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### *The Idea of ‘Common Good’ in Political Economy*

*The paper explores the meaning of the idea of ‘common good’, according to the classical political tradition, in order to define it in relation to the study of economics, and to study its role in present day policy-making. It analyses different uses of the term ‘common good’ according to certain economic theories. It then analyses the idea of communality and the role of the state. We will conclude by discussing the role of common good as policy-making category.*

#### **1. The idea of common good in economics: evocative although abridged**

The concept of common good continues to appear in several economic publications, surviving the triumph of methodological individualism in economic theory. It has recently been cited in the books of Robert Frank or in the works of Neva Goodwin et al., while Jeffrey Sachs has centred his latest publication on the similar notion of *common wealth*.<sup>1</sup>

The fields of economic research that have incorporated this idea in their theories and continue to make the most use of it are social economics<sup>2</sup>, socio-economics<sup>3</sup> and ecological economics<sup>4</sup>. Searching for the term “common good” in the *Economic Journal* we found only 3 pertinent entries. However, we were able to find more than 150 entries in the *International Journal of Social Economics*, and nearly 250 in *Ecological Economics*.

In the fields of social and ecological economics, this term retains a meaning close that which it held according to the Aristotelian-Thomistic tradition, albeit divested of part of its moral dimension in order to fit with the contemporary scientific imagination. As we get closer to mainstream, the use of this term tends

1 See, respectively: H. Frank, *The Darwin Economy: Liberty, Competition and the Common Good*, Princeton University Press, Princeton 2011; N. Goodwin et al., *Microeconomics in Context*, Houghton Mifflin, Boston and New York 2005 chap. 2; “A Post-Autistic Introduction to Economic Behavior”, in «Post-Autistic Economic Review» 28, 25 October 2004, J. Sachs, *Common Wealth, Economics of a crowded Planet*, Penguin, East Rutherford, N.J. 2008.

2 M. Lutz, *Economics for the Common Good: Two Centuries of Social Economic Thought in the Humanistic Tradition*, New York, Routledge, 1999.

3 A. Etzioni, *The Common Good*, Polity Press, Oxford 2004.

4 H.E. Daly and J. B. Cobb, *For the Common Good: Redirecting the Economy toward Community, the Environment, and a Sustainable Future*, Beacon Press, Boston 1989.

to be evocative and suggestive, yet its deeper meaning seems to be lost. As a consequence, the exercise of framing the common good according to individualism and perfect rationality results in this term being linked with the simple idea of pro-social behaviour<sup>5</sup>. In fact, the idea of common good represents a departure from the basic theoretical toolbox of the economist, to express something that can hardly be expressed in terms of immediate self-interest.

This, paradoxically, has the effect that the idea of common good is not well-received in the field of welfare economics, even if it clearly refers to the problem of collective action<sup>6</sup>. The reason is that it not only points out a different end result, but also a different epistemological set-up: the common good does not adhere to the positivistic dualism between a positive and a normative theory, as welfare economics does. Rather, it is shaped by classical notions and can be considered part of the theory of *ethical economy* which holds that individuals' actions are directly affected by a vision of what ought to be. There are consequently teleological and social dimensions to human action that prevent distinctions from being made between an objective positive theory and a normative top-down view of what should be done to reach a given end. That means that the common good cannot simply be related to government intervention in the economy, as it focuses on a participative relationship between the polity and policy-makers.

In reality, the common good requires a supporting political and philosophical framework to help define a number of specific notions whose meanings are not clearly defined in the utilitarian framework of contemporary mainstream economics<sup>7</sup>. Currently, we find at least three main interpretations. The first is aligned with classical thought, and is borne out in Catholic thinking in political economy<sup>8</sup>. The second takes the philosophy of Hegel, particularly his philosophy of law, as its reference point<sup>9</sup>. Finally, there is a 'communitarian' version, holding a pragmatic perspective and consequently more oriented to a notion of utility, as is characteristic of the fields of socio-economics and ecological economics. However, there are interesting convergences between Catholic social thought and institutionalism as underlined by Hodge and Duhs<sup>10</sup>. Therefore, although we can

5 The reader will excuse us if we do not supply citations.

6 G. Kirchgässner, "Gemeinwohl in der Spannung von Wirtschaft und politischer Organisation: Bemerkungen aus ökonomischer Perspektive", Department of Economics, University of St. Gallen discussion paper n°12-2002.

7 J. Haldane, "The individual, the state, and the common good", in «Social Philosophy and Policy» 13(1) 1996, pp. 59-79.

8 German literature was particularly rich, at least up until the 1980s, in publications referring to the *Gemeinwohl*.

9 W. Ver Eecke, "The concept of 'merit good', the ethical dimension in economic theory and the history of economic thought or the transformation of economics into socio-economics", in «Journal of Socio-Economics» 27(1) 1998 pp.133-153; "Adam Smith and Musgrave's concept of merit good", in «Journal of Socio-Economics» 31 2003 pp. 701-720; *Ethical Dimensions of the Economy*, Springer, Berlin 2008.

10 A. Hodge and A. Duhs "Implicit *a priori*s in the evolution of economics: Ratzinger's alternative", in «Journal of Economic Issues» 45(4) 2011, pp. 941-963.

find some common understanding among these views, we can also find differences. We will contrast these conceptualisations holding on the path traced by the classic theory.

The aim of this paper is to supply a definition of the common good in economics and to discuss in detail its main features, drawing on the classic tradition. In particular, we will discuss the two main terms: *good* and *community*.

## 2. The meaning of common good today: the classical tradition

The term is widely understood to relate to the achievement of some fundamental end, procured thanks to some sacrifice of individual benefits<sup>11</sup>. However, it is necessary to understand the philosophical ideas underpinning the notion of common good in order to fully understand it. It remains nevertheless flexible and multi-faceted as policy-oriented concepts should be<sup>12</sup>.

The classical tradition links Aristotle to Thomas Aquinas and the Neo-Thomistic view on social sciences<sup>13</sup>. For Aristotle, the idea of political community, characterizing the polis, is founded on the principle of common good; that is to say, it is founded on a participatory contribution to the production of the conditions necessary for the citizens of that community to flourish. For the late Scholastics, this idea was essential to a theory of action where the will of the individuals was moved by the good (and possibly twisted by *akrasia*). The common good represented a socially-determined point of reference, determining what was considered to be good behaviour. In this way, the common good incorporated a teleological motive able to affect, through moral codes, both individual action and legal order.

According to the Thomistic vision, forces of private interest are driven by objectives incompatible with the laws of God and nature. As a consequence, society needs some governance in order to prevent or to minimise the negative impacts of individual interest. Aquinas, in his tract *De Regimine Principum*, affirmed that certain formal and material factors are necessary in order for the common good of a community to be served. The formal aspect is an order favourable to human flourishing. The material aspect is the set of goods with a different nature: economic, juridical, institutional, cultural, moral and spiritual<sup>14</sup>.

11 Koller has simply defined it as the *good of a totality of men*, but the terms 'good' and 'totality' are rather problematic. P. Koller 'Das Knozept des Gemeinwohl', in W. Brugger, S. Kirste, M. Anderheiden (ed.s) *Gemeinwohl in Deutschland, Europa und der Welt*, Nomos, Baden-Baden 2002, pp. 41-70.

12 Andrew Mearman, "Heterodox economics' and the problems of classification", in «Journal of Economic Methodology» vol.19(4) 2012 pp. 407-424.

13 D. Corrado and S. Solari, "Economic Justice in Social Catholicism: The Difficult Application of Natural Law", in «Il Pensiero Economico Italiano» XVII (1) 2009 pp. 25-45.

14 These include the notions of peace, acting fairly, and having of the sufficient necessities to live well.

It follows that the idea of common good should not only shape individual action, but also the law, public policy and the choices made by the government. According to the most coherent formulation of Thomistic principles, public authorities have the obligation to conform to common good as a principle when supplying public services. Each institution has a task determined by the principle of subsidiarity. This principle constitutes the fundamental aim of a legal order: the establishment of institutions, rules and organisations able to bring order to human interaction.

According to this tradition, a definition of the common good should focus on these points:

- the availability of primary goods and the “right order” of society enabling the ‘good life’;
- a focus on *reasonableness* as a process of ‘practical’ decision-making in conditions of uncertainty;
- a long-term, sustainability-oriented outlook;
- the interactive and participatory dimensions of choice and action;
- the subsidiary role of public institutions relative to the tasks to be performed;
- the non trade-off status of the good, the non substitutability of the good of single individuals;<sup>15</sup>
- a morally binding obligation of reciprocity, meaning that everybody is expected to participate in the production of the common good.

The main issue in understanding this set of concepts is the definition of ‘good’. According to the classical tradition, the idea of ‘good’ includes a moral evaluation of mankind’s aims, whilst according to the economic perspective, economic good presupposes a scarcity-based evaluation of present necessities<sup>16</sup>. The contrast between these concepts began with Cicero and Seneca. In fact, the stoic philosophy expressed the divergence of the notions of *honestum* and *utile*, in that the latter lost its reference to universal principle or virtue. Therefore, the complexity of our psychology, together with the uncertainty of real and interactive economic processes, allows a differentiation of the two goods as well as an inconsistency between individual desires and the wellbeing of society. Yet we may still perceive the relevance of the classical notion of good, as it is deeply rooted in our culture.

On the other hand, the economic idea of good as a commodity regulated by property rights is less problematic. It cannot be confused with the classical good, even if it is seen as essential to its achievement. However, common good in economics should not be confused with *commons*, that is to say, property shared by many. It also should not be confused with *public goods*<sup>17</sup>. These are, again, specific kinds of goods, defined from a technical point of view, incorporating the legal perspective (non excludability) and a characteristic of consumption (non-rivalry). Both *commons* and *public goods* can be functional in the achievement of

15 See S. Zamagni, *L'Economia del Bene Comune*, Città Nuova, Rome 2007.

16 Many heterodox economists would argue in favour of a need-based or substantive evaluation, but this is not the mainstream view.

17 S. Deneulin and N. Townsend, “Public goods, global public goods and the common good”, in *International Journal of Social Economics*, 34(1) 2007 pp. 19-36.

the common good. The possible source of confusion between these terms may be the fact that there is no public good that is a material commodity. Rather, this term always refers to general ideals that are aimed for (e.g. safety or clean roads) that can be obtained in different ways. They may be the product of a service (such as a cleaning service) or a collective participatory action (everyone acts to prevent dirt or to contribute to cleaning). The former solution is standard production. The latter is more open to intersection with morals and with a participatory evaluation of a commonly desirable way of living.

In fact, the actual source of definition of the common good is the non self-sufficiency of individuals and not scarcity regulated by property rights. However, this does not make the common good a non-judicial view, as it considers both rights and obligations of individuals, but in a very comprehensive way not limited to property.

As a consequence, the common good surely has to include the supply of all goods (material and non-material) that depend on collective action in order to be produced. Therefore, the common good is neither a stock nor a flow, but the realisation of the processes needed to fulfil the good of the community. The common good is therefore produced in common and enjoyed in common – even if it often requires services that can be traded (such as education). Deneulin and Townsend<sup>18</sup> argue that the common good is not the result of a collective action, but that it *is* the collective action itself. Therefore, the distinction between production and enjoyment is also blurred.

From a policy perspective, the common good requires the (re-)production of socially prioritised goods, beginning with the stability of the family, peace, education, recognition and respect, ending with more tangible services as healthcare and social assistance. These are goods that can be supplied in different ways, but they share the fact that they are derived from specific ways of shaping social relationships. Furthermore, they both determine the sustainability of a society. This is the reason why the common good has often been defined as the 'right order of society'. Public happiness, as discussed by Genovesi in relation to the idea of common good<sup>19</sup>, is simultaneously a process, a set of rules, an end and, hopefully, a result.

Finally, the goals of common good encompass more than the sustainability and economic prosperity of a community. The spiritual development of the same community is also important. The aim is not only to give the individual the opportunity to flourish, but also to improve the welfare of the whole community thanks to reciprocal relations.

18 S. Deneulin and N. Townsend, cit. 2007.

19 L. Bruni, *Civic Happiness: Economics and Human Flourishing in Historical Perspective*, Routledge, London 2006.

### 3. The reframing of the common good by different traditions

The second main theoretical framework through which we may understand the common good today is that of Hegel. Individuals, according to Hegel, are capable of self-realisation within the institutional fabrics of modern ethical life. This process requires interactive reciprocal recognition. The common good can be created and preserved only through concerted effort, as a consequence of collective practices and institutions<sup>20</sup>. The ethical life unites objective customs, laws, institutions and individuals. According to this view, institutions incorporate ethics. The economic order – the fabric of institutions – is an ethical system, as it incorporates the basic concept of morality. Individuals therefore see in these objective structures the realisation of their own essence or self-realisation<sup>21</sup>.

Hegelians have often attributed an ethical character to the state, intended as the fundamental political-economic authority. However, for Hegel, the market has a prominent role in the achievement of the common good as it responds to three tasks: the satisfaction of needs; people's self-realization through work, and social integration. Nonetheless, the market is not able to achieve the common good alone. Therefore, the role of the state, beyond the administration of justice, national defence and the protection of institutions, is to ensure that markets achieve their goals.

This view is even firmer than the classic tradition in defining the role of social order and the reciprocal dimension of interaction. The main difference is the translation of the idea of political community into the set of institutions defining the state, which may be seen as controversial. Moreover, there is a full endorsement of the state as a vehicle for the ethical considerations of life, whilst in the Thomistic tradition the primacy is attributed to civil society. In the classical tradition, ethics are attributed to people acting at any level of association. Hegelian institutionalism attributes less importance to individual morality and freedom of choice, while the Catholic tradition, and, more obviously, contemporary Personalism, tend to downplay the relevance of institutions rather than endorsing them with ethical status.

The third main theoretical framework in which common good has a fundamental importance is communitarianism. Etzioni defines the common good as something connoting «those goods that serve all of us and the institutions we share and cherish»<sup>22</sup>. He argues that no society can flourish without some shared formulation of the common good and that it has to be considered 'within history'. In this way he brings forth a crucial aspect of our secular society, which is usually discarded in the Christian tradition: the plurality of views concerning what is good. Etzioni also focuses on the legal aspect of this notion, as 'strong individual rights presume respect for strong obligations to the common good'<sup>23</sup>. That introduces the question of to whom we have moral obligations. Contrary to the Hegelian

20 A. Honneth, *Suffering from Indeterminacy. An Attempt at a Reactualization of Hegel's Philosophy of Right*, Van Gorcum, Assen 2000 p. 42.

21 W. Ver Eecke, 1998 cit. p. 47.

22 A. Etzioni 2004 cit. p. 1.

23 A. Etzioni 2004 cit. p. 3.

view, and similar to the Thomistic tradition, he favours specific and particularistic communities where reciprocity is naturally defined. He argues that reciprocity is more solidly based if it is seen in terms of morality, as communities are inherently asymmetrical. Moreover, according to Etzioni, universal obligations are learned and cultivated by particular communities and not in a universal space. According to this approach – similarly to the Thomistic tradition – the state is therefore a *communitas communitatum*.

However, Mark Lutz, who has elaborated a humanistic approach to social economics, basing it on the notion of common good, disagrees<sup>24</sup>. He attempts to secularize the common good, basing it on a rational foundation. His view of what is good is defined by the *common humanity* of the members of society. This differs from the communitarian view, that transcends cultural divides to define the term 'common' as what is common to all men, that is to say *universal*, and not in specific communities. Therefore, Lutz, taking a view similar to institutionalism, gives priority to a scientific approach oriented to the discovery of common values that, in turn, are able to define desirable progress for humankind.

The same perspective is taken by Cobb and Daly<sup>25</sup> on the issues of sustainable development. They tend to extend the term 'common' to what is universal, as the problems of environmental preservation concern the whole planet. In this case the common good is the good of life on our planet. Obviously, this perspective tends to share some methodological aspects with Lutz's.

These theories do not clash with the classical tradition. However, the theory of action is inevitably and definitively shaped by an *enhanced utilitarianism* (including some morals). At the same time, the views discussed above are shaped by a more modern approach to *practical reason* than is seen within the classical tradition. The main difference is therefore how we define the effective area of reciprocity in which we may find the common good. This entails working with a theory of collective action that in the classic tradition, as well as in communitarianism, has taken the form of subsidiarity, and that is not seen clearly in the other approaches.

#### 4. The relevance of a morality- and subsidiarity-oriented policy-making

As an element of a theory of practical reason, the common good cannot support abstract and general policy measures. Society and the economy evolve in time. Each historical era has its troubles and its priorities. Therefore, the same problems may find different solutions at different times. This means that the notion of policy-making that conforms with the notion of common good has to be redefined according to context. Moreover, the different interpretations above illustrate some variation in terms of potential policy focus.

24 M. Lutz, "Social economics, justice and the common good", in «International Journal of Social Economics» 29(1) 2002 pp. 26-44.

25 H.E. Daly and J. B. Cobb 1994 cit.

In any case, as far as morals are concerned, the creation of social knowledge and the quality of collective evaluation practices represent the fundamental elements to be preserved and controlled. A further point, given that the market economy is grounded on reciprocity, is that some controls are needed to reduce inequality and maintain balanced market interactions.<sup>26</sup> Moreover, the common good cannot be simply oriented towards keeping markets competitive. It must also set some moral limits on their operation. The transformation of social practices into tradable services tends to damage our symbolic universe and, above all, to confuse our ability to relate the common good to the very sense of being human. The communitarian philosopher Michael Sandel<sup>27</sup> argued that there is a need to strengthen the sense of solidarity and active participation in the life of community. The more our society becomes cosmopolitan and open to globalization, the more the sense of reciprocal responsibility is needed to improve the local life.

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26 The clearest compromise between the idea of developing markets, while keeping a social nature of the economy, oriented to the common good, has been the experience of the *social market economy*. A. Müller-Armack, "The principles of the social market economy" in Koslowski P. (Ed.) *The Social Market Economy: Theory and Ethics of the Economic Order*, Springer, Berlin 1998, pp. 255-74.

27 M.J. Sandel, *Justice: What's the Right Thing to Do?*, A. Lane – Penguin Books, London 2009.

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