Competitive cooperation: the role of social capital

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Abstract. We are facing an anthropological crisis, not economic. The debate on economics and its methods of study cannot be divorced from a correct reading of history that in the long term tends to repeat itself, as G.B. Vico had envisioned; the nature of man never changes, constantly oscillating between Cain and Abel, and it would seem that only pain leads man to wisdom. The single technical-rational thought makes us see the future as the only guarantee of success and we therefore cannot understand the correlations between causes and effects in our history. We act as if the past had been erased and as if history had never manifested similar situations to those in which we find ourselves today.

The toxic consequences of this model are socio-cultural inequality, poverty, moral degradation, a raging and permanent conflict, lack of imagination and creativity. Is all this due to an incorrect adjustment of the markets (economic crisis) or to the end of a socio-cultural model incapable of responding to the problems of man as a person not as an object (anthropological crisis)? “Once profit becomes the exclusive goal, if it is produced by improper means and without the common good as it ultimate end, it risks destroying wealth and creating poverty” (Caritas in veritate, Chapter II, 21). The system taken to extremes created a concentration of financial wealth that is unparalleled in history with a sort of hegemonic senate that is superordinate to individual states. We have to return to the man and to a Welfare system in which healthcare is fundamental because in this way we can understand the solidarity and we can build a real “societas” – this world in old Latin means “alliance” – and this is foundation of our happiness.

Economy is a social and not exact science: the central role of social capital, the end not the mean

History in long times shows always that the social capital is foundation of economic capital and not the other way around, the aim of which was to provide empirical evidence in support of the following propositions:

• Growth of social capital in society, in whatever form this takes, occurs when people coexist in harmony and, in economic terms, when there is a low level of inequality as regards distribution of income – the necessary conditions for the growth of economic capital (namely, of the economy).
• Impoverishment of a society’s social capital (the result of a reduced focus on sociality and an increase in inequalities among its members) leads to an impoverishment of overall economic capital.
• While an increase in an individual’s (or public/private organization’s) economic capital is indeed possible in competitive situations ruled by the market system, this is to the detriment of the economic capital of other individuals. But it leads to an increase in inequalities, pursuit of individual wellbeing and permanent antagonism. Conversely, cooperative competition promotes an increase in a society or territory’s social capital and so can reduce antagonism and inequalities because of a greater focus on the common good.
  • When there is a prevalence of competition focused on maximizing individual economic capital, over time this leads to the erosion of collective economic capital. A durable reconstruction of the latter can only achieved by first reconstructing social capital.
  • Searching exclusively to maximize results at individual level doesn’t coincide with maximizing results for either the social or the economic system. In fact, it puts them at loggerheads. The strongest will always prevail when liberalism is unrestrained by moral order. Thucydides already recognized this in his History of the Peloponnesian War about 2,400 years ago: ‘We don’t establish this law [of the strongest] and neither do we distinguish ourselves in wanting to apply it – it existed before and always will, inasmuch as nature has established that the strongest men shall exercise power’. The end result of all this fuels the process of increasing the concentration of wealth and exacerbates...
inequalities and social issues that then lead to the collapse of societies.

- Lastly, a clarification of what social capital is in technical terms: it is an intangible, qualitative value that is only partly measurable. In fact, often the most important aspects of it cannot be measured at all. Whereas economic capital is tangible, quantitative and measurable. The former is created in relational exchanges between people; the latter is the result of monetary and economic exchanges in markets. This is why methods for measuring them are different – in the first case they are limited, in the second they tend to be exhaustive. Stated in accounting terms both comprise debit and credit entries and the balance can be either positive or negative. In an economy, a negative balance means an economic and/or financial loss, whereas in society such a loss equates to a breakdown of relationships and the fragmentation of society itself.

Social capital is the foundation of economic capital and conditions its growth. While we can learn much about economic capital based on measurement, it always depends on the composition of social capital that, especially as regards its more critical aspects, is not measurable. Therefore, the pretence of knowledge – as Von Hayek said – and study of economics while disregarding the social and emotional values underlying it means basing the method on abstract, rational principles typical of the physical sciences. But this hypothesis has no foundation in the real world. We can see the relationship between social capital and inequality in the last century in USA: the higher point of social capital is exactly in the same time of lowest inequality as we can see:

All the positive curves of the “golden age” have an inflection and deteriorated between 1971 and 1974 as a result of Nixon’s decision; from the “gold exchange standard” we would go to the “petrodollar exchange standard” and to a system of flexible exchange rates, and we would suffer terrible inflation that went from 4.4% to 24%, paving the way for today’s drama of uncontrolled finance, as we see in following graphs:
The technical culture, master of the world, as defined by Emanuele Severino, has unnaturally transformed economics as a social science into an exact science; in the exact sciences we study the relationships between measurable things to define universal laws, but in the social sciences, such as economics, we study relationships between men where human subjectivity does not allow defining universal laws. Von Hayek in his Nobel acceptance speech in 1974 denounced the serious mistake that would pave the way for rational finance and speculative markets distant from the real world; but he remained unheard. The extreme financialization of the real economy became deeply rooted since 1971 when Nixon unilaterally declared the end of the dollar’s convertibility into gold.

In essence, we first need to rethink economic sciences starting all over again from people and social capital. Then we will have to reformulate the assumptions currently used in studies of the economic sciences. To think we can separate economic studies, models and a rational approach from the emotional nature of human beings – today considered irrelevant in terms of his socio-economic decisions – is a groundless assumption because it ignores the principle of the objective truth of reality. Human nature always comes out on top and influences processes for creating and distributing wealth. As Thucydides warned, if aggressiveness and greed go unchecked then the strongest members of a society will always prevail. In economics this means an increase in the oligarchic process and a concentration of wealth, but also the impoverishment of social capital. And as a consequence conflicts arise in an attempt to redress the balance destroyed in a process that, as an analysis of history shows, has always been the bane of societies.

A challenge now threatened by the single currency and role of the economy and finance in our social system. On this subject, it should also be highlighted how forms of government showing more respect for widespread participation of all social classes in pursuing the common good have always developed after dramatic phases during which dominance of the few led to inequality and the oppression of the many. Virtue is always the daughter of fear.

**The terrible mistake: the time of infinite and mythological finance moves the infinite human greed and inequality**

The beginning of mythological finance became fully evident after the Nixon declaration in 1971 when the end of the convertibility of money into gold, separating infinite money from the real finite and laying out the red carpet for fake “rational” markets. Since 1971, the leap into the supercelestial monetary void occurred with unprecedented ferocity and the value of gold would consequently be driven down to support the shift to a different currency system and paper money, devoid of a real and finite counter value and becoming infinitely uncontrollable. Since that year, US public debt has risen and the balance of payments from positive became negative, inflation rose and in order to continue to give value to the dollar, created demand with the petrodollar that supported this currency.

The uncontrolled laissez-faire and finance define as a goal the personal interest and the society – societas in old latin means alliance – became the monster of “bellum contra omnes” the war between the mans, the inequality increase unlimited as we show in these figures:
Given such conditions, which are very similar to the current situation, it is understandable that as the oppressed become more aware of their situation they develop an intense hostility towards the society that is oppressing them. History clearly shows this, as was commented by Sigmund Freud in *The Future of an Illusion*, published in 1927. He noted that when a society fails to overcome the stage in which satisfying a certain number of its members requires oppressing the others, perhaps the majority, it is understandable that the oppressed develop an intense hostility towards society. A society in which they are allowed to work but from which they receive an insufficient part of what is produced. It should be obvious that a society that leaves such a large number of its members dissatisfied induces them to revolt. Such a society has no prospects – nor deserves – to last very long. These considerations forced Freud to see the socialist movement as not being an attempt to create paradise on earth but as a move to reduce oppression.

From this point of view Marx was right in saying that when capitalism is an end in itself and the main focus is individual interest, this will lead to a concentration of wealth in few hands and, as such, is likely to provoke the reaction of everyone else. This is why he believed that the final phase of this type of individualistic capitalism would be socialism, emerging as the natural outcome of a need to re-establish more equality within society.

This right to equality appears to be strong in the United States’ Declaration of Independence and its Constitution that, at the time, were a response to oppression by the British crown. Today, however, it looks as though this right has really been forgotten in a society that seems to be facing sociocultural default. US society is fraught with an unprecedented level of social issues and inequality.

It should be mentioned that the term society is intended in the widest possible sense to indicate all associative forms devised by human beings. The term is derived from the Latin *societas*, meaning alliance, which today has instead been given an economic and commercial weight far removed from the original meaning. As intended in Latin the term is less impersonal than the word “institution” used in legal contexts, inasmuch as the intention is to highlight the role of individuals and especially the determinant that influences their choices, namely, human nature. A nature that has not changed from how the Greek dramatists Aeschylus, Sophocles and Euripides so masterfully presented it in their tragedies. It was Euripides who in 405 BC, de facto, first introduced the theme of the unconscious in *The Bacchae*, a theme that Freud was to take up again over 2,200 years later.

As will be seen throughout this book, the above clarification is important given that it highlights how the essence of human nature is the true driving force of history and the cause of crises that have developed over time. History shows us that change can take a long time and seems to
follow a non-linear, alternating course. One that tends to repeat itself based not on material conditions but on an immutable factor, human nature.

Today we are distracted by the daily occurrence of sensational facts and a focus on a future founded solely on technical progress, believed to be the guarantee of success. We are losing the ability to comprehend the long periods of time over which history develops because we continue to think of it as independent from the factor that creates it, people. But is it possible to study the results of people’s actions without knowing their nature? Is it human nature to be exclusively rational as modern economics assumes? Are study methods based on the former assumption well founded?

So in this interpretation of the crisis the proposal for cooperative competition not only has a technical-economic value but is also intended to include the social dimension. This is by no means a contradiction in terms as it might seem to be at first sight but an attempt to create a synthesis of the unceasing forces that have always been the mark of human nature. The never-ending battle between our genetic aggressiveness – competition – and the idea of mitigating this impulse to allow for the need to be social – cooperation.

It is, in other words, the eternal battle between the forces of Eros, exactly as Plato intended it in the Symposium, written in about 385 BC, and Thanatos, that tends to destroy, to kill. Both are necessary, both are part of our biological make-up and life proceeds based on a confrontation of these forces. However, the inability to reconcile them is disastrous. It should be clarified that these two forces are different from the concept of good and bad, which are moral categories of a higher order.

What is needed is a form of competition based on cooperation, one that creates unity and attempts to reconcile our deeply felt needs (social interest) as opposed to competition as proposed in the market model (individual interest). Today the latter is considered a must, one that tends to give rein to the more aggressive side of human nature and a limitless ancestral greed. A greed that if unchecked would even make people feel restless in paradise!

In this absolute interpretation of the market individual interest prevails to a point where the sociocultural model, taken to the extreme, degenerates and ends up by disintegrating all forms of human organization. In fact, throughout history societies have always been destroyed by class differences and wars. The alternation of Chinese dynasties over the millennia and their history are a prime example of this. No dynasty was ever overthrown by an external conqueror but because of the dominance each of them exercised over peasants, who were exploited to an intolerable degree in order to create the grandiose works we can still admire today. But the Great Wall was also known as the great cemetery and building it ended up by causing peasants to revolt. The result, however, was that one dynasty was replaced by yet another that, forgetting the errors of the past, eventually came to the same end as its predecessor.

Currently our sociocultural model is marked by conflictual individualism and a consequent inequality unprecedented in history. In fact, Western society is no longer the one united front it had appeared to be prior to the fall of the Berlin Wall. Before this the presence of an external enemy contributed to reconcile differences between the two cultures. There was the market culture focused on achieving maximum short-term individual gain – primarily the US culture – and that of subsidiarity more similar to European culture, which focused on achieving a maximum medium/long-term gain for the system. Following the implosion of the USSR the contradictions and gap between the two models became evident as their aims are entirely different and implementing one excludes the other.

It is unthinkable to simultaneously implement a capitalist model that aims to maximize profit by means of massive recourse to the financial economy (the market model) and another aimed more at the common good and oriented towards the real economy (the subsidiarity model). Clearly the means to achieve each model are entirely different. ‘No one can serve two masters; for either he will hate the one and love the other, or else he will be loyal to the one and despise the other’. (New Testament, Matthew 6: 24–34)

Today we are indeed seeing the success of a highly liberalist and capitalist sociocultural model, taken as being “indisputably true” and based entirely on a technical-rational philosophy. The result is a mainly conflictual and aggressive society that aims to maximize short-term gain for single individuals or groups of individuals. And in turn this produces an individualistic, anti-egalitarian society in terms of redistribution of wealth.

It is exactly the increase of inequalities, as we will see in the USA, which increases the level of conflict. This makes the consequent social issues and costs worse, and these then boomerang back against the system as we see in these figures:

**Figure 1: Children under 6 years old by family income, 2013**

- Above low income: 52%
- Low income: 48%
- Near poor: 23%
- Poor: 25%

© National Center for Children in Poverty (www.nccp.org) Basic Facts about Low-Income Children: Children under 6 Years, 2013
Chart 2.6 - Infant mortality in rich countries is related to inequality

Source: R. Wilkinson and K. Pickett, 2009

Chart 2.9 - Murder is more frequent in countries with greater inequality

Source: R. Wilkinson and K. Pickett, 2009
A default of sociocultural model: “The Crisis of Our Time” (Pitirim Sorokin, 1941)

The current model has ended up by creating a crisis in the middle class, the class that really “primes the pump” in our societies. We fail to see that the origin of today’s crisis all began way back, in the history of philosophy and in the field of speculation. Instead today we are used to always linking negative or positive facts to the last event that occurs.

So a single technical-rational and materialistic culture and philosophy, and its indifference to the humanistic culture that has developed over the past two centuries, prevents us from capturing the more metaphysical and spiritual as opposed to purely physical essence of the crisis under way. This has been legitimated by a culture claiming that the sole principle of truth is “what we can see, touch and measure”. In fact, while physical reality is measurable, spiritual and emotional reality is not, and so the perimeter that defines the measurement becomes clouded and irrelevant when used for decisions. Terms like ethics, solidarity and justice risk being incomprehensible for young people and, unfortunately, not only for them. Ethics, for example, differs from science by the fact that its fundamental data are feelings and emotions, not perceptions. This is to be understood strictly; that is to say, the data are the feelings and emotions themselves, not the fact that we have them. [...] Thus ethics is bound up with life, not as a physical process to be studied by the biochemist, but as made up of happiness and sorrow, hope and fear and other cognate pairs of opposites that make us prefer one sort of world to another. (Bertrand Russell, Human Society in Ethics and Politics, 1954) But if the truth that asserts itself were solely of the physical-material type then this could be explained exclusively by the physical sciences. As these are based only on the measurability of events to be examined and that, in turn, end up by becoming truth, as a result our spiritual dimension becomes confused and indefinable.

So we have let technical knowledge win hands down and over time have recognized it as moral knowledge – to be the indisputable truth. As always, the problem is not the tool itself but the fact that it has become beyond discussion. The final step, the one that closed the circle, was to extend this study model to also cover social sciences like economics. Progressively the principle was introduced that, as in natural sciences, study models are independent from the reality of what is being studied. This has encouraged the idea that the perfection of exact sciences is able to explain social phenomena, also by ignoring our emotional dimension – the mirage of rationality – and study of human sciences, which have always been the foundation for the development of societies.

But when our philosophy is an integral part of the reality in which we live the separation ceases to exist, because our decisions will always be conditioned by our nature, which expresses emotional expectations. We, in fact, are not just rational beings, our emotional drives prevail. Even though for the purpose of economic theory it was convenient to imagine us to be solely rational, until, that is, reality rebelled against this.

This rift is even more evident in financial economics because decisions are based on expectations and not on knowledge, as in the case of natural sciences. So-called “reality” is not based on definite knowledge and therefore the gap from the real economy encourages a propensity for human weaknesses, euphoria and depression. Financial markets may seem to anticipate future events exactly whereas it is expectations of future events that rule markets. However, the assumption is that people, when faced with a problem and given the same information, will all decide in the same way, despite their individual differences. This has become the basic premise for modern economic studies – *sic et nunc*.

In this way we have inverted the roles of subject and object in economics and finance. People no longer define their choices based on needs, their priorities and means by which they intend to satisfy them. Today it is the technical-economic truth that dictates priorities and we just have to put up with it. We have become the dependent variable and the economy the independent variable. So we have produced a system that is external to humanity, one that feeds on itself and continuously creates antibodies in order not to be questioned. In short, we have become “economicized”.

According to this paper, based on empirical evidence we should always respond affirmatively so the time has come for us to choose which of the following questions we should answer in the affirmative.
Is a good economy a necessary and sufficient condition for a good society? Is the financial economy the right tool to achieve this? Are people a dependent variable of the economy?

Is a good society a necessary and sufficient condition for a good economy? Is the real economy the right tool to achieve this? Is the economy the dependent variable of society?

The “History” in the centuries shows that all the society collapse only for two reason: war and inequality; But the question is whether we will manage in time to dominate this current, limitless greed and aggressiveness in favour of a greater focus on a sense of fraternity and solidarity expressed by love for others. Homo sapiens really does seem to be rather stubborn as regards understanding its own errors. A species that seems to be very attentive as regards learning the causes and effects of physical ills but that has not yet managed to correlate causes and effects in its history. Conceptually, similar situations to those we find ourselves having to face today have occurred before. Perhaps this explains why history is ignored, as if by doing so erects a kind of barrier to the fear of having to face suffering. Whether Homo sapiens will manage to deserve this appellation is difficult to say, time will tell if intelligence will turn out to be a benefit or a curse. Should it turn out to be a curse, this will only be because of a failure to use a truly precious gift, namely, our “humanity”, in an intelligent way.

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