Capital. Not only capitalism
Published in the weekly Vita, May 1, 2009

A guide to rereading the key words of economic behaviour, 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 first part on the word "Capital".

The history of economy can also be told as the evolution of the meaning of capital. CAPITAL derives from the Latin caput, capitis, which means "boss", or "head", but also a central point from which the other parts descend. One of the first economic meanings of CAPITAL was, in fact, a financial one, where CAPITAL (principle part, caput) generated secondary elements (interests) that descended from such.

In ancient times, CAPITAL also referred to "heads" of livestock, an important form of wealth. With the classic economy between seven-hundred and eight-hundred, CAPITAL was seen as the main productive factor (together with work and land) on which the fortune of the economic system depended, and which, not by chance, from Marx onwards was named "capitalism".

In Marxism, CAPITAL (also the title of Marx´s most important book, 1867) becomes the key to interpreting not only the economical dynamic of a society but the dynamic of the society as a whole. The appropriation of the means of productions (CAPITAL) by capitalists becomes seen as the origins and the explanation of every inequality and of every social injustice (among which, embezzlement by part of the capitalists of the creative value of workers).

Marx theorized a transitory nature of capitalism, considering that the intrinsic laws which move history would have led to it being overcome. The idea of a system which would overcome capitalism dominated the theoretical debate until the Second World War. The Austrian liberal economist, J.A. Schumpeter, for example, one of the greatest social scientists of the 20th century, in introducing one of his most important books (Capitalism socialism democracy, 1942) wrote, "Can capitalism survive? No, I do not believe that it can."

The explanation of this prophecy consisted in the deteriorating function of the entrepreneur that Schumpeter caught a glimpse of during the birth of the financial capitalism dominated by a few large businesses. Afterwards, until the recent crisis, no other among theoretical or liberal economists spoke of an end to capitalism. One of the reasons of this partial eclipse is the very common confusion between capitalism and the market economy: today, no longer being able to question the market economy, one no longer questions capitalism as well.

In reality, the market economy does not coincide with capitalism. It was born well before capitalism and knew various non-capitalistic forms which co-existed with capitalism (thinking about the cooperative movement), and it will certainly outlive them.

Over the last few decades, the word CAPITAL has distinguished and directed itself always further away from capitalism. One speaks of human CAPITAL and of social CAPITAL, understood as new factors of production on which the production of wealth (and not only) depends.

Human CAPITAL was the first to enter into the debate, after the war. At that time, important economists (among whom G. Becker) began to build models where they explained that a business or an economic system grows when – besides physical, financial and technological capital – it arranges for human CAPITAL, meaning people who are qualified, prepared, who have invested in instruction and who have consequently raised the CAPITAL value of their own person and, in doing so, the business.

In reality, this idea was already present in classic economists like Pareto at the end of the 8th century, or the Venetian Ortes when he affirmed that the wealth of a people is its people (1792).

With the next issue of VITA, we´ll continue with the second part about "Capital"