

THE CIVIL ECONOMY: A BRIDGE BETWEEN THE SHORES OF THE ATLANTIC OCEAN*

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Introduction

Before I begin, I would like to express my gratitude to each of you for being here, especially Dean Andrew Abela, Professor Anthony Cannizzaro, and all the professors, students, staff, and friends of the Busch School of Business who have welcomed me into this school.

I am deeply grateful to each of you and look forward to returning your warm hospitality.

Before delving into the heart of my assigned topic, *The Civil Economy: A Bridge Between the Shores of the Atlantic Ocean*, allow me to offer a methodological and historical introduction.

The idea of discussing the Civil Economy in Italian economic culture arose from a delightful dinner conversation with Professor Abela. Our discussion ranged from the well-known Italian writer and poet Alessandro Manzoni to Adam Smith, from Catholic social teaching to liberalism, and from Civil Economy to the Social Market Economy. We discussed the challenges of finding a common language, particularly in this historical period, as words can take on different meanings depending on their historical and geographical context. The word «liberalism», for instance, takes on different meanings depending on whether you're on the eastern or western side of the Atlantic Ocean. The same applies to the word «capitalism», but we could compile a long list of terms that describe various political and economic concepts and categories.

Michael Novak's greatest concern, on the path already traced by the French political analyst Alexis de Tocqueville, was that I worked to build bridges between the two sides of the ocean, ensuring that the reasons for a free society were not overshadowed by mutual

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ignorance and mistrust, stemming from a lack of understanding on the part of our interlocutors. Michael's invitation to work on such a project inspired me to delve into the authors and concepts that could serve as the ideal bridge between Anglo-Saxon political and economic culture and Italian and European culture.

To accomplish this cultural endeavor, I attempted to follow a hypothetical *golden thread* that Michael himself had traced in his works. I embarked on a quest to find authors who could serve as the European and Italian pillars of this ideal cultural bridge, uniting Europe and the United States. Among his heroes, in the gallery of the great fathers of Whig Catholicism, Michael singled out the Italian priest Luigi Sturzo. Sturzo is significant because he was an Italian Catholic priest, a student and professor at the Pontifical Gregorian University, where Michael studied, and an anti-fascist exile who spent sixteen years in Great Britain and six years in the United States of America. Who, more than Sturzo, truly dedicated himself to building that bridge?

In his various works, particularly *The Catholic Ethic and the Spirit of Capitalism*, Michael expands his focus to the continental European context, making an explicit reference to a school of thought based in Germany: the so-called Freiburg school, also known as ordoliberalism. The Social Market Economy emerged from ordoliberalism.

One of the fathers of the Social Market Economy was the German economist Wilhelm Röpke, to which a very interesting study program is dedicated right here at the Busch School. He was an anti-Nazi exile who first fled to Turkey and eventually settled in Geneva, Switzerland, a close friend of Luigi Sturzo and the future president of the Italian Republic, Luigi Einaudi, the first president of the newly formed Italian Republic, was also exiled to Geneva.

Novak appreciated the Italian tradition of liberal Catholicism advocated – among others – by Luigi Sturzo and Luigi Einaudi. He also appreciated the ordoliberalism advocated by Walter Eucken and the Social Market Economy in Germany built by Ludwig Erhard, Wilhelm Röpke, and Alfred Müller-Armack.

Novak himself points to the German «Ordo» tradition and Sturzo's People's Party – in addition to the American «Whig» tradition – as the historical and intellectual frameworks that are the closest to the notion of «order» underpinning his idea of «democratic capitalism». And here I would like to quote Michael directly:

«Following World War II, as we have seen, German liberals and reformers faced the daunting problem of reconstructing a social order on three fronts at once. They needed to reconstruct democracy, replace Nazi morals with the Christian and humanistic morals that had been the glory of German thought, and put in place an economy safe against the monopolies and cartels that Hitler had so easily taken over after his election in 1932. For this daunting task, they needed a new theory of order. A group of thinkers, gathered around Walter Eucken and the journal *Ordo*, had been working on the foundations of such a theory during the war years. They called this inquiry "ordo theory", and they later defined the concrete social economic order they intended as "the social market economy"».

For Michael, these authors and schools of thought served as the pillars of an ideal bridge that could have connected the two shores of the ocean.

The «Good government»

At this point, I pondered the cultural soil that allowed the roots of this Italian and European thought to flourish. The answer was clear. The soil is that of Christian social thought, which matured in the Middle Ages, as well as the Humanistic and Renaissance periods. This thought permeated the civil and monastic, entrepreneurial, and commercial life of Italian and German villages, as well as those of Flanders, and the free municipalities. In the name of republican *libertas*, these communities stood against the emperor's claim to dominion (*imperium*).

I am reminded of the famous maxim by the 14th-century Italian jurist Bartolo of Sassoferrato, the father of the principle of subsidiarity and called by the Nobel Prize winner F. von Hayek, one of the fathers of the Whig tradition: *Universitas superior non recognoscens est sibi pinceps - sua domina* (the city – or community – that does not recognize a higher power is sovereign in itself - its own master).

This concept of republican freedom and civil society's engagement in the arts, crafts, commerce, culture, religion, and politics has fostered the growth of the Civil Economy perspective. The civil economy is unique because it's not just about politics. It is not at the service of the State, nor is it produced by the State. It is civil because it includes all aspects of civil society: the political, economic, cultural, artistic, poetic, and religious dimensions.

The most iconic representation of the civil economy is the well-known pictorial cycle of Good Government. This fresco cycle was painted by Ambrogio Lorenzetti in 1338, adorning the Sala della Pace (*Peace Hall*) in Siena's Palazzo Pubblico (*Public House*), in the big square of Piazza del Campo. The fresco cycle is divided into three distinct sections: the allegory of Good Government, the effects of Good Government, and the consequences of Bad Government.



Cycle of frescoes «Allegory of Good and Bad Government» by Ambrogio Lorenzetti, 1338. Palazzo Pubblico, Siena.

The first fresco, the Allegory of Good Government, features peace as the central focus, accompanied by the cardinal virtues and surmounted by the theological virtues. The highest political representative is depicted in royal attire, but with his wrists bound by two ropes that, passing through the city's government, reach the citizens: the true sovereigns of Siena. The recent Nobel Prize winners for economics, Daron Acemglu and James Robinson, analyze this work and refer to it as the 'chained Leviathan'. This is the form of government that embodies Good Government and the translation of the concept of the common good into the sphere of civil society.



«Allegory of Good Government» fresco.

In the second fresco, we see the effects of Good Government: harmony, prosperity, security, and peace, all achieved through the city's flourishing entrepreneurial activities, commerce, agriculture, and the arts. In essence, Good Government can be defined as the harmonious ensemble of numerous good governments within the city, each responsible for a portion of the common good.



«Effects of Good Government» fresco.

The painting cycle concludes with the consequences of Bad Government.



«Effects of Bad Government» fresco.

Here, the virtues no longer take center stage, and the capital sins are nowhere to be seen. Instead of harmony, we find discord; instead of prosperity, we see poverty and

famine; instead of security, we experience fear; and instead of peace, we witness war. Finally, instead of the «chained Leviathan», we have the tyrant.



«Allegory of Bad Government» fresco.

This is the fertile ground where the idea of Civil Economy takes root, as exemplified by the intellectual contributions of authors such as Luigi Sturzo, Wilhelm Röpke, and Luigi Einaudi.

Novak himself recognizes these authors as the pillars of the European side of our ideal bridge between the two shores of the Atlantic.

The Civil Economy

At this juncture, allow me to provide a broad overview of what Civil Economy means in the context of the history of ideas. It is a transdisciplinary approach to economics that aims to delve into traditional themes of *oikonomia* (the governance and the rules of our common home) across various domains: economic, political, legal, and institutional. Civil Economy is a distinctly Italian cultural tradition, primarily developed during the Enlightenment in Naples and Milan; we are, therefore, in the second half of the 18th century. Its key figures, including Abbot Antonio Genovesi who held the world's first chair of Economics in Naples in 1754, envisioned civil society and the market as spaces for mutual support, collaboration, and reciprocity. In this tradition, born from Roman civilization, the Middle Ages, and the Renaissance, art, literature, economics, law,

Among the many figures that have shaped the landscape of Civil Economy, from Cesare Beccaria (grandfather of Alessandro Manzoni) to Pietro Verri, from Antonio Genovesi to Gaetano Filangeri, just to name a few, I would like to focus on a lesser-known author: Melchiorre Delfico. I've chosen to introduce the thought of Melchiorre Delfico because, among many thinkers, he serves as the ideal bridge between the Italian Civil Economy perspective and Adam Smith's Classical Economy.

Melchiorre Delfico was an outstanding figure of the Italian Enlightenment in Naples in the second half of the eighteenth century. Even if many of his works still appear to be lacking in strong elements of theoretical originality, we believe that he deserves to be recognized for having attempted to give an important answer to some open questions of his time, which were necessary for the modernization of the governing of his country.



In doing this, he arrived at a mountain of broad and rich ideas and went well beyond the limits set by his mentors and by the best-known and most-studied contemporary authors of the so-called Civil Economy. He projected this tradition of economic thought into the perspective of what, in the 20th century, historians of ideas called «social market economy» and «ordoliberalism».

Delfico expounds on the arguments maintained by the advocates of economic freedom at that time. He offers a valuable summary of the subjects debated by the great Italian reformers such as Cesare Beccaria, Pietro Verri, Ferdinando Paoletti, Gian Francesco Pagnini, and Gennaro Cantalupo. They are all exponents of the Italian Enlightenment, which had its most important headquarters in Milan and Naples.

To summarize, he shares the principle that public wealth is a function of the *growth of production* and depends, basically, on a regime of absolute freedom of trade.

«Those who remove the words Customs, Tariffs, etc. from the civil vocabulary: those who destroy the great labyrinth where so many monsters devour the nations in details: those who establish as a principle that every act of economic compulsion is a poisonous blow for society will have the glory of having assured a fundamental truth for humanity, and the true prosperity of the nations».

He adopts an axiom from the classical Civil Economy that «Abundance and low prices do not create wealth; scarcity and high prices are the cause of misery; the abundance and high prices produce wealth». Thus, wealth is the product of a full and perfect freedom of trade, which increases the productivity of labor. His Civil Economy takes up the idea that those who obstruct trade end up harming themselves, condemning themselves to tyranny. He shares the idea that a system of restrictions, trusts, primogeniture, and mortmain – the classical feudal institutes, produces nothing other than misery.

Melchiorre Delfico was born on August 1st, 1744, at Leignano of Montorio, in the province of Teramo. His teachers and mentors were Gennaro Rossi, Pasquale Ferrigno, and Antonio Genovesi, the father of the Civil Economy tradition. Genovesi has been particularly studied by the Italian economist Stefano Zamagni and his disciple Luigino Bruni. In Italy we have a Ph.D. program in Civil Economy, at the LUMSA University of Rome, directed by Prof. Luigino Bruni, and I am a member of the faculty. In addition, a periodical insert of the daily newspaper *Avvenire*, the official organ of the Italian Bishops' Conference, is dedicated to the tradition and the current best practices of Civil Economy. In this insert, from February until June, I will be publishing a series of articles describing the educational offerings of the Busch School of Business.

Delfico is the author of numerous economic, political, and philosophical essays. In particular, in the political and economic field, he focused on the reforms for the abolition of the feudal regime. From 1796 to 1797, he participated in the Republic of Naples as a member of the provincial government of Pescara. With the end of this republican experiment, he went into exile at the Republic of San Marino from 1800 to 1806. In 1806, Napoleon Bonaparte assigned the throne of the Bourbons to his brother, Joseph, and Delfico was called to Naples as Counsellor of State. During this period, he carried out various functions: he was a member of the Finance Section, held the Presidency of the Interior, and was Minister in 1810 and 1813.

In 1815, after the fall of Napoleon, the Bourbon royal family returned to Naples for the Restoration, and, in memory of his former services to the crown, Delfico was confirmed as President of the General Archives of the Kingdom.

In 1823, Delfico returned to his home and, despite his advanced age, continued to write and study. In 1825, his *Ragionamento sulle carestie* (Reflections on Famine) of 1818 was published in the Acts of the Royal Academy of Sciences. He died on June 21st, 1835, at the age of ninety-one.

Ragionamento sulle carestie (Reflections on Famine)

Among Delfico's most significant works, we have the *Memoria sulla libertà del commercio* (Essay on free trade) of 1797, in which he replied to an invitation from the Academy of Padua and the *Ragionamento sulle carestie* (Reflections on Famine) of 1818.

With reference to the economic debates of the period, Delfico assumes a clearly anti-mercantilist position, ending up by categorizing mercantilism as among the «very common economic prejudices». The reasons for the recognition of the civil value of competition in Delfico find their home in his moral, economic, and epistemological perspective. It goes as far as theorizing the distribution of comparative advantages if a nation devotes itself to and specializes in the production and marketing of the goods for which it records a greater added value. In his monumental work on the history of economic analysis, Joseph Schumpeter cites Delfico in the second volume and recognizes him with the merit of having anticipated Ricardo's idea of «comparative advantage».

In this way, the particular economic and epistemological perspective enables our author to consider the theme of economic freedom as an «article of social justice». Through the process of competition, freedom is the herald of equality and arranges the complex system of civil society according to the criteria of social justice.

According to his final essay: the *Ragionamento sulle carestie* (Reflections on Famine) of 1818, was prompted by the famine that had struck Europe between 1815 and 1817. In the *Ragionamento*, Delfico examines the limits to be applied to absolute freedom so that it explains all its positive aspects and beneficial effects. Since such limits can be set only by the State, we can observe that, ultimately, the object of this essay is the relationship between the market and the State. With respect to the causes of famines, Delfico identifies three basic ones: natural causes, wars, and bad administration.

With reference to the first, these are not predictable, or only so in part, and we must expand our scientific knowledge in order to make progress in our ability to foresee these events.

The second – wars – are always caused by human beings, and it is well known that they are accompanied by devastation and produce such desolation and infertility of the

land that they are normally followed by famines with all the burden of deaths and physical and moral decline.

Finally, we have the «Catalogue of political errors» which can represent the direct or indirect causes of these scourges:

«The possibility of this [scourge] will always be in inverse proportion to civilization or social progress because in the state of barbarism [...] all the capabilities are scarcely active; production of all kinds has to be obstructed. [...] where property is not free, where forms and privileged uses are dominant, where the citizens are distinguished by class and not by merit (all of them conditions close to barbarism), the possibility of famines will be greater».

Bad administration is discussed through a series of characteristics broken down into the distance between the rulers and the ruled, the mystification of reality, the fomenting of conflict between the various professions, and the favoring of some areas of the economy at the expense of others.

For our author, all that ends up by canceling out the beneficial effect of the laws, especially if the ruler claims to be defending economic freedom on the basis of positive laws that appear to the majority as real abuses of power:

«If the freedom confirmed by the positive laws is poorly defended by the conflicts of power, if the taxes are excessive, and the methods of collecting them harshly, if agriculture is restricted in its speculations, if trade is attacked in its principles, famines will have ample roads open to them to be able to loom in a menacing way».

Thus, if we assume that «moral habits» also depend on the influence exercised by the political action of the rulers, it is they who, to the degree in which they operate in an extractive way (to use the expression of recent Nobel prize winners Acemoglu and Robinson), contribute to the «degradation» of public morality.

It follows that «compassion», the first of the moral sentiments which leads to «kindness», remains demoralized and inactive while, on the other hand, the spirit of cheating and «abuse» is developed and becomes widespread, and «man is almost induced to become his own enemy».

That is why, for Delfico, famine will always be accompanied by physical and moral degradation which will last much longer than the shortage of material goods. A degradation that will affect the political, economic, and cultural spheres; is the polyarchical system called by Michael Novak: democratic capitalism.

Our author declares the purpose of the *Ragionamento* when he states that he does not intend to suggest remedies for famines once they have appeared but, rather to think about their causes so that they do not occur.

Good administration, such as good government, aided by a careful study of the availability of goods in various places, linked together by domestic and international

trade, is able to forestall shortages of goods and hinder the arising of famines with all their load of ominous consequences.

So, then, our author returns to proposing free trade as an antidote to the occurrence of famines. By contrast with the Memoria of 1797, in the *Ragionamento*, Delfico explains that trade is able to perform this anticyclical function to the degree in which the laws are fair and the traders respect them.

In the opposite case, we are faced with the degeneration of the authentic spirit of trade which is transformed into something different, much more like cheating than the ordered exercise of freedom. It is in this context that our author sketches the role of the «Supreme Authority», which, for Delfico, is not able to change the real value of things and must not arrogate to itself the right to establish the price of commercial goods. Its legislative authority must not be questioned by anyone. With all the necessary distinctions, it seems that Delfico is referring to that specific category of interventions by the State that the theorists of the Social Market Economy, such as Wilhelm Röpke and Alexander Rüstow, called «interventions in harmony with the market».

Ultimately, the *Ragionamento* flows from a statement of principle. The argument of the *Ragionamento* is a principle that qualifies the Enlightenment in Naples in comparison with the many expressions of the Enlightenment:

«True freedom has to be distinguished from libertinism, and from every similar excess and so subject to those modifications and moderations which result in the greater good of society, and which characterize true freedom and the true civil order».

Based on this statement of principle, moving on to the identification of those tools which render the regulation of liberty effective, Delfico declares:

«I shall reply with a single word, the laws. [...] if we examine the forms or the organic laws of a nation, and the laws of finance, and those of civil administration, and the ordering of property, and the penalties, we shall find lying buried in them in two ways the causes of famines, that is, either by defect or by excess: either they omit to prescribe what is appropriate to do or else they prevent those actions that are in harmony with the order of nature and of property».

Therefore, if the true causes of famines are bad administration and wars, a degree of Good Government, and the most powerful of antidotes against conflicts, consists of free trade, good government, and the rule of law. The shortage of the means of subsistence, the way in which famines are manifested, will be tackled most effectively by free trade, good government, and the rule of law.

Conclusion

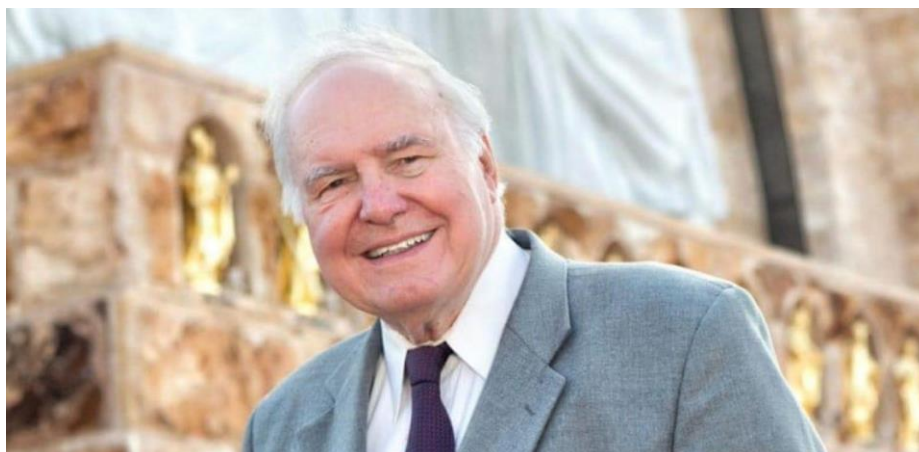
In conclusion, we can affirm that in the *Ragionamento*, he expresses his awareness of the delicate nature of the market, its fragility, and its being always in danger, faced with the «spirit of cheating and abuse, [so that] man is almost induced to become his own enemy»; hence the difficulty of applying it in an absolute way and in all cases.

Delfico's teaching is wholly centered on faith in freedom and the need for such freedom to be preserved – exactly the task of the rule of law. Such a position ensures that his faith is not a utopian flight from reality, and his fear does not result in authoritarian and totalitarian cynicism.

So then, the contingency and the limitations of the human person are not overcome because of a utopian leap, of an imminent «sun of the future», of an ideology that promises necessary «new heavens and a new earth» on this earth, and not even from the blind and proud «will to power» of a Leviathan redivivus. Rather, they are adopted as the antidote against the eternal perfectionist temptation to confuse the human earth with the kingdom of heaven. This is the snake temptation: «*Eritis sicut Deus scientes bonum et malum*», «you will be like God, who knows good and bad».

On the other hand, freedom, creativity, and individuality are adopted as the human characteristics that enable us to be raised from the purely contingent, putting pressure on our very limits, which, if properly directed, are translated into instruments – institutions – that can increase our knowledge, as we can learn only from our errors and those of others. Perhaps this is the point from which we can begin again to build that ideal bridge between the two sides of the Atlantic that was so dear to Michael Novak and to which he devoted his entire life as a scholar.

In the end, renewing my innermost feelings of gratitude to all of you, I would like to make a brief reference to Michael Novak.



Michael Novak (1933-2017)

If I am here today, I owe it to all of you and Michael, who, back in 1996, invited me to the American Enterprise Institute (AEI) as a visiting scholar. After reading my dissertation, Michael proposed that I spend time at AEI and study American social thought, and at the end of that time in Washington, D.C., he proposed that we start building together that ideal bridge between Italy, Europe, and America.

So, we immediately got to work, following my own intentions and those of Novak, while uniting what Michael liked to call the «Catholic Whig» tradition to that of Italian classical liberal Catholicism, as embodied in the thought of Antonio Rosmini and Luigi Sturzo. We published Italian editions of some of Novak's key works: *L'impresa come vocazione* (Rubbettino, 2000), a collecting works titled *Spezzare le catene della povertà - Breaking the chains of poverty* (Liberilibri, 2000), *Coltivare la libertà* (Rubbettino, 2005), *Il fuoco dell'invenzione* (Effatà, 2005), *Noi, voi e l'Islam – Hunger for Liberty* (Liberal Libri, 2005) and last year the Italian version of *Social Justice Isn't what you Think it is*.

On February 17, 2017, Michael died. I remember I had spoken to his assistant, Elizabeth Shaw, only a week before his passing since we had set up a date to meet on March 8th in Washington, D.C., here, at The Catholic University of America's Business School.

Alas, that final encounter never took place, and I regret not seeing him one more time, to show my affection for him and to thank him one last time for all he had done for me. I wanted so much to show my sincere gratitude once again for all the opportunities he gave me. So now, I say, from the heart to Heaven, thank you, Michael!