

ISSN 2384-9363

THE EUROATLANTIC UNION REVIEW

Vol. 3 • No. 1/2016

EDITOR **DARIO VELO**

CACUCCI EDITORE



BARI

THE EUROATLANTIC UNION REVIEW

EDITOR DARIO VELO

Vol. 3 · No. 1/2016



CACUCCI EDITORE
BARI

Editor: Dario Velo (dvelo@eco.unipv.it)
Publisher: Cacucci Editore S.a.s.
Editorial Address: Via D. Nicolai, 39
70122 Bari
fax +39 080 5234777
e-mail: riviste@cacuccieditore.it
Home page: <http://www.cacuccieditore.it>
Editorial Coordinator: Silvia Bruzzi
Editing: Michele de Serio (mdeserio@cacucci.it)

Manuscript Submission

Review Process

According to international scientific standards, The EuroAtlantic Union Review employs a double-blinded peer review process. Papers submitted for publication will be therefore reviewed by two anonymous referees with recommendations and comments reported to the author. Following review, authors may be asked to revise the paper to address reviewers' comments for possible publication. Final positive decision of reviewers is a requirement for the acceptance of the paper.

Submission Guidelines

Manuscripts should be sent to the Editor and the Editorial Address for submission procedure. The manuscript should be accompanied by a covering letter stating that the article has not been published, or submitted for publication, elsewhere. Authors are asked to submit the electronic copy in Word (or RTF) format. Short titles are invited for use as running heads. The author should submit a short biography of him or herself and a 50-80 words abstract along with three keywords.

ALL RIGHTS RESERVED

© 2016 Cacucci Editore S.a.s. – Bari

<http://www.cacuccieditore.it> e-mail: info@cacucci.it

According to international copyright law, this book may not be reproduced without the consent of the Editor and the publisher.

Autorizzazione del Tribunale di Bari del 19/06/2013 n° 9
Direttore responsabile: NICOLA CACUCCI

Editor

Dario Velo

University of Pavia, Italy

Scientific Board

Sergio Arzeni

OCSE, France

Léonce Bekemans

Rickevelde Bruges, Belgium

Claude Blumann

University of Panthéon-Assas, France

Franco Bruni

Bocconi University, Italy

Silvia Bruzzi

University of Genoa, Italy

Oreste Calliano

University of Torino, Italy

Jean Claude Dischamps

Association Internationale des Economistes, France

Daniel P. Fata

German Marshall Fund, USA

Daniela Felisini

University of Tor Vergata, Italy

Jean-Claude Gautron

University of Bordeaux I, France

Gianvito Giannelli

University of Bari, Italy

José Maria Gil-Robles

University of Madrid, Spain

Alexander Graf Lambsdorff

Member of the European Parliament, Germany

Stefen Griller

University of Wien, Austria

Rudolf Hrbek

University of Tübingen, Germany

Jean-Gérard Lieberherr

European Movement, France

Salvatorangelo Loddo

University of Pavia, Italy

Marc Maresceau

University of Gent, Belgium

Marco Mascia

University of Padova, Italy

Carlos Francisco Molina del Pozo

University of Madrid, Spain

Willem T.M. Molle

University of Rotterdam, Netherlands

Peter-Christian Müller-Graff

University of Heidelberg, Germany

Antonio Papisca

University of Padova, Italy

Lodovico Passerin d'Entrevès

C.S. Bank of Italy, Italy

Ugo Patroni Griffi

University of Bari, Italy

Paulo Pitta e Cunha

University of Lisboa, Portugal

Franco Praussello

University of Genova, Italy

Daniela Preda

University of Genova, Italy

Pasquale Preziosa

Chief of Staff of the Italian Air Force, Italy

Alberto Quadrio Curzio

Catholic University, Italy

Marcelo Resico

Pontificia Universidad Católica, Argentina

Michele Ruta

International Monetary Fund, USA

Alberta Sbragia

University of Pittsburgh, USA

Matthias Schaefer

Konrad Adenauer Stiftung Berlin, Germany

Carlo Secchi

Bocconi University, Italy

Constantin Stephanou

University of Athens, Greece

Antonio Tizzano

La Sapienza University, Italy

Antonio Felice Uricchio

University of Bari, Italy

Eugenio Fernando Yáñez Rojas

University Adolfo Ibáñez, Chile

Editorial Board

Silvia Bruzzi, *Coordinator*

Clara Benevolo, Maddalena Della Volpe, Enrica Pavione, Francesco Velo

Co-funded by the
Erasmus+ Programme
of the European Union



The European Commission support for the production of this publication does not constitute an endorsement of the contents which reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein. EACEA Decision no. 2014-1239. Project: “New Economics of the European Union: from Monetary Union to Economic Union, Social Market Economy, Atlantic Partnership”.

Contents

EDITORIAL

- Knowledge, Innovation and Relaunching the Economy*
Salvatore Rossi 7

ECONOMY

- Islamic Finance an Opportunity for Investments in Italy and Europe*
Paolo Pietro Biancone 21

- Making Economics Matter Again: A New Framework for European Research*
Vera Palea 49

SOCIAL MARKET ECONOMY

- The Social Market Economy in Latin America: Reality and Challenges*
Eugenio Yáñez 83

- Poverty, Inclusion, Institutions. A Challenge for Latin America and the European Union*
Flavio Felice 101

DOCUMENTS

- Healthcare and Scientific/Technological Research*
Carlo Castellano 119

- The Great Territorial Development Project for the Support of the Country's Economic Growth. The Central Role of the Cassa Depositi e Prestiti*
Giampiero Cardillo 127

Poverty, Inclusion, Institutions. A Challenge for Latin America and the European Union

Flavio Felice*

Abstract. *If, in the period immediately following the Second World War, the social market economy represented the attempt to implement the theoretical principles identified and developed by the authors of “Ordo”, of the Frieburg school, we ask whether today, as well, the model of the social market economy (SME) is able to respond to the challenges coming from a political and economic context that is inevitably changed. The process of European integration owes much to those principles and attempts at implementation of the same. Much, then, has been done, but even more remains to be done and, as “each horizon calls to a new horizon”, each problem refers us to the solution of new problems. For this reason, we have pondered the new challenges that await both the pure theorists and the policy-makers who take the social market economy as their model of inspiration. For this reason, we have centered our reflection on a paradigm whose components are: poverty, inclusion, institutions.*

Keywords: *Poverty; Inclusion; Institutions*

1. Introduction

From the first biennial summit of Rio De Janeiro of June 28-29 1999 until today, Latin America and the European Union have signed various strategic agreements to support and improve economic cooperation and regional integration. On the strength of those agreements, new platforms for collaboration are arising on all levels (supranational, national, sub-national). The European Union and Countries of Latin America and the Caribbean (EU-LAC) Foundation, instituted in the course of the sixth summit, held in

* *Pontifical Lateran University*

Madrid in 2010, is an interesting case, in which the sub-national entities of both continents are exploring new forms of cooperation.

The LAC area today is considered to be increasingly strategic for the interests of the EU and the countries of the same area, due to commercial flows that delineate a strong interdependence between the two continents. Above all, one perceives an interest for the realization of a common objective, such as, for example, the definition of a mature idea of democracy, rule of law and a dynamic and inclusive market economy which, concretely, can increase the level of interdependence between the two areas. A decidedly delicate goal in a period of history in which many LAC countries seem to have undertaken a process that some have defined as a “return to ideology”, a path made concrete by the political influence exercised by the Chavez-Maduro regime and by the weakness of democracy in Bolivia and Ecuador.

In this specific context, and partly as an answer to the “Chavez doctrine”, the Pacific Alliance has been realized (officially instituted in June 2012); it is a strategy of commercial integration between Peru, Chile, Colombia and Mexico. These four countries have decided to carry out an innovative and energetic process of commercial integration of the entire region, based on consolidating a common vision for the articulation of both the political-institutional layout of the country (democracy) and its economic policy. This kind of initiative is arousing increasing interest with the international community due to the dimensions of the market and the intensity of the commercial flows involved in the process.

At the same time, the regions that have shown an exceptional rate of growth in the last ten years are currently suffering from the general slowing of the economy, due to two main thrusts. An external shock caused by the decreased value of their main exports, as well as the loss of competitiveness compared with the emerging Asian countries (for example, Vietnam, Malaysia, Thailand, etc.) which over the years have increased their market share in the United States, still the main strategic market of export for LAC countries. The second reason for this slowing is the weakness of the institutions (corruption, precarious democracy, anti-market ideologies, etc.), the presence of closed commercial policies, such as that of Ecuador, the difficulties of enforcing respect for private property rights in Bolivia, the commercial barriers in Brazil and the growing corruption in the central governments.

In any case, today we are witnessing a new situation, one for which there had been perhaps little hope until a few months ago, and which could remodel the

political environment of the whole region, in the direction of a scenario that obviously presupposes the decline of the “Chavez doctrine”. The good news rests on the prospective of change in the political and economic relations between Cuba and the United States; a change that would signal the end of an era and which would end up being of interest also to countries such as Venezuela and Bolivia, which have established relations of strong political cooperation with Cuba in recent years.

In this context, it is necessary to rethink the role of the EU and its relations with the LAC area, so that such relations can contribute to a greater mutual understanding and a more intense economic, cultural and political interdependence of the two continents. While once the hope was for a single political federation of Latin America, on the model of the European Union, today that objective seems farther off and, in any case, even if it were achievable, it would be so only in the long run. For this reason, I believe that one of the main goals that our reflection sets itself is precisely that of reasoning about the possible intermediate steps to be taken to advance in the process of cooperation between the two areas, envisioning specific agreements that would be in coherence with the general design. Behold, then, how the model of the social market economy can once again assume considerable strategic importance, since it can represent the economic, political, cultural, and institutional glue of the countries of the LAC area – consider that Peru, a key country of the Pacific Alliance, with its 1993 constitution has provided for an economic constitution that is decidedly in conformity with the adoption of the social market economy model¹ – and between these countries and the EU. With the present contribution I mean to propose a brief exposition of a socio-political perspective that takes its inspiration from the social doctrine of the Church and, at the same time, dialogue with some of the most significant expressions of contemporary political and economic theory. I am referring to the *Ordo* model and to the model of the social market economy, to the sociological theory of the “concrete” – of Sturzian origin (Luigi Sturzo, 1871-1959) – and of the “inclusive extractive” theory of institutions of Daron Acemoglu and James A. Robinson.

¹ According to a comparative analysis between the European and the Peruvian economic constitutions (Felice, Magliulo, Spitzer, 2013, pp. 75-109). Here is an interesting statement we find in the 1993 new Peruvian Constitution, Art. 58: «Private enterprise is free. It is exercised within a social market economy. Under this regime, the State directs the development of the country and operates mainly in the areas of promotion of employment, health, education, security, public services and infrastructure».

To carry out the aforesaid reflection, I have chosen to concentrate my attention on three elements which, in my esteem, represent the elements of a paradigm that I like to define with an expression of Pope Benedict XVI: “the institutional path of charity”.

The first term of our paradigm refers to “poverty”. The topic of poverty is the heart of the Gospel and, in consequence, it has always been the fulcrum of the Christian reflection in the social realm which, from *Rerum novarum* until today, has also taken on the form of a doctrinal *corpus* that we call the social doctrine of the Church.

If the preferential option for the poor expresses the center of the care that the Christian has for social welfare, the topic of inclusion represents the dynamic through which the Christian is called to attack the problems regarding poverty – understood as indigence. To include means to share, to participate, to pass from the condition of a *stranger* and *misfit* to that of a person *integrated* into society and of an *active subject*; in practice, it means passing from the condition of a *subject* to that of a *sovereign citizen*.

For this to happen, at least generally, a magic wand isn’t necessary, and benevolence and good intentions aren’t enough. Anarchic fatalism and statist paternalism are the two pathological expressions through which are manifested, respectively, a certain abstract idea of freedom, unhinged from historical facts and from the concreteness of the contingent, and an idea of assistance-based solidarity that – despite any possible good intentions – becomes a neo-feudal and servile regime that offends the dignity of the human person: free and responsible.

At this level of the discussion, there enter into play the institutions, their role and their quality. In praxis, these are special products of human creativity, capable of exalting the dignity of the person, to the extent that the process that awaits their genesis is not transformed into the constructivist and centralist principle, put in play by a well- or ill-intentioned “great planner”, but is made concrete through the principle of subsidiarity² and polyarchy³, which foresee the exercise of the “institutional path of charity”.

² Under the institutional profile, «The principle of subsidiarity protects the autonomy of each institution. This autonomy experiences a crisis when some institutions have the power to arbitrarily modify the distribution of resources to their own advantage, increasing the resources available by resorting to imposition and debt»; (Velo, Velo, 2013, 83-84).

³ For a classic definition of the principle of polyarchy, we refer the reader to Dahl, 1971. In our case, by polyarchy we mean something more radical than the albeit fundamental identification of the same

In this context, we will distinguish between “inclusive” and “extractive” institutions. The latter (extractive) entail a social reality founded on the exploitation of the population and the creation of monopolies. By so doing, extractive institutions reduce incentives to action, to the taking on of responsibility, thus compromising the capacity for economic initiative of the greater part of the population. By “inclusive” we mean instead those that permit, encourage and favor the participation of the majority of the population in economic activities that leverage their talents and abilities, permitting people to realize their own intimate life projects.

2. *Poverty*

First of all, it is necessary to underline the complexity of the concept of poverty. Poverty, for the Christian, is an ideal to tend towards and at the same time a condition to be vigorously combated. The Christian espouses and, in a Franciscan manner, chooses as his own sister the poverty of the Beatitudes, “the poverty of the spirit”: “Blessed are the poor in spirit, because theirs is the kingdom of God”. In this case, we find ourselves before an expression that refers us to the notion of “humility”, of “contingence”, of “createdness”, and to the sense of limit; a limit understood as a fortification and bulwark against the constructivist pretense of “social perfectism”⁴.

The poverty that the Christian espouses is *in primis* a moral predisposition, a cultural tunic that the Christian puts on and with which he reads and interprets the material facts and reality surrounding him. It is the poverty of those who resist the temptation to exalt “money”, “career”, “luxury”, and even their own “skills” and “professionalism” as idols to which to immolate, and in the name of which to sacrifice, their own and others’ dignity⁵; the dignity

with democracy, operated by Dahl. Here, by polyarchy, we mean a social context sustained by an order produced and maintained by the continuous interference of multiple and reciprocally irreducible regulatory principles.

⁴ «It is true that, according to Matthew and Luke, Jesus proclaims “the poor” to be blessed, but they are not those designated by the linguistic term “poor” (a socio-economic category: those who have not), but rather are those designated by the linguistic term of biblical prophecy ‘*anawim*’, literally “humble”»; (Antiseri, D’Agostino, Petroni, 2002, 345).

⁵ «Ethics, like solidarity, is a nuisance! It is regarded as counterproductive: as something too human, because it relativizes money and power; as a threat, because it rejects manipulation and subjection of people [...] money must serve and not govern!»; (Francis, May 16 2013). For what regards the “man-

of the *imago Dei*, which is made concrete in taking on responsibility and is manifested in setting a moral threshold one is not disposed to cross. It is the public declaration of not accepting propositions “at any cost” and “at any price”⁶. Well, the firmness of Pope Francis allows us to begin our reflection from this existential predisposition that we are called to make fruitful in the theological, economic, juridical and politological field.

Alongside a notion of poverty espoused, sought after and chosen as the cipher of one’s own living out of the Gospel, there is another which is fought against, and in regard to which we must never lower our guard. For while it is true that “the poor you will always have with you”, this also means that the work of reform, aimed at the emancipation of the poor, is a work that will never end. The poverty we fight is that which creates dependency on others, which leads to subject-like genuflection, which does not allow the development of the free and responsible “creative subjectivity” of the human person⁷.

It is poverty that inhibits the spirit of initiative, which anesthetizes the sense of responsibility, which nourishes the unhealthy attitude to delegate, which poisons the wells of participation in the construction of a civil society animated by a civil culture, the critical fortification and bulwark against the perennial temptation of those in power who wish to exercise it in an absolute and arbitrary manner⁸.

money” relationship, Pope Francis in his speech of 16 May to the new ambassadors affirms that “Money must serve, not govern” and highlights that Christian ethics is a nuisance, because it relativizes money. The “relativism” to which Pope Francis refers us denies the indifferentism typical of that relativism characteristic of the politically, culturally and economically apathetic person, repeatedly condemned by John Paul II and Benedict XVI, in the name of which differences vanish and everything seems to be absorbed by the darkness of the night in which “all cows are black”; (Antiseri, Felice, 2013, pp. 53-56).

⁶ «...among the actions and attitudes opposed to the will of God, the good of neighbor and the “structures” created by them, two are very typical: on the one hand, the all-consuming desire for profit, and on the other, the thirst for power, with the intention of imposing one’s will upon others. In order to characterize better each of these attitudes, one can add the expression: “at any price.” In other words, we are faced with the absolutizing of human attitudes with all its possible consequences. Since these attitudes can exist independently of each other, they can be separated; however in today’s world both are indissolubly united, with one or the other predominating», (John Paul II, September 30 1987, no. 37).

⁷ «In the place of creative initiative there appears passivity, dependence and submission to the bureaucratic apparatus which, as the only “ordering” and “decision-making” body - if not also the “owner”- of the entire totality of goods and the means of production, puts everyone in a position of almost absolute dependence, which is similar to the traditional dependence of the worker-proletarian in capitalism»; (*ibid.*, no. 15).

⁸ «This provokes a sense of frustration or desperation and predisposes people to opt out of national life, impelling many to emigrate and also favoring a form of “psychological” emigration»; (*ibidem*).

Well, not having a job, not owning one's own home, not being in the conditions to guarantee oneself and one's loved ones a materially dignified present and future, means exposing oneself to political, economic and cultural dependence – understood as subjecthood. The poverty that Pope Francis invites us to combat is the mortal enemy, the deadly poison, of the most advanced and inclusive notion of popular sovereignty⁹.

3. *Inclusion*

The second watchword is inclusion; without a doubt, it is the *fil rouge* that binds together the whole of Pope Francis' reflection on the social question and also expresses the bridge that unites the social magisterium of at least the last three pontiffs. We were speaking a short while ago of an advanced and inclusive notion of popular sovereignty. Well, understood in this way, sovereignty is identified with the notion of participation (at various levels) in the decision-making process, a kind of bottom-up act of government that configures the local, international and global community as a sort of polyarchical and polyphonic civil regiment, marked by the complementary nature of the notions of government and governance¹⁰.

Social inclusion can occur only on the terrain of the formal recognition of equal opportunities to participate in the strategic moment, the decision-

⁹ «Each individual Christian and every community is called to be an instrument of God for the liberation and promotion of the poor, and for enabling them to be fully a part of society. This demands that we be docile and attentive to the cry of the poor and to come to their aid»; (Francis, 24 November 2013, n. 187).

¹⁰ The problem is posed also with reference to the developments of the process of European integration, from the monetary union to the economic one: «In a perspective of confirming order founded on subsidiarity, Economic Union will predictably have to address the problem of transferring powers and competences to more bodies – State, private and a mixed State-private one. There will consequently be a need to resolve a complex equation resulting in a differentiated regulation, simultaneously guaranteeing a unitary framework capable of ensuring a convergence of the different solutions applied»; (Velo, 2014, 44). The topic of “global polity” has become central also in the more recent reflection of the social magisterium of the Church. Think of the so-called “institutional way of charity” and of paragraphs 57 and 67 of the Encyclical *Caritas in veritate* (CiV). Here Benedict XVI addresses global governance (*globalizationis moderamen*), referring to the principles of solidarity, subsidiarity and polyarchy, to contribute to the upbuilding of a global order whose institutions may be of the subsidiary and polyarchical type and to avoid giving life to a «dangerous universal power of a tyrannical nature» (CiV, 57). (Cassese, 2013).

making moment, and the operative moment, different but converging moments that make a social aggregate an active civil society, polyarchical and subsidiary. For this reason, it is necessary to free the poor from the “chains of poverty”, that is, from that jungle of impediments of a juridical, political, economic and cultural nature that obliges a part of society (the majority) to be relegated to the margins of the civil context and to end up playing a role as residual and humiliating as it is essential to the functioning of an extractive and excluding system: that of the *clients* who play the role of occasional electors and undeterred consumers¹¹.

In regard to this, how can one fail to think of the *favelas*, the shanty towns, but also of the “burial-grounds” of our degraded urban peripheries, where the villainous choices of corrupt politicians and complacent architects have certified the government’s and ‘their lords’ profound inability to act and, at the same time, have revealed the disgusting indifference of a certain ruling class for the existential destiny of whomever is not directly and immediately linked to their more (or less) licit and legitimate personal interest: money, career, power, prestige and *multa exempla docent*.

Social inclusion means, in the first place, not allowing for any pretension of earnings, much less a monopolistic one, on any source of income and to work so that no pretension of income can in any way be satisfied¹². Social inclusion means educating individuals to the culture of sharing and setting up, starting from recourse to the norms on the constitutional level, a rigorous institutional system that impedes and punishes the many or the few – in any case the too many – earners of income from monopolies, whether it involves political, economic or cultural income¹³.

¹¹ «Sometimes we prove hard of heart and mind; we are forgetful, distracted and carried away by the limitless possibilities for consumption and distraction offered by contemporary society. This leads to a kind of alienation at every level, for “a society becomes alienated when its forms of social organization, production and consumption make it more difficult to offer the gift of self and to establish solidarity between people”»; (Francis, November 24 2013, no. 196).

¹² This is the key point of the economic and political perspective that goes by the name of “social market economy”. (Felice, 2008).

¹³ In this regard, it is necessary to mention above all the work of Walter Eucken, Franz Böhm and Hans-Grossman Dörth, the fathers of the so-called “ordoliberalism” that is at the basis of the model of the social market economy. The theoretical core of the Freiburg school is expressed in the collection of the writings of Eucken, Böhm and Grossmann-Dörth published in 1936: “*Ordnung der Wirtschaft*”. In the introduction, titled “Our Task”, the authors highlighted the fact that “the economic constitution [should be] understood as an overall decision regarding the order of the national economic life” and thus “the juridical order [ought to be] conceived and shaped as an economic constitution”. (Forte,

4. *Institutions*

We have, thus, reached a third and last element: institutionalization or “the institutional path of charity”. It involves the path pointed out, among others, by *Caritas in veritate* as the way for development¹⁴, as well as one of the most current and debated points in academic reflection in the economic, legal and politological context (Acemoglu, Robinson, 2013). A reflection that today is occurring in the most accredited academic centers worldwide and that aims to analyze the process of political and economic development, showing how the vicious circle of extractive institutions, which produces “castes” and “oligarchies” in an iron and continuous manner and that makes the majority of the population poor for the wellbeing and power of the few¹⁵, can be broken and substituted by the virtuous circle of inclusive institutions, promoting the Schumpeterian method of “creative destruction” and the evolutive-incremental process¹⁶ of authors like Carl Menger, Friedrich August von Hayek, Karl Popper, Wilhelm Röpke, but also our own Luigi Sturzo and Luigi Einaudi.

The institutions, according to our point of view, based on the teaching of the authors just mentioned, are not ethically and culturally neutral. *The institutions can be traced back to ideas and ideals that are held by individuals, person in*

Felice, 2010).

¹⁴ «To desire the *common good* and strive towards it *is a requirement of justice and charity*. To take a stand for the common good is on the one hand to be solicitous for, and on the other hand to avail oneself of, that complex of institutions that give structure to the life of society, juridically, civilly, politically and culturally, making it the *pólis*, or “city”. The more we strive to secure a common good corresponding to the real needs of our neighbors, the more effectively we love them. Every Christian is called to practice this charity, in a manner corresponding to his vocation and according to the degree of influence he wields in the *pólis*. This is the institutional path — we might also call it the political path — of charity, no less excellent and effective than the kind of charity which encounters the neighbor directly, outside the institutional mediation of the *pólis*.»; (Benedict XVI, June 29 2009, no. 7).

¹⁵ «The essence of the iron law of oligarchy, this particular facet of the vicious circle, is that new leaders overthrowing old ones with promises of radical change bring nothing but more of the same»; *ibid.*, p. 403. The two authors make explicit reference to the theory of Robert Michels, according to which an organization tends towards oligarchy, to the point that the formation of oligarchies within the multiple forms of democracy is an “organic phenomenon”. It involves a tendency that every organization, even the libertarian one, must face. (Michels, 1915).

¹⁶ «...the whole conception of legal positivism, which derives all law from the will of a legislator, is a product of the intentionalist fallacy characteristic of constructivism, a relapse into those design theories of human institutions which stand in irreconcilable conflict with all we know about the evolution of law and most other human institutions»; (Hayek, 1978, p. 73).

flesh and blood, with their cultures, their faiths and their traditions. Ideas and ideals that are sedimented in the civil culture of a people and of a community, translated into rules that, once embraced, imply repeated behaviors and which if transgressed provide for a sanction, whether moral, administrative or penal. For this reason, the institutions are not all equal and this is not only because they perform different functions. They differ also for qualitative reasons and the quality is determined by the human and moral content projected (to use Sturzian terminology) by the subjects that daily operate in them and have to deal with them¹⁷. For this reason, we believe that the distinction proposed by Acemoglu and Robinson between inclusive and extractive institutions is the best suited, from the theoretical point of view, to express the quality that makes institutions capable of attacking the social question¹⁸.

5. *Institutions and Economic Development*

Therefore, in this perspective, with reference to the economic problem, taken up in relation to the political and cultural problem (this latter adjective is to be understood in the anthropological sense), we can affirm that, for economic activity to be at the service of the human person, an ethical and legal framework of reference is necessary, that is, an institutional framework; the market and democracy can function only in an ethical framework of trust:

¹⁷ For Sturzo society is a “multiple, simultaneous and continuous projection of individuals”: “In substance the only true agent of society is the individual man inasmuch as he is associated with other men for determinate purposes”; Sturzo, 1970, 12. Moreover, Sturzo forcefully expresses a critical element in regard to the three forms of “social collectivism” – and consequently of epistemological holism; it is a powerful critique of Marxism, positivism and idealism. Sturzo writes in this regard: «the basis of the social fact is to be sought only in the human individual taken in his concreteness and complexity and in his original unresolvability [...] in concrete there are only individuals in society»; (Sturzo, 1935-2005, 5).

¹⁸ «Inclusive economic institutions [...] are those that allow and encourage participation by the great mass of people in economic activities that make best use of their talents and skills and that enable individuals to make the choices they wish. To be inclusive, economic institutions must feature secure private property, an unbiased system of law, and a provision of public services that provides a level playing field in which people can exchange and contract; it also must permit the entry of new businesses and allow people to choose their careers. [...] We call such institutions, which have opposite properties to those we call inclusive, extractive economic institutions – extractive because such institutions are designed to extract incomes and wealth from one subset of society to benefit a different subset»; (Acemoglu, Robinson, 2013, 88-90).

such an ethical-legal framework or institutional setting expresses the limit and the very presupposition of the market, democracy and the economic and political order that they contribute to promote¹⁹.

For that matter, if we would only retrace the history of our institutions and the evolution of our capitalistic system, we would realize how much the former have influenced the latter and how much, with the passing of time, the latter has contributed to transform the former into its image and likeness. In this sense, a large part of our entrepreneurial system, none too keen on competitive dynamics and committed more to constructing solid networks of relations than to focusing on innovation, has been able to count on a political system and institutions that are ever less inclusive and, on the contrary, ever more invasive of the prerogatives of civil society. This convergence of interests, sustained by costly social policies financed in deficit and by a strongly inflationary monetary policy, has for decades been able to express a ruling class that, at all levels, in public as well as in private, has protected unproductive business to the detriment of productive entrepreneurship, talent and merit, promoting rules and diffusing models of behavior for which we are still today paying the price in terms of scarce competition, a crisis in public finance, unemployment, social emergency and moral crisis. Only the communitary bond and, more recently, the belonging to the monetary union have in part attenuated the consequences of such an extractive spiral, at least thus far, avoiding scenarios like those of the South American countries, inducing the government and parliament to an adjustment – at least in normative terms – of our economic constitution to the principles of free competition and a more responsible exercise of our financial sovereignty, within the limits fixed by the pact of stability and growth.

If this, then, is the heart of the problem, in the estimation of this author, the reform in an inclusive manner of the institutions (and, in particular, of public administration) and the selection of the ruling class are the crossbeam of any

¹⁹ «Spiritual, moral and social integration is and always will be the premise of economic integration, both on the national and international level. The true basis of international trade, of which our books speak so little, is that unwritten code of moral conduct, which is summarized in the maxim *pacta sunt servanda* (“agreements are to be kept”). The market competition, the game of supply and demand do not generate these moral reserves, but – as I have said – they presuppose and use them. They come from spheres extraneous to the market and there is no economic text that can substitute them»; (Röpke, 2015, pp. 142-143).

policy aimed at promoting economic growth, focusing on entrepreneurship, the free initiative of persons and a renewed sharing of the value of solidarity. The consideration along which the present reflection moves is, therefore, that economic activity, in order to place itself at the service of the human person, must be contextualized within an institutional framework made of cultural, ethical and juridical references; as we just observed, the market and democracy can work, in fact, only in an ethical framework of reciprocal trust. Wherever the government of law is not respected, the weakest are always the ones who pay the highest price. It is these last ones, in fact, who pay the price of corruption, collusion and conflicts of interest, inefficiency of services, as well as the consequences of unscrupulous financial transactions, in public and in private, and of abuses perpetuated in the name of a care for a public interest which, too often, hides personal and group interests which have nothing to do with the common good. To use a metaphor, a capitalistic system concerned with cutting itself the biggest piece of the pie rather than being committed to increasing the size of the pie – with the complicity and backing of an institutional system characterized by evident extractive degenerations, incapable of pursuing economic development by promoting rules and modes of behavior that would reward and defend productive entrepreneurship and merit – not only robs of a future the very poorest, the excluded and all those who can't count on a solid network of social relationships but, very soon, risks turning against itself in a spiral of decadence and impoverishment, both material and moral, that cannot be accepted by men of good will and, more generally, by anyone who cares for the fate of their country.

6. *Extractive Institutions vs. Inclusive Institutions*

Regarding “inclusive institutions” and “extractive institutions”, to say it with the happy distinction used by social scientists Daron Acemoglu and James A. Robinson in their book *Why Nations Fail*, it is this author's intention to propose an analysis of the difficult phase affecting our country, highlighting how the inclusive quality of economic institutions is at the origin of the wealth of a nation and how that quality, in turn, depends upon the quality of the political institutions. We thus mean to affirm that the quality of our economic institutions is anything but indifferent to the same of the political

institutions and that their interaction or reciprocal interference can generate poverty or wealth (Acemoglu, Robinson, 2013, pp. 49-51).

The thesis we intend to bring to the reader's attention is that «Countries differ in their economic success because of their different institutions, the rules influencing how the economy works, and the incentives that motivate people» (Acemoglu, Robinson, 2013, p. 88). By “extractive” Acemoglu and Robinson mean the institutions that imply a social reality founded on the exploitation of the population and the creation of monopolies. By so doing, they reduce the incentives and capacity for economic initiative of the majority of the population. By “inclusive” they mean instead the institutions that permit, encourage and favor the participation of the majority of the population in economic activities that leverage talents and abilities, permitting people to realize their own intimate life projects. The characteristics that define the inclusive quality of institutions are respect for the right to private property, an impartial legal system and a sufficient quantity of services so that each citizen can enjoy an equal opportunity of access to the democratic and market processes. Acemoglu and Robinson retain that the inclusivity of institutions must also provide the possibility to open new activities and to freely choose their own occupation.

In this way, the economic institutions take on an inclusive characteristic, since they promote economic activity, growth in terms of productivity, and material prosperity. The juridical element, such as for example the protection of property rights, is of crucial importance. What entrepreneur would invest his own talent, ideas and patrimony where the right to property was not guaranteed and where he would expect his earnings to be stolen, expropriated or drastically reduced by an unjust, oppressive and incomprehensible fiscal system? The quality of a nation's institutions can represent the fundamental incentive for, or the main reason against, investing, in the measure in which the recognition of the right to political and economic participation is diffused within a community.

A basic presupposition for inclusive institutions to emerge and prevail over the neo-feudal temptation to take up the track of oligarchical development, typical of extractive institutions, is that the inclusive economic institutions need and make use of the state: «Inclusive economic institutions require secure property rights and economic opportunities not just for the elite but for a broad cross-section of society» (Acemoglu, Robinson, 2013, pp. 90-91). In practice, the guaranteeing of property rights, legislation, public services,

freedom in trade and entering into contracts are all conditions that depend on the state, the institution that holds the coercive power «to impose order, prevent theft and fraud, and enforce contracts between private parties» (Acemoglu, Robinson, 2013, p. 90). In any case, as necessary as these elements are, we believe, with Acemoglu and Robinson, that they are insufficient to explain the inclusive quality of economic institutions. For a civil community to prosper and function at its best, some public services are just as necessary: roads and the most advanced communication networks, infrastructure and everything that allows people, merchandise and ideas to circulate and economic activities to emerge and prosper.

A fundamental aspect of inclusive institutions is that they tend to give life to inclusive markets. A measure of the inclusive quality of any market is the extent to which, in addition to recognizing the freedom of each person to pursue his or her own aspirations in the desire to realize his or her capacities, it also offers the concrete possibility to do so: «those who have good ideas will be able to start businesses, workers will tend to go to activities where their productivity is greater, and less efficient firms can be replaced by more efficient ones» (Acemoglu, Robinson, 2013, p. 91). Which can happen, since inclusive economic institutions are bearers of another two decisive factors for economic development: technology and instruction. To have dynamic, solid and prolonged economic growth, it is necessary for the material and immaterial production factors to become increasingly productive, and both instruction and technological development head in precisely this direction.

7. How Political Institutions Influence Economic Institutions and Vice versa

One of the key factors that contribute to the emergence of inclusive economic institutions is the political context. By political context we mean the institutional political system whose responsibility it is to establish the playing rules that “preside over the structure of incentives in the political realm”. Ultimately, the rules are what determine the form of political representation, how to organize the distribution of power and responsibilities within the state; the rules establish who holds the power, how it is maintained, and for what ends and within what limits it can be exercised. The rules are what tell us whether the power is to be concentrated in the hands of a few, who operate without limits, or whether it is distributed, diffused and set within more or

less rigid and well-ordered constitutional limits. When power is distributed, not concentrated, and subject to precise rules, then we are dealing with an institutional political arrangement of a pluralistic nature and the exercise of power is managed by a plurality of factions and groups with contrasting interests (Acemoglu, Robinson, 2013, pp. 94-95).

An institutional political structure is inclusive to the extent that it exhibits the characteristics of sufficient centralization and the maximum plurality possible; when at least one of these two elements is lacking, we are dealing with political institutions of the extractive kind. Between political institutions and economic institutions there exists a synergetic relationship. Think, for instance, of how extractive political institutions concentrate power in the hands of a restricted circle of people, who, in turn, conceive of economic opportunity as a chance to guarantee – in a generally exclusive manner – to a small elite, for their own exclusive enjoyment, so that they can “extract” the resources, which instead can and should be used to the advantage of the many. Acemoglu and Robinson sustain that extractive economic institutions are nothing but the natural completion of extractive political systems, which use the economic institutions also for their own political survival. Instead, inclusive political institutions, whose purpose is to distribute power, tend to make life difficult for extractive economic institutions, which, on the contrary, have as their sole aim the expropriation of the majority of the population, the setting of entrance barriers in the markets and the distortion of their functioning to the advantage of the few (Acemoglu, Robinson, 2013, p. 96). At this point in the discussion, we can affirm that the reciprocal interference between extractive political institutions and extractive economic institutions is at the origin of that “vicious circle”, through which a given institutional political system offers the power-holding elite the instruments to model the economic institutions for their own use and consumption. In short, we are dealing with a political class that feeds on an institutional system that sets no limits to its will to power and that, in this way, mortgages its own future, defines itself as necessary and ends up being immovable. As the political oligarchy has shaped the economic institutions in its own image and likeness, for its own use and consumption, this causes the extractive economic institutions to enrich the political oligarchy that has made them possible, thus allowing it to consolidate its own political power, thanks to the economic resources coming from those extractive economic institutions.

Just as extractive institutions are the reciprocal of inclusive institutions, so the “vicious circle” just described is nothing other than the reciprocal of the so-called “virtuous circle” of inclusive institutions. We can say with our authors that inclusive economic institutions are the result of political institutions that are equally inclusive; of those institutions that, due to competition, and being scalable, according to the Schumpeterian logic of “creative destruction”²⁰, allow for the continual renewal of the ruling class and the maximum distribution of power, placing it within certain limits that impede its arbitrary exercise. After all, if such institutions, under continual competitive tension, do not absolutely impede the risk that someone may seize power to undermine the foundations of the inclusive system, they at least tend to reduce it. While it is true that inclusive political institutions favor the birth of economic institutions of the same nature, it must also be stated that the latter do not tolerate the former very well, since they are impeded from operating in an absolutist, arbitrary and oligarchical kind of context: «Inclusive economic institutions also tend to reduce the benefits the elite can enjoy by ruling over extractive political institutions, since those institutions face competition in the marketplace and are constrained by the contracts and property rights of the rest of society»(Acemoglu, Robinson, 2013, p. 97).

8. Conclusion

Pope Benedict, in his encyclical *Caritas in veritate*, invites us to undertake “the institutional path of charity” and, referring to the “common good”, explicitly cites the “institutional” dimension. An authentic and non-rhetorical reference to the “common good”, which takes up Benedict XVI’s institutional element and which wishes to respond positively to Pope Francis’ invitation to an

²⁰ «[T]he democratic method is that institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people’s vote [...] we have restricted the kind of competition for leadership which is to define democracy, to the free competition for a free vote»; (Schumpeter, 2003, 269-271); With reference to the notion of “competition” in the framework of “creative destruction”: «But in capitalist reality as distinguished from its textbook picture, it is not that kind of competition which counts but the competition from the new commodity, the new technology, the new source of supply, the new type of organization [...], which commands a decisive cost or quality advantage and which strikes not at the margins of the profits and the outputs of the existing firms but at their foundations and their very lives»; (Acemoglu, Robinson, 2013, 84).

inclusive economy, cannot therefore neglect this fundamental distinction nor fail to proceed to a serious and harsh critique of the too many extractive institutions that impede the authentic development of our communities.

It is precisely the identification and denunciation of the latter that represents the first step to implementing that theoretical perspective of the social market economy which the tradition of the social doctrine of the Church also references and, thus, to taking up the invitation of Benedict XVI and Pope Francis: «Moving towards a world of lasting peace and justice calls us to go beyond paternalistic forms of assistance; it calls us to create new forms of participation that include [...] and invigorate local, national and international governing structures with that torrent of moral energy that springs from including the excluded in the building of a common destiny. And all this with a constructive spirit, without resentment, with love» (Francis (Pope), October 28 2014).

References

Acemoglu D., R.J. A., *Why Nations Fail. The Origins of Power, Prosperity and Poverty*, Crown Publishing, New York 2013.

Antiseri D., F. D'Agostino, A. Petroni (eds.), *Vangelo e ricchezza. Nuove prospettive esegetiche*, Rubbettino, Soveria Mannelli, 2002.

Antiseri D., F. Felice, *La vita alla luce della fede. Riflessioni filosofiche e socio-politiche sull'enciclica "Lumen fidei"*, Rubbettino, Soveria Mannelli, 2013.

Benedict XVI, *Caritas in veritate*, June 29 2009.

Cassese S., *Chi governa il mondo?*, il Mulino, Bologna, 2013.

Dahl R.A., *Polyarchy: participation and opposition*, New Haven, Conn., 1971.

Felice F., *L'economia sociale di mercato*, Rubbettino, Soveria Mannelli, 2008.

Felice F., A. Magliulo, J. Spitzer, "Latin America and Europe Toward a Mutual Understanding. Economic Culture and Political Constitution in the Experience of Peru", in *Global & Local Economic Review*, Vol. 17, no. 2, 2013.

Forte F., F. Felice (eds.), *Il liberalismo delle regole. Genesi ed eredità dell'economia sociale di mercato*, Rubbettino, Soveria Mannelli, 2010.

Francis (Pope), *Evangelii gaudium*, Apostolic Exhortation, 24 November 2013.

Francis (Pope), *To the New Ambassadors of Kyrgyzstan, Antinea and Barbuda, Luxembourg and Botswana accredited at the Holy See (16 May 2013)*.

Francis (Pope), *To the Participants in the World Meeting of Popular Movements*, 28 October 2014.

Hayek F. A. von, *Law, Legislation and Liberty*, University of Chicago Press, Chicago 1978.

John Paul II, *Sollicitudo rei socialis*, September 30 1987.

Michels R., *Political Parties. A Sociological Study of the Oligarchical Tendencies of Modern Democracy*, Hearst's International Library Company, New York, 1915.

Röpke W., *Al di là dell'offerta e della domanda* [1958], Rubbettino, Soveria Mannelli, 2015.

Schumpeter J.A., *Capitalism, Socialism & Democracy* [1942], Taylor & Francis e-Library, Routledge Press, London 2003.

Sturzo L., *Del metodo sociologico* [1950], Rubbettino, Soveria Mannelli, 2005.

Sturzo L., *La società. Sua natura e leggi* [1935], Rubbettino, Soveria Mannelli 2005.

Velo D., F. Velo, *A Social Market Economy and European Economic Union*, Peter Lang, Bern, 2013.

Velo D., "Social Market Economy and European Unification", in *The EuroAtlantic Union Review*, Vol. 1, no. 0/2014.

ORDER FORM

Please note that the completed order form must be returned fulfilled (with your cheque or bank transfer details) at the editorial address before your subscription can take effect.

Please, enter my subscription to **THE EUROATLANTIC UNION REVIEW, 2016 (two issues)**

INDIVIDUALS

NAME.....
ADDRESS.....
CITY..... STATE.....
POST/ZIP CODE..... COUNTRY.....
TELEPHONE..... FAX.....
TAX PAYER'S CODE NUMBER.....
VAT REGISTRATION NUMBER.....
E-MAIL.....

INSTITUTIONS

NAME.....
ADDRESS.....
CITY..... STATE.....
POST/ZIP CODE..... COUNTRY.....
TELEPHONE..... FAX.....
TAX PAYER'S CODE NUMBER.....
VAT REGISTRATION NUMBER.....
E-MAIL.....

DATE..... SIGNATURE.....

PRINT EDITION

180 euro **institutions** 90 euro **individuals**

ONLY PDF VERSION

90 euro **institutions** 45 euro **individuals**

Method of payment

bank transfer to:

BANCA POPOLARE DI BARI

SEDE

SWIFT: BPBBAIT3B

ACCOUNT: no. 1041861 - CACUCCI EDITORE S.A.S.

IBAN: IT30Q0542404010000001041861

cheque, payable to:

CACUCCI EDITORE S.A.S.

The renewal of the subscription must be made by 15 March of each year.

According to Private Life Protection law, you are free to ask the Publisher to consult, modify or cancel your personal data at any minute.

Please, let consider the receipt for payment as regular fiscal document (only for Italy)



ISBN 978-88-6611-503-8



9 788866 115038

€ 90,00