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**THE INTERDISCIPLINARY PERSPECTIVE IN ECONOMICS:  
IMPLICATIONS FOR DEVELOPMENT POLICIES**

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## INTRODUCTORY ABSTRACT

In this work<sup>1</sup> we aim to outline a number of features of an alternative approach to economics. One central aspect of a broader perspective is the level of its interdisciplinarity. As is well known, mainstream economics largely rests on the attempt to insulate itself from other perspectives in economics and in other social sciences. Even when there are initiatives to consider other fields of social sciences there occurs not much interchange with them. In fact, what generally happens is an operation of parcelling out, through the incorporation in the mainstream paradigm only of the aspects deemed important at the time—for instance, collective action and cooperative behaviour. Typically, these aspects are considered as “exceptions and/or imperfections” and, then, never really impinge upon the perfect world of mainstream theory.

Such situation is unsatisfactory for those who believe in the unitary character of science and, then, try to establish systematic contacts with other social sciences. This process, of course, is not tantamount to downplaying the distinctive features of each discipline. Conversely, the analysis of different perspectives, by broadening the horizon of awareness of the observer, constitutes an excellent way for obtaining a better comprehension of the real features of each discipline.

In our study we consider, as a suitable example, the approach of institutional economics in that, in particular in its “old” tradition, explicitly embraces an interdisciplinary perspective, in particular with regard to philosophy and psychology.

We have organized the work as follows: in the first part we provide an outline of the main concepts of institutional economics, with particular attention to its philosophical and psychological foundations. In this regard, we analyze the links with other social sciences, focusing attention, also for space reasons, on a number of contributions from psychology and psychoanalysis. Then, we explore a number of implications for theory and policy action, with particular attention to the problems of local development.

Within this ambit, we will investigate the potential of this perspective for broadening the explicatory power of the concepts of human development and social capital — which, as is known, are receiving a growing attention in theory and in policy debate.

One important implication of this new vision is that human development and social capital should no longer be considered as separate concepts. In fact, the implicit assumption of

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<sup>1</sup> This work expands upon the chapters 6-8 of my book *Essays in Institutional Economics and Political Economy: An Interdisciplinary Perspective*, Trento, UNI Service, November 2009.

many contributions is that human development is a very desirable objective but does not concur directly to its attainment. For that purpose, what is needed is social capital which, however, is most often not interpreted as a form of human development.

In this sense, it seems more appropriate to regard human development and social capital as, at the same time, the end and the means of the same process of socio-economic development. The only difference between the two concepts would reside in the focus of the analysis: in human development, we draw attention on how a person's potential can unfold in its individual and collective dimension, while in social capital we investigate to what extent the articulated nexus of social ties is conducive to economic and social development and, then, to the unfolding of human potential.

This process would end up in a blurred distinction between spiritual or "final" activities and "instrumental" activities related to production process.

We conclude the study by showing the significance of this more far-reaching theoretical perspective for devising development policies based on the competencies and aspirations of all the subjects involved.

## PART I: THE INSTITUTIONAL ECONOMICS'S PERSPECTIVE

### 1. The Main Concepts

As is known, institutional economics originated in the United States in the first decades of the 20<sup>th</sup> century. Its cultural roots can be identified in the philosophy and psychology of Pragmatism — in particular in the theories of Charles Sanders Peirce, John Dewey and William James — and in the German historical school, whose principles were utilized by a scholar, Richard T. Ely, who had a considerable influence on the formation of the first generation of institutionalists.

The principal exponents of institutional economics are Thorstein Veblen, John Rogers Commons, Wesley Clair Mitchell and Clarence Ayres. Relevant contributions were also provided by J. Fagg Foster, David Hamilton, Walton Hale Hamilton and Gardiner C. Means. Significant contributions with important connections to institutional economics were provided by, among others, John Kenneth Galbraith, Fred Hirsch, Albert Hirschman, Gunnar Myrdal, Karl Polanyi and Michael Polanyi.

Within institutional economics two main strands can be identified: **(i)** the *old institutional economics* (OIE), constituted by the first institutionalists and by subsequent scholars who shared their main concepts; **(ii)** and the *new institutional economics* (NIE), composed of later scholars adopting principles that have important references in the Neoclassical and Austrian traditions.

In our work, we focus chiefly on the OIE, and, in particular, on contributions made by Veblen and Commons, but we are aware that many other authors would deserve more attention.

In this regard, it is interesting to observe the significant links between the OIE and, among others, the following theories: **(a)** the various strands of the “new economic sociology”; **(b)** a number of theories of technological innovation — often labeled as neo-Schumpeterian — which share many important concepts with the OIE: for instance, the importance of path-dependency processes and of the related historical and cultural heritage in explaining the characteristics of technology and innovation in any given context.

The pivotal concepts characterizing the OIE can be summarized as follows: ceremonial/instrumental behaviour dichotomy, instincts, culture, evolution, habits, path-dependency, tacit knowledge, technology, collective action, working rules and social

valuing. As made evident by numerous authors, OIE does not present a completely unitary framework; within this ambit, two main strands can be identified:

(I) An approach relating to Veblen, stressing the dichotomy between ceremonial and instrumental institutions, the role of habits of thought and action, the cumulative character of technology in its relations with the workmanship and parental bent propensions.

(II) An approach referring to Commons, which focuses on the evolutionary relations between economy, law and institutions; the nature of transactions and institutions; the role of conflicts of interest and of the social valuing associated with them; the nature and evolution of ownership, from a material notion to one “immaterial” of relations, duties and opportunities; the role of negotiational psychology for understanding economic and social phenomena.

Notwithstanding some differences between these approaches (cf. in particular, Hodgson, 2004), the elements of convergence are remarkable, for instance between the concept of ceremonial and instrumental institution, on the one side, and the process of social valuing, on the other. In this sense, the observed differences tend to concern more the issues addressed than the basic aspects of the OIE.

Within this conceptual framework, institutional economics highlights that the presence of a collective context — with its values, norms, organizations, routines, customs and habits — constitutes a necessary factor for the performance of human activity in the socio-economic setting. In fact, every economic action possesses, at the same time, also a social, institutional, historical and psychological dimension. In this sense, a more complete understanding of the dynamics of economic action requires a joint analysis of all these dimensions which, for this reason, demands the adoption of an interdisciplinary approach.

### **The Links with Pragmatism**

As just noted, institutional economics shares significant aspects with the psychology and philosophy of Pragmatism. For instance, in numerous occasions Commons analyzed Dewey's theories and those of other pragmatist philosophers while, in turn, Dewey was influenced significantly by Commons's analysis of the increasing importance of organizations and institutions in modern life.

The following passage from Commons clearly expresses the links between institutional

economics and the different meanings of Pragmatism:

"...(in the discussion on Pragmatism)...We are compelled, therefore, to distinguish and use two meanings of pragmatism: Peirce's meaning of purely a method of scientific investigation, derived by him from the physical sciences but applicable also to economic transactions and concerns; and the meaning of the various social-philosophies assumed by the parties themselves who participate in these transactions. We therefore, under the latter meaning, follow most closely the social pragmatism of Dewey; while in our method of investigation we follow the pragmatism of Peirce. One is scientific pragmatism—a method of investigation—the other is the pragmatism of human beings—the subject-matter of the science of economics....Not until we reach John Dewey do we find Peirce expanded to ethics, and not until we reach institutional economics do we find it expanded to transactions, going concerns, and Reasonable Value.", (Commons, 1934: 150-151, 155).

In this way, many Veblen's and Commons's concepts could be jointly employed in the analysis of economic and social phenomena: for instance, Commons's concepts of institution, transaction, collective action, working rules, going concerns, reasonable value, ownership and negotiational psychology, point up the conflicting and interdependent nature of collective action. These concepts can brightly complement with Veblen's analysis of the dichotomy between the pecuniary and serviceability motives of economic action. Such motives find their roots in different propensions of the person which, in turn, can be weakened or reinforced by the habits of thought and action which shape the characteristics of the social structure.

And, relatedly, the concepts addressed by Veblen can help to shed light on the dynamics of human action — in particular, in the issues of work and participation, and the role played by habits and the cultural heritage embedded therein — and how they impinge on the structure of collective action as analyzed by Commons.

These concepts allow us to overcome the dichotomy, so often present in social sciences, between individual and collective action through a definition of collective action that embraces the individual and the collective element as two complementary aspects of every human action unfolding within a social context. Thus, instead of considering the person on the one side and society on the other as two opposing entities, we have the motivations and actions — the "wills in action" — of persons which simultaneously assume an individual and collective dimension. This integrated vision of the dynamics of social

action was reached through the study of the various forms of collective action in their various interrelations.

Thus, in the sphere of the most structured collective action — institutions — the concept of transaction in its three forms (bargaining, managerial, and rationing) enables us to understand the role of individual actions in determining the dynamics of its development and distinctive features. Meanwhile, in the sphere of the most "individualistic" transactions, the concept of institution makes it clear that even the most isolated bargaining transaction reflects an expression of collective action in that its economic, legal, and social basis can be found in the existing institutions, which are defined as the combined whole of "collective action in restraint, liberation and expansion of individual action.", Commons (1934:73).

## **2. The Psychological Foundations of Institutional Economics**

Within institutional economics, Veblen and Commons have developed important psychological oriented concepts, which can be employed in the investigation of the processes of social and cultural change. Now we try to summarize a number of them.

### **(I) Veblen's Theory of Instincts**

In the case of Veblen, his book, *The Instinct of Workmanship and the State of the Industrial Arts* (1914), examines the role of two fundamental instincts (or propensions), "workmanship" and "parental bent", in economic and social development and, consequently, in the characteristics of production and consumption. Both propensions are intended in a broad sense: "workmanship" meaning not only technical abilities but the whole of manual and intellectual activities applied toward achieving a certain end, and "parental bent" meaning an inclination to look after the common good that extends beyond the sphere of the family alone.

In Veblen's analysis, these propensions tend, under ideal<sup>2</sup> circumstances, to strengthen one another. This constitutes an important insight confirmed by studies in psychology and psychoanalysis, which stress the need for the person to enhance his or her intellectual,

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<sup>2</sup> In Veblen's analysis, the extent to which these true propensions can prevail over other more aggressive and predatory ones depends on the habits of thought and life prevailing at the time. Their nature and evolution, in turn, rest on many circumstances and, in these aspects, a comprehensive analysis of the complexity Veblen's thought would lead us to far away from the main theme of the work. Now, we can note that a central role is attributed to the rationalizing role of technology which, however, is not interpreted in a positivistic position.

social, and emotional potential through the construction of adequate interpersonal relations.

Related to these aspects, Veblen's analysis presents other pivotal observations regarding the relationship of "personification" established by the worker with his or her work-tools when he or she ascribes to them anthropomorphic qualities.

Such insights open new horizons for research on worker motivation and participation: in this regard, it can be noted that the "personification" of the relationship with one's work-tools, while shifting in meaning continuously over time, tends to represent a distinctive feature of the psychology of the worker. Indeed, one reason why the worker tends to consider his or her tools as symbolic "co-workers", might derive from the fact that the worker's relationship with technology is something more than a simple "objective" and technical relationship as it also involves an emotional/relational involvement — in other words, a social relationship — which deeply influences his or her role and motivations in the workplace and in the social context. As a consequence, the "personification" of the relationship with technology or with other aspects of collective life, far from being an expression of irrationality, can be considered as a necessary ingredient of social life. Naturally, the content of this symbolic relation with technology is partly driven by the characteristics of the social context and, for this reason, can also be determined by an inadequate expression of conflicts or distress on the part of the worker; but this holds true only for the "content" and, therefore, does not regard the process of "personification" as such.

## **(II) Commons's Theory of Reasonable Value and Negotiational Psychology**

Also Commons has provided significant contributions to the analysis of interrelations between economic and psychological factors in collective life. Firstly, he was the most important founder of the theory of social value<sup>3</sup>. In this regard, he elaborated in particular the concept of reasonable value, which pinpoints the conflicting and context-specific

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<sup>3</sup> As is known, the theory of social value has a long tradition in social sciences. The following passages effectively express the meaning of the concept of social value for institutional economics, "To conceive of a problem requires the perception of a difference between 'what is going on' and 'what ought to go on'. Social value theory is logically and inescapably required to distinguish what ought to be from what is....In the real world, the provisioning process in all societies is organized through prescriptive and proscriptive institutional arrangements that correlate behaviour in the many facets and dimensions of the economic process. Fashioning, choosing among and assessing such institutional structure is the 'stuff and substance' of continuing discussions in deliberative bodies and in the community generally. The role of social value theory is to provide analyses of criteria in terms of which such choices are made.", (M.Tool, in Hodgson, Samuels e Tool, 1994: 406-407).

nature of the process of social valuing; these concepts are effectively set forth in the following passage,

“The preceding sections of this book brought us to the problems of Public Policy and Social Utility. These are the same as the problems of Reasonable Value and Due Process of Law. The problem arises out of the three principles underlying all transactions: conflict, dependence and order. Each economic transaction is a process of joint valuation by participants, wherein each is moved by diversity of interests, by dependence upon the others, and by the working rules which, for the time being, require conformity of transactions to collective action. Hence, reasonable values are reasonable transactions, reasonable practices, and social utility, equivalent to public purpose....Reasonable Value is the evolutionary collective determination of what is reasonable in view of all changing political, moral, and economic circumstances and the personalities that arise therefrom to the Suprem bench.”, Commons (1934: 681, 683-684).

Reasonable value is by definition an imperfect process whose characteristics can be interpreted as the synthesis of the conflicting and evolutionary components of collective action. The imperfection of social valuing is also caused by its partly unconscious and conflicting character, often embodied in consolidated habits of thought and life. In this sense, social value process goes at the heart of the nature of political economy, which is considered not an activity stemming from the application of abstract laws but as a collective and evolutionary decision-making process involving many institutions. In this sense, political economy has a close relation with law and ethics, "If the subject-matter of political economy is not individuals and nature's forces, but is human beings getting their living out of each other by mutual transfers of property rights, then it is to law and ethics that we look for the critical turning points of this human activity.", (Commons, 1934: 57).

In this regard, in *Institutional Economics, Its Place in Political Economy* (1934), he has expounded the concept of negotiational psychology, which aims to interpret the conflicts and dynamics of collective action as expressed through the complex web of transactions and institutions. Indeed, negotiational psychology involves the idea of conflict between different feelings and values, which find their manifold expressions in the dynamics of individual and collective action. Within this processes, the importance ascribed to social psychology appears in the following passages,

"If it be considered that, after all, it is the individual who is important, then the individual with whom we are dealing is the Institutionalized Mind. Individuals begin as babies....They meet each other, not as physiological bodies moved by glands, nor as "globules of desire" moved by pain and pleasure, similar to the forces of biological and animal nature, but as prepared more or less by habit, induced by the pressure of custom, to engage in those highly artificial transactions created by the collective human will....Every choice, on analysis, turns out to be a three-dimensional act, which — as may be observed in the issues brought out in disputes — is at one and the same time, a performance, an avoidance, and a forbearance....The psychology of transactions is the social psychology of negotiations and the transfers of ownership....Thus each endeavors to change the dimensions of the economic values to be transferred....This negotiational psychology takes three forms according to the three kinds of transactions: the psychology of persuasion, coercion, or duress in bargaining transactions; the psychology of command and obedience in managerial transactions; and the psychology of pleading and argument in rationing transactions....Negotiational psychology is strictly a psychology of ideas, meanings, and customary units of measurement.", (Commons, 1934: 73-74, 88, 91, 106).

Hence, the individual and collective element constitute two necessary aspects of collective action. This entails a shift of the analysis from a "person-to-nature" to a "person-to-person" relation<sup>4</sup>, with the related importance of an interdisciplinary approach for its understanding. In this perspective, psychological sciences can contribute to a better comprehension of the ontological foundations of reasonable value in any given context, in particular as regards its most problematic aspects, which tend to be grounded, in a partly implicitly and unconscious way, in deep-seated patterns of thought and action.

A joint application of the concepts elaborated by Veblen and Commons can make headway towards a systematic collaboration between institutional theories, psychology and psychoanalysis, especially in light of the increasing areas of convergence between

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<sup>4</sup> It can be interesting to note that these concepts allow Commons to develop important implications on the similarities and differences between institutional economics and Darwin's theory which, as is known, has had multifarious influences on social sciences. In this regard, Commons observes that, "Natural selection, which is natural survival of the "fit," produces wolves, snakes, poisons, destructive microbes; but artificial selection converts wolves into dogs, nature's poisons into medicines, eliminates the wicked microbes, and multiplies the good microbes....And these transactions, since the principle of scarcity runs through them, have curious analogies to the factors which Darwin discovered in organisms. Custom, the repetition of transactions, is analogous to heredity; the duplication and multiplication of transactions arise from pressure of population; their variability is evident, and out of the variabilities come changes in customs and survival. But here the survival is the "artificial selection" of good customs and punishment of bad customs, and it is this artificiality, which is merely the human will in action, that converts mechanisms into machines, living organisms into institutionalized minds, and unorganized custom or habit into orderly transactions and going concerns.", (Commons, 1934: 636, 638).

psychological and social sciences (cf. also below).

Such collaboration could lead to a better understanding of the features and evolution of social valuing in any given context, which, as previously observed, is expressed in the complex tangle of motivations, conflicts, and expectations, both at individual and collective level. In this context, it should be noted that while an increasingly marked differentiation between economic and social/cultural aspects of human activity has occurred over time, it is also true that the connections between these two spheres are increasingly complex and significant: if, on the one hand, economic aspects (e.g. the evaluation of the costs and monetary benefits of the various alternatives) permeates the rest of social relations, on the other hand also the opposite holds true, in the sense that social and cultural aspects condition and find expression in the economic sphere.

## **PART II: IMPLICATIONS FOR ECONOMIC AND SOCIAL DEVELOPMENT**

### **Introduction**

As we have tried to show, economic action cannot realistically be considered as a self-regulating process, isolated from its social context. Conversely, economic action constitutes a part of a broader social and cultural network. For this reason, understanding economic action implies a parallel comprehension of all the factors which combine to define its structure. Even more significantly, all these dimensions are directly related to the complexity of the institutional and policy framework.

These circumstances have profound implications for policy strategies, both for developed and developing countries. In this part, we will try, in the next chapter, to briefly illustrate some pivotal factors of economic development and how these aspects relate to the notions of human development and social capital. Then, in the final chapter, we will investigate how the approach developed before can be employed for casting more light on the South Italy development.

### **3. Some Strategic Factors of Economic Development**

Now, we will examine a number of factors which can contribute to illustrate the complexity of the interconnections among institutions, culture, and economic development.

#### **Internationalization, Research and Innovation**

Numerous authors have emphasized that the processes of internationalization — through exports, foreign direct investment and other forms of strategic collaboration (such as joint ventures) — play a key role in economic development: such processes in fact allow both the expansion of economic activities through contacts with new markets as well as the acquisition of important skills and know-how through interaction with other realities. These studies also highlight how necessary it is, especially in the case of developing nations, that foreign investments be included in a comprehensive strategy of political economy aimed at maximizing the positive impact of these investments on the growth of "human and social capital". Such outcome could be promoted through the activation of a virtuous circle among **(i)** the transfer of scientific, technological and managerial capabilities; **(ii)** the creation of new businesses and development projects; **(iii)** collaboration with universities

and research institutes.

Closely linked to the above aspects, there has been in the past few decades an increasing awareness of the pervasive nature of research and innovation in their relation to economic and social development. A clear illustration can be found in the debate between the supporters of the theory of demand pull (elaborated, in particular, by J.Schmookler, 1966), which argues that the prominent factor of technological innovation (both of "process" and of "product") in a given sector is determined by the expected growth of the demand, and the advocates of the theory of technology push (introduced, in particular, by N. Rosenberg, 1976 and D.Mowrey and N.Rosenberg, 1979), who maintain that innovation is significantly connected to the "frontiers of possibilities" of the technological paradigms in the various sectors.

In more recent contributions, there has been an articulated analysis of the various factors bearing on innovation, with special attention to the following related aspects: **(i)** the increasing importance of research and innovation in order for firms to gain a competitive edge even in the most "traditional" sectors: for instance, also the production of a "mature" good might necessitate innovation in the organization, management, and commercialization of the related activities; **(ii)** the growing interdependence — not only economic but also social and institutional — between producers and users (that is, between supply and demand) of research and innovation and, at the same time, the increasing specialization of the related areas; **(iii)** these aspects have been accompanied by an increased importance, on the one hand, of national and international systems of innovation and of the connected structure of institutions and policies for research and technology transfer. And, on the other hand, of scientific and technological patterns and routines and of the connected processes of path-dependency as impinging on the individual enterprise, the local systems of businesses, and the industry as a whole in its various definitions.

### **The Difficulty of Technology Transfer**

A key factor in the difficulties faced by underdeveloped economic systems in achieving an adequate level of innovation lies in the double nature, open and tacit, of technology: on the one hand, technology has an explicit and visible side, for instance, in the form of patents and codified instructions; at the same time, however, technology possesses a "tacit" element represented by the skills and knowledge needed to make the technologies work.

Such capabilities are typically specific and path-dependent, and involve technical and organizational routines both at the firm level and at larger systems of production. In this sense, such capabilities lie not so much in the instruments of production as in the knowledge of single individuals, and tend, for this reason, to acquire an implicit and tacit nature. This happens firstly because the worker's know how, the fruit of years of experience, can only be passed on very slowly and imperfectly, and secondly because in most cases such know how is formed and developed within a given productive structure. For these reasons, it is difficult for inner capabilities to be "externalized" and herein they represent the source of competitive advantage in businesses and economic systems.

These aspects of technology provide an important account for the persistent divergence in development among economic areas, and have been addressed in particular by the theories of "dynamic capabilities approach". These contributions<sup>5</sup>, developed in particular in the last two decades, underscore the unitary character of the firm within its environment and the role of learning at all levels of organizational structure. This approach, by highlighting the "holistic" and evolutionary nature of the firm, and the role of routines as a means to store and organize learning within organization, presents a striking parallel with important concepts of institutional economics: in particular, but not only, the role of habits of thought and life in institutional and technologic change, the role that active (and mostly tacit) knowledge residing in persons can play in determining the real "stock of capital", and the adoption of an interdisciplinary perspective to the study of social phenomena.

However, as so often happens in social sciences (cf. also the next chapter), there has been little interchange between these theories despite the fact that also their cultural heritages overlap in many significant ways.

We believe, also for the reasons we will try to set forth, that a closer collaboration between these theories can greatly advance their potential in elucidating important aspects of economic and social life.

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<sup>5</sup> Among the many contributions on the issue, refer, in particular, to Barney (1991); Dierickx and Cool (1989); Dosi, Nelson and Winter (2000); Eisenhardt and Martin (2000); Teece, Pisano and Shuen (1997); Winter (2003).

## The Role of Institutions and Policies

In this regard, numerous studies, in part linked to the previous studies, have analysed the importance of the policy and institutional context for economic and social development. Among others, the following closely intertwined actions in the public sector have been considered: **(i)** management of macroeconomic variables; **(ii)** creation of rules for conflict resolution; **(iii)** creation and diffusion of research and innovation; **(iv)** development of disadvantaged areas; **(v)** social and cultural policies.

An important aspect relates to the slowness and difficulty of the economic and institutional changes necessary to launch and sustain the development process. In this regard, it has been stressed that the creation and consolidation of institutions occurs through the formation of "consolidated habits of thought" linked to the way the institutions operate.

These features of institutions help to increase their stability, but, precisely for this reason, render their change slower and more difficult, especially in the case of institutions that are inefficient or in crisis. An important conclusion brought to light by these analyses is that institutions and organizations that can be considered inadequate for attaining economic and social objectives, can survive for a long time even if they could ideally be replaced by others more suitable for reaching such goals.

This difficulty of effecting rapid change in institutions and technology helps to explain why the reduction of the economic gaps existing among different regions represents an especially arduous task for policy action. In fact, while in advanced economies the joint action of the aforementioned factors, in connection with the tacit nature of skills and knowledge, tends to produce positive externality and thus to strengthen the growth process, in underdeveloped economies the opposite occurs: factors that hinder development tend to reinforce one another, resulting in a worsening of economic and social problems.

#### 4. Human Development and Social Capital in an Interdisciplinary Perspective

As it appears clearly, the previous factors are heavily intermingled with the concepts of social capital and human development. But, how these concepts can be employed for understanding the problems of developing countries and then, on that basis, for devising appropriate policies? First, let us look, without any claim of completeness, into their definitions. Then, we will try to broaden these concepts by considering the theories addressed in the previous chapters.

##### The Concept of Human Development

Although the concept of human development is not new in economics, it is only in the last two decades that the issue has been put on the political agenda of supranational institutions, and in particular the UNDP (United Nations Development Programme<sup>6</sup>). Important contributions were provided, among others, by Amartya Sen, Nobel Prize in Economics, and Mahbub ul Haq, founder of the Human Development Report (HDR).

Since 1990, the UN publishes *The Human Development Report* which, through the continual refining of human development indicators, examines the situation worldwide and indicates the desirable development patterns for the future. The 2009 edition has addressed in particular the issue of migration, both within and beyond borders. In that context, the 2009 report has investigated migratory movements in their links with the dynamics of demographic changes, growth and inequality. Within this ambit, particular attention has been paid not only to the macroeconomic patterns but also to the family and village experiences. The 2010 global Human Development Report will celebrate the twentieth anniversary of the HDR, and will be the occasion for a comprehensive appraisal of the results so far achieved. The UNDP website<sup>7</sup> neatly describes the characteristics of the Human Development Approach,

“Human Development is a development paradigm that is about much more than the rise or fall of national incomes. It is about creating an environment in which people can develop

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<sup>6</sup> “The UNDP is the UN's global development network, an organization advocating for change and connecting countries to knowledge, experience and resources to help people build a better life. We are on the ground in 166 countries, working with them on their own solutions to global and national development challenges. As they develop local capacity they draw on the people of UNDP and our wide range of partners.”, quoted from the site <http://www.undp.org/>

<sup>7</sup> Cf. the website <http://hdr.undp.org/en/humandev/> also for more information on the Human Development Reports.

their full potential and lead productive, creative lives in accord with their needs and interests. People are the real wealth of nations. Development is thus about expanding the choices people have to lead lives that they value. And it is thus about much more than economic growth, which is only a means — if a very important one — of enlarging people's choices.

Fundamental to enlarging these choices is building human capabilities—the range of things that people can do or be in life. The most basic capabilities for human development are to lead long and healthy lives, to be knowledgeable, to have access to the resources needed for a decent standard of living and to be able to participate in the life of the community. Without these, many choices are simply not available, and many opportunities in life remain inaccessible....In seeking that something else, human development shares a common vision with human rights. The goal is human freedom. And in pursuing capabilities and realizing rights, this freedom is vital. People must be free to exercise their choices and to participate in decision-making that affects their lives. Human development and human rights are mutually reinforcing, helping to secure the well-being and dignity of all people, building self-respect and the respect of others.”

As can be seen, the Human Development Approach has offered a significant headway in a conception of economic action more focused on the reality of human needs: not only mere economic advancement but also a continual improvement in the social, cultural and participatory spheres of personality. For this reason, the importance of this concept for our issue can hardly be exaggerated. As a matter of fact, in bringing together the individual and collective aspects of socio-economic development, it explicitly invites an interdisciplinary approach to the study of these issues. However, the full realization of these potentialities in practice is still in its inception. There is, in fact, the major issue of bridging the concepts of human development and social capital in theory and in policy action. As we will see presently, realizing this connection demands nothing less than a better policy coordination which, in turn, needs to be rooted in an interdisciplinary approach to the issues addressed. Before considering a number of these aspects, let us briefly examine the concept of social capital.

## The Multifarious Notion of Social Capital

Also the notion of social capital is not new in economics. Several economists, especially in “non orthodox domain”, have stressed the role of the immaterial aspects of capital in the dynamics of technological progress. For instance, in the field of the *old institutional economics*, Veblen underscored the importance of the stock of the workers’ competences for attaining a given level of production. Physical instruments alone, he observed, provide a very imperfect picture of the real potential of the workers using these instruments. Commons, on the other hand, underlined a related concept and, for that purpose, elaborated the notion of intangible ownership. He observed that the development of the economic system has been marked by an increasing importance of the immaterial aspects of the ownership. These are constituted by the whole system of rights, duties, — namely, of opportunities and burdens — that define the economic and social life of persons within their collective context.

Also the major sociological traditions have given these concepts much relevance. In this respect, Durkheim, Weber, Simmel and the “Ecological School of Chicago” have drawn attention, in different but interrelated ways, to the significance of the values and motivations of the person in order to explain, in their complex interchange, economic and social action. Building on these ideas, there has been in the last decades a renewed interest in the notion of social capital, and many important contributions have been provided on that account.

However, as noted by many authors, these contributions have acquired a rather dispersed nature, as virtually all economics and sociological field has tried to incorporate the notion of social capital within its boundaries. As a result, there are many concepts of social capital — most often conflicting — which reflect the theoretical premises of these strands of research. For instance, neoclassical economists would interpret social capital as a “rational” response to the needs of coordination of the system; old institutionalists as an evolutionary outcome of historical processes, which are heavily path-dependent and then can hardly be explained in terms of an abstract concept of rationality. Sociology, on the other hand, is more prone to conceive of social capital as a need for people to ensure an adequate social cohesion. The same holds true, apart from the obvious differences of approach, for psychology and psychoanalysis.

The trouble of this situation lies in the circumstance that the diversity of contributions does not always warrant a pluralistic approach to the issue of social capital. This is true not only of social capital but also of many other issues. In fact, whereas in natural sciences tend to occur a “natural” collaboration between different approaches and disciplines, in social sciences the reverse tends to prevail. Here, each discipline and, within it, each field, in the laudable effort to emphasize its key concepts, tends to become, most unconsciously, universalistic, in the sense that it interprets all social phenomena prominently in terms of its key concepts. In this way, all other contributions tend all too easily to be neglected or overlooked and, as a result, social phenomena are interpreted in a fragmentary and reductive way (cf. also the previous discussion on Dewey’s theory).

Despite these typical drawbacks of social sciences, it has emerged in recent years a new awareness of the multifariousness of social phenomena. With regard to our theme, a conspicuous body of literature has addressed, at theoretical and applicatory level, the various elements of social capital.

A major challenge of these studies has been to provide with a more precise content the notion of social capital—meant, in broad sense, as the entire set of formal and informal bonds and ties that are considered conducive to socio-economic progress. As a matter of fact, that concept tends to become exceedingly vague and elusive, as it encompasses virtually every aspect of the social domain.

For instance, how can we advance beyond the significant but generic statement that social bonds and ties constitute a paramount aspect of a rewarding economic and social life?

In fact, as is well known, not every social tie is automatically conducive to economic and social progress. For instance, can we consider mafia organizations — which are characterized by a hierarchical system of close connections — a type of social capital?

We believe certainly not, but how can we identify the positive and negative aspects of a social relation, with particular attention to the most predatory and disruptive ones?

An additional difficulty resides in the circumstance that — apart extreme cases, such as mafia organizations, where predatory aspects are overwhelming — “good” ties and “bad” ties are most often enmeshed in the same relationship<sup>8</sup>.

Recent contributions to social capital have started to examine carefully these issues. Let us consider in some detail Woolcock’s interesting article (1998), which, also by building on previous contributions, attempts to identify the different forms of social capital in their reciprocal interaction. He notes that regarding social capital only as a form of embeddedness disregards the fact that social capital, in order to be productive, requires an adequate amount of freedom of the actors involved. Too much embeddedness, then, can turn out to be a negative form of social capital. A typical instance of this situation are the communities of immigrants in a foreign country, especially when these are poorly integrated in the social context. Here, such communities are based on tight and demanding ties between their members, which allow limited personal initiative. Such communities, while providing help and assistance to new immigrants, would most often discourage them from establishing external relations, even when this proves necessary for the expansion of their activities—for instance, a new business.

Building on these examples, Woolcock introduces two basic components of social capital, namely, embeddedness and autonomy. These aspects of social capital are applied to its “micro” and “macro” dimensions. While micro dimension basically refers to “grassroots” ties, the macro dimension involves the role of state, and in particular the set of state-society relations. Combining embeddedness and autonomy dimensions at micro and macro levels, there emerges quite diverse outcomes: “amoral familism<sup>9</sup>”, when in the group there is an “excess of community” at the expense of non-members, “anomie”, when there is too much autonomy and too little embeddedness, “amoral individualism”, when there is lack of both embeddedness and autonomy, and “social opportunity”, when there is a happy combination of the two.

On the basis of the two dimensions of embeddedness and autonomy — indicated, with reference to the activity of the state, with the terms “synergy” and “organizational integrity”

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<sup>8</sup> This happens, of course, also for personal relationships when we come to consider to positive and negative aspects of ourselves and the other persons involved.

<sup>9</sup> Among the vast literature on the subject, see, among others, Banfield (1958) and Toye (1987).

— the author proceeds to examine the different types of states and their role in economic and social development. The worst situation is the “collapsed state”, characterized by a minimal level of both embeddedness and autonomy. In the middle range lie the “rogue state”, where prevails a predatory embeddedness in state-society relations accompanied by inadequate organization; and the “weak state”, in which there are “too much bureaucracy and too little civil society”. The best outcome is the “developmental state”, namely, one in which the dimensions of embeddedness and autonomy are mutually reinforcing.

One significant conclusion of the work is that community-based (bottom-up) social ties are closely intermingled with the set of state-society relations (top-down). Significantly enough for our theme, the two kinds of relations do not stand in a zero-sum game in which — as assumed by “minimal state” and “free markets” advocates — “less state” automatically generates “more society”. Conversely, the quality of the state, and in particular its capacity to establish and guarantee useful and equitable linkages with society, constitutes a paramount factor in fostering the growth of social capital at bottom-up level.

The key issue for development policies, then, is to move towards a happy balance between the various forms of social capital in their reciprocal interaction and evolution. In the author’s view, one great merit of the concept of social capital is that of facilitating the adoption of an interdisciplinary approach to the study of social issues.

## **5. How To Build an Interdisciplinary Perspective?**

Now, let us examine, on the basis of these insights, how the interdisciplinary approach outlined in the previous chapters can be employed for addressing some tangled issues of human development and social capital.

As a matter of fact, as these concepts virtually encompass every aspect of individual and social life, their analysis requires a joint appraisal of all aspects entering the picture.

Surely, the previous contributions offer important orientations for theory and policy analysis but much remains to be done for attaining a more complete understanding of these phenomena.

In this sense, the concept of social capital invites a closer examination of the “material” and “psychological” aspects of the mode of production. In this ambit, the heterodox

oriented theories previously considered — and also other related approaches, such as Marxists and post-Keynesians — can help make headway towards a better comprehension of these phenomena.

In this perspective, one key concept is that of social valuing. It implies in any circumstance (cf. the previous chapters) that a distinction be made between “what is going on and what ought to go on”. That distinction, in turn, involves a choice between different policies at all levels of collective action. However, the decision-making process underlying these choices is anything but easy. In fact, as underscored, in different domains, by institutional economists, psychologists and psychoanalysts, people, and even institutions, are rarely fully aware of all the available options, and in particular of the set of values and conflicts associated with them.

In this regard, Dewey’s and Veblen’s theories are particularly illuminating of these aspects. They stress, in a different but very convergent way, that in our society there is still a huge divide between science and culture (or, relatedly, between “ceremonial” and “instrumental” institutions) which mirrors the different opportunities between the various groups and classes of society. Opportunities which refer not only to the material aspects but also, and perhaps more importantly, to the possibility of “human development”, in the meaning described before.

To be sure, as also stressed by Marxist contributions, such a society entails alienation for all classes but, of course, it is the disadvantaged section of society which bears the most negative consequences.

### **The Psychoanalytic Approach**

These insights have received important extensions by psychoanalytic contributions. As already noted, these contributions highlight that persons have an intrinsic need of establishing sound interpersonal relations in order to express the various aspects of their personality. In this sense, group life acquires significance for persons in that it allows in dynamic interaction, **(i)** to give and receive affect, **(ii)** to shape individual and social identity and **(iii)** to unfold intellectual faculties.

But, very importantly for social analysis, a group can also become a way for expressing predatory instances largely resting on neurotic conflicts. This happens not only in overtly aggressive and intolerant groups but also in more “ordinary” groups. In the latter instances, it is likely that positive and negative aspects are merged in a very tangled way. But, why

neurotic aspects are likely to be present, in various degrees, even in the more altruistic groups? The basic reason is that human development (in the psychological meaning of the term) is a highly complex process which is likely to involve, at various degrees, also trouble and difficulty.

To begin with, birth itself, as stressed in particular by Otto Rank, constitutes a trauma for the child. Then, the child feels "fused and identified" with the mother, and, hence, the subsequent process of differentiation and discovery of another person, the father, is likely to engender complex relations of identification, but also of fear, rivalry and conflict.

The child understands that it is no longer "at one" with the mother, and, therefore, that the parents may even "leave it aside" in their common life. Of course, the child loves its parents and needs their affection and protection but, at the same time, can desire to be "at one" with the mother or the father and so, on these grounds, may develop a feeling of a rivalry toward the parent of the opposite sex and also — in connection with its feeling of being "left aside" — of hostility and mistrust for both.

The consideration of these factors is not tantamount to downplaying the variety of cultural expressions. On the contrary, a better understanding of the needs and difficulties of human development can contribute to bring attention to the numberless ways through which cultural evolution takes place.

As noted by Freud (in particular, 1912-1913, 1921 and 1930) and by subsequent psychoanalysts, group cohesion tends to be based<sup>10</sup> on the following processes: i) libidinal links among the members of the group; ii) projection of individual aggressiveness into people and/or institutions lying outside the group; iii) identification with the group leader — who symbolizes the parental instance (typically, the father) — in order to repress the conflicts related to the *Oedipus* complex.

These processes — which operate in part at an unconscious level and may be partly driven by neurotic conflicts — can help to explain the scission that often occurs within groups between "the good and right", lying inside the group, and "the bad and mistaken", lying outside its boundaries.

All these contributions stress the role of groups and organizations for expressing the needs and conflicts of the person. For instance, to the person, the group may represent an idealized *ego*; and, in this connection, its "morals" and "code of conduct" symbolize parental figures who, through a process of "internalization", play the role of *superego*.

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<sup>10</sup> This does not imply that Freud disregarded the positive aspects of group cohesion but only that he give prominent attention to the problematic aspects of group dynamics.

In this regard, it is important to note that the instance of *superego* certainly stems also from a normal human tendency to establish sound interpersonal relations, and, accordingly, to behave with affection and solicitude towards each other and continually improve the "bright aspects" of personality. However, whereas in non-neurotic situations the "code of conduct" emerging from such tendencies asserts itself as a genuine behaviour, in neurotic situations leading to the formation of *superego* things run in a completely different way: here, the tendency of improving personality tends to be, under an appearance of goodness and morality, subordinated to the expression of neurotic contents at cross-purposes with such tendency.

The above discussion implies that, for a deeper understanding of these phenomena, in the study of these conflicts both individual and collective dimensions should be considered, whatever be the particular focus of the analysis. For instance, in the study of individual conflicts, the characteristics of economic, social and cultural forms should be taken into account; whereas, in the study of collective forms, also the psychological orientations of the individuals composing them should be brought into focus.

### **The Unitary Character of Economic and Social Development**

As emerges from the previous discussion, an interdisciplinary-based approach can greatly enlarge the explanatory potential of the concepts of human development and social capital. It does so by making clear that these concepts involve every domain of individual and collective life. But, we can ask, this enlargement is not tantamount to rendering these concepts utterly generic and, then, of little use for explaining actual phenomena? We think, however that this problem can easily be sorted out. In fact, the usefulness of these concepts is that they help to locate the various relational elements which, in their articulation, go to make up the structure of human development and social capital.

In this regard, the approach developed before can help to bridge better a number of relevant issues. For instance, when discussing the potential effects of social capital on socio-economic development, we need to make explicit what kind of development we deem possible and/or desirable. As noted before, this requires a thorough process of social valuing. However, social value process most often takes an implicit and "unconscious" character, as it is deeply rooted in the prevailing habits of thought and life at the time. For instance, in the choice of different policy strategies, considerations based on experience and knowledge are likely to play a relevant role. But, are we sure that this

“rationally-based” appraisal of the situation is not heavily intermingled with motivations that are deep-seated in our cultural heritage? As a matter of fact, the latter factors are likely to play a significant role in decision-making. The reason why they often acquire an implicit dimension is that, as shown by psychological and psychoanalytic studies, our process of formation of individual and social identity assumes a largely unconscious character. Two important aspects pushing much of our personality towards an unconscious dimension are:

**(I)** the necessity, first expounded by William James, to routinize the cognitive framework of the most elementary operations. In this way, our conscious attention on the performing of these operations can be reduced.

The interesting aspect of this analysis is that, in describing some important features of personal habits, it also casts light on the role of collective habits in social dynamics. As a matter of fact, habits constitute the normal way of working not only of personal life but also, in a complex interplay of reciprocal influences, of collective life. The following passages convey these concepts vividly,

"Habit is thus the enormous fly-wheel of society, its most precious conservative agent. It alone is what keeps us all within the bounds of ordinance, and saves the children of fortune from the envious uprising of the poor. It alone prevents the hardest and most repulsive walks of life from being deserted by those brought up to tread therein. It keeps the fisherman and the deck-hand at sea through the winter; it holds the miner in his darkness, and nails the countryman to his log-cabin and his lonely farm through all the months of snow; it protects us from invasion by the natives of the desert and frozen zones....It keeps different social strata from mixing.", (James, 1890: 121).

As noted before, this theoretical framework had constituted the basis for the subsequent development of institutional economics and other social theories.

**(II)** As noted before, in psychoanalytic theory, as first elaborated by Sigmund Freud, a set of painful and/or distressing thoughts and emotions, associated in particular with early childhood, can be negated and made unconscious as a defence mechanism against such experiences. In this way, the person is no longer conscious of these experiences but this does not imply that the underlying problems have been solved. As a matter of fact, while

the repressed emotions always come up, in one way or another, to the mind in an indirected and distorted way, the very effect of repression makes it very arduous for the person to go down through its unconscious conflicts to locate (and solve) all the distressing experiences which have set in motion the repression defence.

As can be easily observed, there are many convergences between the previous theories, which are of special interest for social analysis. In this regard, how can these theories be applied to the study of human development and social capital?

First, the concept of an “optimal or desirable level of social capital” needs to address, in order to acquire, beyond its intuitive value, a more precise policy content, many aspects that most often remain in the shadow. In fact, with the expression “optimal level of social capital” we implicitly refers to a “desirable or attainable pattern of development”. However, one big question resides precisely in this concept: for every country, in fact, there is not just one but several development strategies (cf. also the next chapter): for instance, a strategy based on an exasperated reduction of labour cost can leave little room, if any, for the development of equitable social ties; and, furthermore, tends to generate many disruptive contradictions (cf. also chapter 2) that would end up jeopardizing even the “material” growth potential of the system.

However, most of our economies — including the most developed ones — largely rest on this kind of competition. How can we address these phenomena in a policy strategy aimed at making a predatory state more “developmental”? What does it mean, in this context a “developmental state”? Are we sure that a “developmental state” would not overlook, in some cases, important aspects of human development?

In these enquiries, a process of social value in the sense just illustrated can help identify the profound motivations and conflicts underlying social life and policy action.

For instance, if the only faith in economic progress rests on a kind of a wild and unregulated competition, this can imply that the market tends to be psychologically perceived as an inflexible and punitive *superego*. In that vision, the only wise thing we should do is to comply with the “needs of the market”, without any further enquiry into the adequacy of the system to respond to the profound needs of economy and society. Hence, a process of social valuing able to uncover and express these conflicts can constitute a crucial step for their progressive solution. As can be easily noted, an improved process of social valuing amounts to a psychoanalytic process, embracing both the individual and collective dimension.

Such process, in order to effect a substantial improvement in the process of policy action, should reach out all levels of individual and collective action. This entails, of course, a supportive institutional framework aimed at fostering active participation of all the subjects involved.

A significant consequence of this involvement is that human development and social capital should no longer be considered as separate concepts. In fact, the implicit assumption of many contributions is that human development is a very desirable objective but does not concur directly to its attainment. For that purpose, what is needed is social capital which, however, is not clearly interpreted as a form of human development.

In the light of the previous discussion, it seems more appropriate to regard human development and social capital as, at the same time, the end and the means of the same process of socio-economic development. The only difference between the two concepts would reside in the focus of analysis: in human development, we draw attention on how a person's potential can unfold in the individual and collective dimension, while in social capital we investigate to what extent the articulated nexus of social ties is conducive to economic and social development and, then to the development of human potential.

This extension of the concept of participation entails a corresponding enlargement of its ethical and participatory content to all realms of collective life. This process would end up in a blurred distinction between spiritual or "final" activities and "instrumental" activities related to production process.

## **6. Some Remarks on Italian Dualism**

Now, we will try to apply, as a possible example, some of the previous insights to the problem of Italian dualism between North and South. Needless to say, this analysis is far from complete, in a double sense: from theoretical side, it cannot employ, owing to their far-reaching character, all the concepts previously addressed; and, from the case in question, it represents only a sketch of a very articulated situation.

With these qualifications, let us investigate a number of relevant aspects of this dualism.

As is known, the unity of Italy was realized in 1870, as a result of the many initiatives undertaken by the "Risorgimento" movement. The objective of this movement had been to accomplish the unity of Italy in a period in which the Country was parcelled out in many states. It heavily involved and motivated ordinary people and intellectuals in a progressist and enthusiastic wave aimed at realizing that purpose. For this reason, the Risorgimento

represents one of the distinctive aspect of our development. As a matter of fact, beyond helping to realize the national unity, it fostered a far-reaching confrontation — which produced a substantial body of theoretical and case-study oriented contributions — on all the relevant aspect of Italian development in the light of different theoretical perspectives: in particular, the theories of communism, socialism and democracy in their multifarious articulations. In this sense, the Risorgimento was closely related, and assumed an important role, in the history of Europe. At political and military level, a strategic role was played by Giuseppe Garibaldi, who was backed in his action by the “Savoia kingdom”, located in North-West Italy.

That kingdom was the most rich and powerful in Italy and was the only one that supported, more or less explicitly, the “Risorgimento” movement. Conversely, all the other states were starkely against such project and tried to resist its accomplishment. For this reason, when, after three “independence wars” against such states and its foreigners allies, the unity of Italy was finally realized, the Savoia kingdom, as one of the leading actor of that enterprise, played a key role in the subsequent formation of Italian institutional, social and economic structure. As a consequence, although the achievement of national unity had constituted a strategic factor for the subsequent development of Italy, all the other regions did not play a relevant role in this process and, in the first years of the unity, did not even realize an evident economic improvement. This was especially true for the “Borbone kingdom” in South Italy (the so called Italian Mezzogiorno), for two basic reasons:

- ◆ Owing to the rather poor level of transport system and other basic modern infrastructures in Italy, and especially in South, it was difficult to establish effective connections through different regions. For this reason, the process of economic, social and cultural integration proceeded with much difficulty.
- ◆ The “Borbone kingdom”, although backward and conservative in many respects, had, prior the Italian unity, a considerable body of industries, most of them financed by foreign direct investment (FDI). Also for other aspects, that kingdom was quite advanced: for instance, the first railway in Europe was built there in order to connect the two Royal Palaces of Naples and Portici (a small town close to Naples). However, since this inception, no other railways were built soon afterwards. At cultural level, there were good universities and a lively class of intellectuals surrounded, however, by a diffuse level of poverty. In the first decades after the

unity of Italy, the situation got even worse from the economic side, and many firms did not survive since the elimination of trade barriers. Furthermore, these firms had not been replaced, in the short run, by new firms or other forms of economic development. Hence, a time of economic and social decline followed. After that, especially from the beginning of 20th century, the situation has slightly improved in many respects, but has not as yet bridged the gap between North and South.

This historical process can greatly help to understand better the today problems of Mezzogiorno and the divide, still persisting, between North (including Centre Italy and the capital, Rome) and South Italy.

In fact, a relevant economic dualism still exists between North and South: it takes the form in southern regions of lower aggregate and pro-capite income, lower value added, higher unemployment rate especially among the youth, lower level of material and immaterial infrastructures, organized crime, cases of inefficiency and malfeasance of public administration.

To be sure, this picture is often exaggerated in public debate: in this sense, the Mezzogiorno is not only the land of mafia, corruption and backwardness. From economic side, we can note that lively and innovative industrial districts exist and thrive also in South Italy. They often realize remarkable absolute and relative performances, including in some cases a significant export. There is also a not inconsistent group of large firms, some of them foreigners, which have set, often through incentive policies, important plants also in innovative sectors. And, perhaps even more significantly, there is a high birth-rate of new firms run by young people, often in high-tech sectors<sup>11</sup>.

Moreover, as widely analyzed, one should be very cautious in interpreting the differences between regional data. There are, in fact, many interchanges between North and South that make the picture much more tangled. Also the so-called dependency of Mezzogiorno on the economic resources of the richer northern regions constitutes only one side of the story. In fact, it also true that Mezzogiorno has helped the North Italy development in many respects:

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<sup>11</sup> For more information about these aspects and their evolution refer in particular to the site of the Ministry of Economy [http://www.dps.tesoro.it/numeri\\_del\\_sud.asp](http://www.dps.tesoro.it/numeri_del_sud.asp)

- ❖ By representing, even in consequence of public transfer of resources, an important markets for outside firms, and by securing over time an important migratory flux.
- ❖ By constituting an important area for productive delocalization; in fact, even though the nominal salary, fixed by national contracts, is equal in all regions, the real salary tends to be lower in southern regions, also as a result of widespread employ of black work, in some cases even involving children and women.
- ❖ As unbelievable it can appear, there are good Universities and Research Institutions in South Italy and an increasing number of young people — which are, in percentage, approximately equal, and in some cases even higher, of the related figures in North Italy — attains the highest levels of education. These educated people, in turn, have constituted a valuable asset for all the Country, as many of them ended up making their political, social or business careers away from Mezzogiorno (in particular, in Rome or North Italy). Of course, there are still remarkable problems in the education system, especially in the primary and secondary schools where the phenomenon of school abandonment is still at a critical level<sup>12</sup>.

Also in relation to these aspects, many social and cultural initiatives are flourishing in South Italy, even if, needless to say, they are often too fragmented and unfold among many difficulties.

What are the implications of the previous discussion for devising appropriate policies for Mezzogiorno?

Until now, there have been many related policies, all of them accompanied by a lively and interesting debate. Also in order to secure their accomplishments, specific institutions were created: among others, the Ministry for Special Intervention for Mezzogiorno and the “Cassa per il Mezzogiorno”, which had been eliminated after the end of the so-called post-war period of the “Special Intervention for Mezzogiorno” in the early 90’s. Also important is the “Association for Mezzogiorno Development” (SVIMEZ) which provides interesting research and proposals on all the aspects of the “Mezzogiorno Issue”, and hence constitutes an important point of reference for all the interested subjects.

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<sup>12</sup> For more information and analyses on all these aspects refer to the sites of the Ministry of Economy <http://www.dps.tesoro.it/> and of SVIMEZ, [www.svimez.it](http://www.svimez.it)

Within this framework, the policies for Mezzogiorno have taken, in particular, the following forms: **(i)** large State-owned firms located in the South (promoted, in particular, by the action of former Holding IRI, the Institute for Industrial Reconstruction), especially in heavy industries; **(ii)** measures for attracting FDI; **(iii)** provision of material and Immaterial infrastructures; **(iv)** incentives for incubators, start-up e spin-off processes of new firms; **(v)** measures aimed at combating organized crime, fostering regular school attendance, abating irregular work.

In the last years, after the end of the so-called special intervention for Mezzogiorno, the related policies have been for the most part included within the policies of the EU's structural funds. These provide, through an articulated procedure involving the active participation of various institutional levels, incentives for firms and public institutions to elaborate joint projects in order to foster regional and local development. Also in that connection, a massive reform of Public Administration in Italy has been undertaken in the last years in order to rationalize the levels and the instruments of interventions.

All these policies, while helping realize important objectives, did not fully succeed in promoting an autonomous development in South Italy. In fact, notwithstanding the above noted progress, on the one hand, large firms are not sufficiently integrated with the local economy and, on the other, small firms have had difficulty in growing large.

Another more recent problem with the EU's local policies is the difficulty for southern Italy regions to fully employ the related funds. In many cases, in fact, it turns up difficult to carry out a project once it has been preliminary approved. The main reasons for this can be found in the relative lack of technical expertise, myopic behaviour and poor coordination among the actors concerned.

In this picture, the approach outlined before can help illuminate significant aspects which can be useful for devising more centred policies. For instance, in explaining the aspects of failure of the policies for Mezzogiorno, many observers tend to stress the responsibility of local actors in producing such outcome: they point up the role of organized crime and instances of corruption, framed within a social situation marked by "amoral familism" (see above) and an insufficient level of technical competences and spirit of initiative.

These factors are certainly true (at least up to a certain point) but leave unanswered a fundamental question: why these factors are present in such a way in South Italy and, at lesser extent, also in other parts of Italy?

A first observation coming to the fore is that in many cases southern people are unable to

pursue even their own personal interest: for instance, as just noted, they often do not take advantage from the opportunities offered by many incentives provisions.

An interdisciplinary approach can help make headway in the interpretation of these phenomena. It would stress the importance of historical factors in the emergence and consolidation of these “habits of thought and life”. In this light, the profound state of dependency and isolation experienced by South Italy in the first period of national unity is likely to have generated deep-seated feelings of insecurity and mistrust. These feelings — as so often happens in human psychology as a basic defence mechanism from painful feelings and experiences — have been more or less repressed and so made unconscious in the general spirit of society. These feelings, however, are likely to continue to operate in distorted and neurotic way, so giving rise to a “defensive” social and institutional structure. Hence, feelings of pessimism and distrust, often disguised under an appearance of indifference and /or self-reliance, tend often to prevail in the Mezzogiorno. Consequently, establishing sound interpersonal relations become more difficult, and this situation is aggravated, in a vicious circle, by the economic and social problems.

In this perspective, an appropriate policy action should acquire a far-reaching scope, which would include also the ways of its implementation.

As a matter of fact, a policy action furthering the active participation of all the subjects involved would greatly help to understand the problems, conflicts and aspirations of Mezzogiorno, also in their relations with those of North Italy. This process, by realizing a more grounded basis of the characteristics of social valuing (see above), would contribute to a better comprehension between North and South and, in this way, to elaborate a policy action more tailored to the profound wants and experiences of all the concerned actors.

In this perspective, then, and as widely underscored by many authors, the development of Mezzogiorno should be considered as an essential aspect of the whole national development. This happens because there are many linkages between North and South and, for this reason, the Mezzogiorno problems mirror the same set of difficulties at national level.

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