-called hybrid realities (Venturi and Zandonai, 2014), such as innovative start-ups with a social vocation, organisational hybrids with a cooperative matrix, social enterprises, etc. (Symbola-Unioncamere, 2016).

Social and environmental sustainability is currently becoming a major competitive factor, positioning for-profit companies in markets where attention is growing for the

⁶ “The response to Social problems comes from community networks, not with the mere sum of individual goods”, as “the possibilities of individual initiatives and the cooperation of persons, trained individually, will not be sufficient to respond to them” (Papa Francesco, 2015, p. 132).

⁷ Few studies exist on the specific context necessary for the dissemination of the Ethics/Ethical Economy, predominantly referring to variables related to entrepreneurship (culture, professional background, network of relations, philosophical orientation, Institutions, etc.) (Autio, Mustar et al, 2014) and more generally related to social capital.

issue by stakeholders (Sturabotti and Venturi, 2016). They are very clear that profit performance is increasingly dependent on values and prospects that are not directly economic: the protection of nature and workers' rights, the enhancement of resources, support for communities, and cultural promotion. Within the Italian business landscape, for example, Benefit Companies⁸ are emerging, aimed at the production of shared value, i.e. changing in a stable and positive way the level of wellbeing of a company (or part of the same) and playing a key role in eco-compatibility⁹ Introduced by the Stability Act 2016, in the ferment of the global Benefit Corporation movement originating in 2007 and which in Italy has led to the recognition of thirty-six companies voluntarily and formally choosing, since their inception, to generate contemporaneously benefits of a social and environmental nature and profits¹⁰. Firms which have made a transition of this kind aim at integrating within their *business* a collective consciousness, i.e. the principle of sharing (and not only competition) not to mention the concept of active intervention for the future, placing ethics at the core of the market place.

Finally, a part of the world of finance has reformulated existent values of reference with an alternative approach (the individual and not capital, ideas not assets, fair remuneration of the investment and not speculation). Banks, operators and institutional investors are gradually beginning to integrate social and environmental factors in capital allocation decision-making processes. The difficulties of identifying confines to indicate a clear taxonomy has led the scientific world to accept a sometimes overlapping tripartition of initiatives:

- (1) socially responsible investments (SRI), which include the activities of brokers/intermediaries who select investments according to ethical screening criteria¹¹;
- (2) the financing of the Third Sector in order to promote beneficial initiatives to combat poverty and financial inclusion;
- (3) more broadly, the activity of all intermediaries adopting corporate social responsibility (CSR) policies or ethical codes of conduct in customer relations.

Ethical finance is also using the B LAB's valuation system as an innovative rating¹², in addition to the Ethics Bank's Global Reporting Initiative. In this way, in addition to

⁸ From the analysis of the Italian scenario, Benefit Companies are located mainly in Lombardy (9), Lazio (4) and Puglia (3), followed by Veneto (2), Tuscany (1), Emilia-Romagna (1) Marche (1) Abruzzo (1). The diverse sectors involved include health, environment, tourism, construction, etc. with a prevalence in information technology.

<http://societabenefit.com/>.

⁹ It should be pointed out that a particular research strand (Loewenstein, 2013) does not consider necessary the existence of a hybrid model traceable to Benefit Companies that includes the harmonisation of a social purpose with the search for profit, as normal for-profit companies have a duty to take on a social responsibility with which to ensure widespread benefit.

¹⁰ In 2010, Maryland U.S.A. completed the legislative process defining the legal form for benefits, flanking for-profit and non-profit, thus innovating corporate law. Currently, 27 states acknowledge the same form of legislation.

¹¹ In 2016, for example, the Banca Etica granted more than EUR 970 million in funding in support of almost 9,000 projects in the main areas of intervention: legality; social cooperation; international cooperation; environment; culture and civil society; the new economy.

¹² B LAB is a Pennsylvania-based non-profit organisation credited with creating and promoting B Corporation certification, granted to companies that voluntarily meet certain standards of transparency, accountability and sustainability, guaranteeing benefits not only for traditional players such as shareholders, but also positive impacts on the environment and society. The issue of measuring the

risk and return, the reflection of investment in the so-called “real” economy, which contributes to changing financial behaviour in a more social sense, has introduced parameters of humanly and ecologically sustainable development and rejecting purely financial gain¹³.

In short, the ethical economy should be a global practice, but its implementation depends on the ability of territories to become centres of change, pursuing priorities shared by their players. The effort to conceive and implement actions capable of fostering a fairer society and a more humane world is a bitter challenge, but also an inspiring duty for the actors of the territory. Everyone has the right to participate in economic life and the responsibility to contribute, according to their abilities, to the progress of their geographical area and of humanity as a whole: it is the duty of solidarity and justice, but it is also the best way to make progress in the community towards “positive interdependence.” In other words, a virtuous circle between populations, organisations, institutions, companies where skills are mutually strengthened together with the ability to achieve shared goals in common, interrelationships, not to mention the emotional sharing of events as an opportunity to acknowledge a sense of belonging: wide representation of local actors, knowledge and skills, continuity of dialogue with administrations, adequate organizational structures, external relations networks for the exchange and sharing of experiences, albeit in the difficulty of reaching shared solutions, with all the relational implications (Banini and Picone, 2018).

4. Conclusions

The present work is the premise for further study of specific case studies and is proposed as a theoretical contribution to the awareness of development actors on the need to “return to the territory” to promote an effective model of “ethical economy”. Over the years the instances of common good, local collective goods, bioeconomy, collaborative economies, circular society, etc. they start from the observation that the dominant production-consumption system is creating more malaise than well-being and that the practicable attitude is that of living as little as possible. However, there is no lack of alternatives found in numerous bottom-up practices that have in common the need to respond to essential needs and which are based on access to non-competitive common goods, i.e. those goods which, while responding to individual needs, are not offered by the market, but they can be produced and enjoyed through common actions dictated by shared intrinsic motivations. On the other hand, the territorialist approach takes the “territory production” as the basis of the production of wealth in an ethical vision. The construction of a new society does not derive from a spontaneous process, but is a collective responsibility. As Stiglitz (2018) states, there are alternatives and policies for reformulating our development and ethics in a different way, even if it is an imprecise compass, but it does offer an orientation.

impacts of ethical initiatives is much discussed in the literature (Zamagni, Venturi, Rago, 2015, p. 90) and can be traced mainly to the practices of the Benefit Impact Assessment (BIA), which considers the effects on four sectors (governance, workers, community, the environment).

¹³ These include both the traditional activities of the so-called non-profit sector - social and international cooperation, ecology, protection of human rights, cultural and artistic activities, etc. - and those entrepreneurial activities that produce on social and environmental benefit for a territory.

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