

ABCDEconomy "C" as in "Capital"- Part 2

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Capital. Genovesi's Lesson

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A guide to rereading the key words of economic behavior, after breaking down the myths and bursting a few bubbles. Here are the words already analyzed by Luigino Bruni: Happiness, Profit, Market, Bank, Investment, Responsibility, Rules, Interests, Organization, and Reciprocity. This week, the second part on the word "Capital".

As explained in the previous issue, the history of economy can also be explained as the evolution of the meaning of capital. The word capital derives from the Latin word caput, capitis, which means "boss" or "head".

Between the 7th and 8th century, classical economy considered capital as a the principle factor in production and with Marx it becomes the key to interpreting not only the dynamics within the economy but within the entire society as well.

In 1942, J.A. Schumpeter, an Austrian liberal economist, was able to go beyond the link between capital and the entrepreneur. He foresaw a new form of capitalism rising on the scene: financial capital.

Over the last few decades, the word capital has been distinguishing itself more and more independently from the word capitalism.

After World War II, the term human capital was the first to come into the debate. At that time, important economists (like G. Becker) began constructing models to explain that a business or an economic system grows when it goes beyond just physical, financial and technological capital. It needs to have at its disposal human capital - people who are qualified, formed, who have made investments in their education and so have increased the value of their own person, and, therefore, of their business.

In the 90s, the term social capital began making an appearance as well. It is built by the weaving together of trust and civil virtue, which allow the market to develop and grow. Here, too, one of the first to intuit the essential role of social capital was Antonio Genovesi. In 1754, he wrote that the reason his kingdom wasn't growing like the other European states was precisely because it lacked what he called "public faith". In Naples, he said, there was an abundance of personal faith and honor, but what was lacking was the public faith which leads one to trust the institutions and, therefore, even park rangers, establishing the development of markets and of society.

Today, another term shyly making its appearance is "relational capital". This establishes an organization as not only something more than a group of individuals, but a body link by trust, by fides, which Genovesi remembered also means "cord that binds and unites".

And finally, an even more recent concept is that of "spiritual capital", which consists in the resource of interior life (not necessarily religious) which characterizes a person, a community, a business.

This type of capital proves itself particularly precious in moments of crisis, where the capacity to go ahead in moments of suspension and uncertainty, to deal with deep conflicts and to know how to start again and truly forgive, are all much needed.

A final note. I'm convinced that among the various types of capital there is a complementary and interdependent correlation. When, for example, a business in crisis begins to talk about possibly firing workers, what often takes place is that the best workers immediately take their leave. They have more options. You confirm a type of exile of the best, and those remaining are less qualified workers. The situation becomes even more serious than it was in the beginning. Instead, if you respond to a crisis by reinforcing the faith, or relational capital (and maybe spiritual) of the business, you can avoid the deterioration of its human capital (and consequently, economic and financial capital). Talking about capital, it all comes down to the same pot, but there are many types within it. The most difficult art is knowing how to attend to them all with constant upkeep.

Next week, we present the last part on the word, "Gift".