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Civilization versus Economic Development?

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Abstract

Drawing on a historical analysis, this work highlights—without reverting to the framework of classical theory (Adam Smith, etc.)—how certain assumptions of neoclassical theory (which remain dominant today in various forms) are not merely unrealistic but actually impossible to realize. The study asks whether, in the current context, certain assumptions—such as perfect competition—should be viewed as more than just a benchmark; rather, much like the concept of popular sovereignty, they risk becoming "an ideal that no one manages to put into practice [and which therefore] ceases to be an ideal and becomes a falsehood promoting an unachievable perspective." The work thus examines situations and authors who seek to reconcile the civilization of a society or state with its economic development, recognizing that these two aspects cannot be separated or viewed in isolation.

Introduction

The history of macroeconomics is particularly significant for the topics I will address here. Let us begin by briefly outlining a few key features.

Adam Smith and the school of classical economists relied on the following premises:

- The value of a commodity is proportional to the labor time required to produce it (labor theory of value); - the actors in the economic process are the social classes of capitalists (entrepreneurs), landowners (aristocrats), and wage earners—those whom Marx termed the proletariat;
- The wages received by workers tend to coincide with the subsistence level;
- The profit received by capitalists is determined residually (capitalists earn as profit what remains of the value of the product sold on the market after deducting the costs incurred to pay wages and rents);
- Land rent is differential (more fertile land earns a higher rent than less fertile land).
- This school was followed, starting in 1870, by another alternative approach, the neoclassical theory.
- It held: In place of the labor theory of value, the utility theory of value is supported (the price of a commodity depends on the interaction between supply and demand, with demand determined based on the commodity's utility and supply determined in a very similar manner);

Economic theory does not study the behavior of social classes, whose role is replaced by that of the factors of production (land, labor, and capital) owned by the individual, the only true focus of the theory's investigation (methodological individualism). The wages received by workers are merely the remuneration for the service of labor and have the same logical foundation as the remuneration paid to other factors of production; that is, they correspond to the contribution made by the factor to the production process, and therefore, wages are not necessarily limited to the subsistence level. Profit is the remuneration for the service of capital and corresponds to the marginal productivity of capital and is determined simultaneously with the wages of all other factors, not residually.

Land rent is calculated using the same criteria, as a form of remuneration.

The primary focus of economists' study is no longer the wealth of nations, but the behavior of the individual. From the economic analysis of the system as a whole (work, wealth, development, trade), attention shifts to the analysis of individual behavior (choice, individual utility, tastes). While the object of study for the classical theorists was essentially the wealth of nations, the object of study for the neoclassicists becomes individual satisfaction. The value of a good is no longer determined by the amount of labor required to produce it, as the classical theorists thought, but by the utility an individual can derive from it: the perspective shifts from that of the producer to that of the consumer. The use of mathematics to represent economic theories is introduced. The problems posed by the previous, classical, theory—both the labor theory of value and the conflict between classes—disappear: social classes are completely absent, and each individual is compensated equally based on their contribution to the production process. This might be true in theory, but it doesn't hold true in practice. Kant precisely said, "This may be true in theory, but it doesn't hold true in practice." In many cases, he's right, because individuals themselves are attracted, rightly or wrongly, to those who may have common interests and problems. They don't live in isolation and feel a sense of community, which then becomes what's called "class," even beyond the purely remunerative aspect (and the meaning of the expression "remuneration" should be clarified, whether it identifies with salary or wage or refers to working conditions in general, because this aspect varies greatly; it can indeed give rise to mutual community or class solidarity).

With the bankruptcy of Lehman Brothers, through the phenomenon of financial contagion, through the vicious circle of deleveraging, even a student who had a loan to pay for university suffered huge losses (because the TED spread, which shows how much risk banks intend to take in granting loans to each other, skyrocketed with repercussions on every loan). This demonstrates today's mutual dependence between subjects, even innocent or unaware ones, and the possibility that mutual solidarity can arise. Giovanni Amendola was generally right when, after the First World War, he said of the effects it had produced in Italy, noting the new mentality that had arisen, he said that a new society was present. He said: "The old bourgeois society, upon which the sentence of history fell implacably in August 1914, was founded on the dogma of individualism, the cornerstone on which rested the particularism of individuals, classes, and states, and the consequent anarchy of private interests and international relations." He added, "The war has enlightened us. The individual has no absolute rights against tradition and against society, because tradition and society largely constitute him. Therefore, the autonomy of the individual on which civil liberty is founded does not absolve the individual from his responsibilities towards the public. fixed, the present and the future of the society in which he lives; but rather makes them more precise and imperative". Therefore he theorized a community and solidarity liberalism and, in this framework, while respecting private property, the cornerstone of society, he wanted that principle not to be directed against society, that society could control private interests which, in an anarchic way, could destroy it, society could take into account and force individuals in their action to take into account the solidarity which linked them mutually, because the action of each individual is never isolated but is reflected to the advantage or disadvantage of all [1].

John Maynard Keynes, following the neoclassicals, attempted to demonstrate (although attempts have been made to bring him back into the neoclassical paradigm by arguing that his thesis was valid for the short term, it was an aspect of neoclassical theory):

- The existence of equilibria with involuntary unemployment, that is, situations in which the free operation of market forces cannot automatically lead to the reabsorption of unemployment;
- The principle of effective demand, according to which demand generates supply and not vice versa, as neoclassical theory held: the only way to increase demand was, for example, a government request for goods and services.

A reduction in demand causes a reduction in production and employment, without market mechanisms being able to restore the system to full employment. Theory, before Keynes, dealt with the behavior of individuals and, by aggregating individual behaviors, believed that aggregate behavior could be obtained. Keynes, on the contrary, argued that aggregate behavior cannot be considered simply as the sum of the behaviors predicted by theory for single individuals, but follows a logic of its own. Hence also the need to foresee a role for government, since the free behavior of individuals who want to maximize utility (which is the concern of microeconomics, which several recent theories, incidentally, challenge, from that of Simon to all the authors classified as behavioral economists) in the aggregate does not lead to optimal outcomes, making public intervention indispensable.

Those who criticize Keynes's approach, like Robert Lucas and Thomas Sargent, for not having adequately microfounded aggregate behavior, or for not being able to derive aggregate behavior as the sum of the individual behaviors studied by microeconomics, betray Keynes's approach and demonstrate a failure to understand its basic structure (implicitly demonstrating that Keynes is not an adaptation of neoclassical theory, but rather its reversal), betray Keynes's theory and demonstrate a failure to understand its basic structure (implicitly demonstrating that Keynes is not an adaptation of neoclassical theory, but rather its reversal).

For example, one goes so far as to deny the existence of involuntary unemployment and to assert the total futility of any public intervention in the economy, intervention that would only generate an increase in prices and not an increase in GDP. It would be necessary, for these authors, to demonstrate that the stickiness of prices and wages is a consequence of the maximizing behaviors of individuals, the maximizing behaviors on which microeconomics is based. It would not be enough to observe that stickiness exists.

But why, one might reply, is it necessary to demonstrate this?

If we start from Keynes's teachings, according to which entrepreneurs' animal spirits exist and are decisive; that psychological elements exist and operate, which are rational in themselves but with respect to expectations (even if only psychologically or conventionally derived) that are legitimately formed by operators, for example, financial ones, and all of which cause certain effects; if we start from the fact that maximizing behaviors may not exist (as demonstrated, for example, by behavioral economics or by those who believe that only a "satisfactory" solution should be sought), this claim to micro-found aggregate behaviors largely falls away.

The "mathematical" claim of many economists to reevaluate economics as a social science may fall away.

Anyway, we will see later how the behaviors of entrepreneurs or financial actors, who today play a preponderant role in the economic system, are, we might say, "naturally" non-maximizing or, better yet, rational, and at the same time lead to unstable equilibria, that is, to non-equilibrium. And they get there rationally.

- However, starting in the late 1980s, the new Keynesian economics—Joseph Stilglitz, George Akerlof, and Andrew Michael Spence, for example—have attempted to microfound the conclusions of Keynesian theory. Namely, the existence of persistent involuntary unemployment and the real effectiveness (not only on prices, but also on GDP) of public intervention in the economy.

This microfoundation is obtained by hypothesizing that markets contain incomplete and asymmetrically distributed information, meaning that some actors have advantages over others: information asymmetry occurs whenever some economic agents have access to information that is inaccessible to other agents. An actor can misuse the information at his disposal both before and after the signing of a contract. But this (can happen) almost always happens: we'll look at a famous example. But just think of a simple doctor, therefore a graduate and educated individual, an engineer, a lawyer, or a notary, if they are able to understand what the other is doing, if they are therefore able to evaluate the quality of the offering, or understand, as in sensational cases, the qualities or simply the characteristics of a product. A famous case was that of Audi and the infamous Dieselgate of 2015, regarding the manipulation of emissions tests on diesel engines, which were found to be equipped with illegal software to falsify clean air data: evidently in this case, as in many others, the market fails, it is natural that it should fail without external intervention.

- In any case, the so-called Market failure, departing from the reference model of perfect competition, always occurs: consider the phenomena of externalities (we have also seen the considerations of the politician Amendola, in addition to the well-known cases that can be traced back to pollution), market power, with economies of scale or scope, almost always present, information asymmetries, and public goods.

I will discuss some of these phenomena, but now I want to address a topic that seems marginal or lateral, but in reality is not, because from historical experience we can draw conclusions about certain deviations from economic theory.

The Good Life

Adam Smith was already aware that the market, this new form of relationship for his time, an anonymous and self-interested form of relationship between individuals, had a civilizing function (because market relationships are impersonal and allow us to satisfy our needs without having to depend on the benevolence or magnanimity of others, without being dependent for our livelihood on situations of subservience to a few benefactors - such as the aristocracy, clergy, large landowners, vassals or serfs - "each merchant or artisan derives his profit from the employment not of one but of hundreds or thousands of customers. Although to a certain extent he is linked to all of them, in reality he is absolutely dependent on no one" says Smith), but he was also aware that the market could impoverish social relationships and, consequently, produce unhappiness and loneliness. Smith was well aware that individuals pursue their own self-interest, but in his 1759 Theory of Moral Sentiments, he stated, "However selfish man may be considered, there are clearly some principles in his nature which make him interested in the fate of others, and which make their happiness necessary to him."

The great development of markets over the next two centuries is clearly demonstrating this effect, which for Smith was collateral and now becomes central. For this reason, after a brief outline of the economic theorist who developed Smith's ideas, in my essay I will provide concrete examples of how markets for goods and services function, to demonstrate how the assumption of perfect competition is, as Weale asserts regarding the popular will, "an ideal which no one manages to put into practice ceases to be an ideal and becomes a falsehood that promotes an unattainable prospect [2]." After Smith, some Italian thinkers of the Enlightenment, who were unjustly overlooked, explored some issues in greater depth.

Antonio Genovesi, in his work Lezioni di economia civile (1765-67), expressed an idea of the economy as a place of civilization and a means of civilization to improve the "**good life**" of people.

He referred to trust, or rather public faith, as a precondition for economic development, a notion absent in Smith, who nevertheless considered the market a place of civilization, as I mentioned above. Genovesi believed that personal interest alone did not automatically lead to the proper functioning of the market. The economist referred to the situation of Naples, which, despite being a very populous nation (the Kingdom of Naples) (therefore workers were not in short supply), with a mild climate, lands suitable for various types of crops, and good access to the sea, ideal for mercantile trade, had not progressed to the same extent as other European nations or states of the peninsula. He believed that unhappy economic conditions depended on the population's lack of morality, that is, the fundamental civic virtue consisting of mutual respect and the common good. Gaetano Filangieri argued that public faith was the primary resource for economic development, and in his Science of Legislation (1780), he emphasized that without the cultivation of public faith, markets fail to develop and the economy remains stagnant.

Genovesi, regarding the nature of trust, stated, "This word fides means a cord that binds and unites. Public faith is therefore the bond of families united in a shared life" (p. 751, 2005). And regarding happiness, particularly public happiness used as an equivalent of the term "civil economy," he said that it had a social nature: one can be rich alone, but to be happy, two or more are needed."

In the same vein, albeit in a slightly different way, in Milan, Pietro Verri referred to:

- The role of virtues;
- To wealth understood as a means and not an end;
- To trade as a civilizing and peaceful moment;
- To trust, good faith, considered the precondition for the development of trade. He emphasized the role of "just laws for public happiness and the importance attributed to the creativity and intelligence of the person".

In creating the value of goods. Gian Domenico Romagnosi, jurist and economist, had as his slogan "Civilization." A good government must aim not at economic growth but at the civilization of the people. Prioritizing economic growth over civil growth means producing social damage. According to Romagnosi, it is better to grow less economically but all together [3]. Grow all together so that, thanks also to good laws, where the term "also" is not irrelevant both for its importance and because it is not enough, civil virtues and public trust can withstand the impact of the unfolding of economic interests. A very current thesis, just think of Daron Acemoglu (4), Amartya Sen, Shoshana Zuboff, for example. I'll mention some more recent authors, whose theses I can't delve into here.

But, with a bit of national pride, the Italian Enlightenment, in some ways, can be said to have addressed increasingly fashionable themes today.

1. cf. G. Bedeschi. The factory of ideologies. Political thought in twentieth-century Italy. Laterza. 2002, page 146, for Amendola’s quotations; for economic history see C. Beretta. Introduction to neoclassical economics. EDUCatt. Università Cattolica. 2011; L. Becchetti, L. Bruni, S. Zamagni. Principles of economics. A text on civil economics. Il Mulino. 2025. p41 and following; G. Liotti and M. Musella. Political economy. From Smith to Keynes. Giappichelli 2022; R. Faucci. A brief history of political economy. Giappichelli 2010; H. Landreth and D. C. Colander. History of economic thought. Il Mulino. 1996; for a critique of certain recent approaches to political-economic matters, see M. Gallegati. The Market Makes You Free and Other Lies of Neoliberalism. Foreword by F. Saraceno. Luiss University Press. 2021.

2. Albert Weale. The Myth of the Popular Will. Luiss University Press. 2020. p. 34.

3. probably Thomas Piketty, Michael Sandel, who wrote the recent “Equality: What It Means and Why It Matters.” Feltrinelli. 2025, T. Piketty. Nature, Culture and Inequalities. A Comparative and Historical Perspective. The Ship of Theseus. 2026, among numerous other essays, Matthew Desmond, with his “Poverty in America.” The Ship of Theseus. 2024, would agree.

4. D. Acemoglu R. A. James. Why Nations Fail: The Origins of Prosperity, Power, and Poverty. Il Saggiatore. 2013

Perfect Competition

First of all, when formulating theories, which may be myths, we should also take into account that uncertainty is pervasive and cannot be reduced to probabilistic risk. Agents, in fact, not only do not know the effects of their actions, but they don’t even know the probability distribution underlying different scenarios. This does not mean that they act irrationally, but, as Simon says, (the aim is to pursue only “satisfactory” effects, according to behavioral models and formulations of expectations very different from those assumed, for example, by Lucas). For this aspect, I cite Keynes and his assertions about uncertainty and its consequences, and how macroeconomic factors are influenced by microeconomic aspects, but how the individual, the economic agent, cannot govern certain phenomena. Keynes, from whom it is worth starting, stated: “The volume of investments is influenced by risks of two types. The first is the risk of the entrepreneur, or the debtor, and derives from the doubts that arise in his mind regarding the probability of actually realizing the return he hopes to obtain […] When a system of debt and credit exists, a second type of risk becomes relevant, which we can call creditor risk□. The transition from the optimistic to the prudent assessment of the two risks by those who invest and by those who lend constitutes the crux of the crisis. Expectations are □based on changing and unreliable evidence□, on probabilities that are rarely calculable, on often conventional hypotheses: □the essence of the convention […] is in the assumption that the present state of affairs will persist indefinitely, at least until there are specific reasons to expect a change […]. The precariousness inherent in the convention is in no small measure responsible for the emergence of a problem of inadequacy of investments□ (Keynes).

Modern macroeconomic models are based on the assumption that even long-term expectations are rational, that is, that the future can be predicted with some certainty. This is one of the crucial points in the historical dispute over Keynes’s legacy. Regarding short-term expectations, in a 1937 note from Keynes’s Cambridge lectures, he wrote, “I think now that if I were to rewrite [the General Theory], I would begin by formulating my theory on the assumption that short-term expectations are always realized, and in a subsequent chapter I would show what the consequences would be if these expectations were disappointed.” He made a clear distinction between probability and event, which indicates the greater or lesser possibility of that event occurring, and uncertainty, which indicates the difficulty in forming an idea of the probability of an event, and therefore the greater or lesser confidence in the likelihood of an event occurring. He will clarify this concept in a 1937 article in the Quarterly Journal of Economics, where he will explain that, speaking of uncertainty, he does not intend to distinguish between what is certain and what is merely probable, and in this sense the game of roulette is not subject to uncertainty, nor is the prospect of a Victory Bond being drawn. Furthermore, life expectancies are only slightly uncertain and even the weather is only moderately uncertain: the sense in which Keynes uses the term is that one can say that there is uncertainty about the prospect of a war in Europe, or about the price of copper and the interest rate twenty years from now. In these matters there is no scientific basis on which to formulate any numerical probability(1).

Indeed, as Giorgio La Malfa recently recalls, many authors have argued that the essential difference between Keynes and other economists regarding the use of mathematics is that the latter believe economics is a logic of choice under conditions of scarcity, while for Keynes it is a logic of choice under conditions of uncertainty.

Keynes addresses the topic of uncertainty as a development from what he stated about uncertainty in A Treatise on Probability, because the two elements, probability and uncertainty, are interconnected. The topic is addressed in the General Theory of 1936, and in a subsequent article in 1937. The topic of uncertainty is addressed primarily to make economic policy decisions that do not hinder Britain's growth. Keynes's analysis is developed in Chapter 12 of the General Theory, entitled The State of Long-Run Expectation. For Keynes, investments are crucial for development: they are linked to returns, future returns expected to be achieved; future returns are based on expectations and, therefore, on the confidence with which expectations are formulated. The key point for financial and stock markets, which Keynes emphasizes, is that the current value of an investment is constantly (re)evaluated on a daily basis. Buying and selling transactions that value an existing investment also have an indirect effect on the valuation of new investments. Investments are valued based on the estimate of factors that occur in future periods and on the expectations formed, which are also generated by daily fluctuations in the stock market. The description of the role of expectations in the stock market (more important in the Anglo-Saxon world than in Italy because it generates and manages savings for income—for pensioners, for example—or for investment) is one of the most cited in Keynes's work.

The valuation of an investment, therefore, cannot be based on a certain mathematical expectation, as expectations depend not only on the probability of the expected future returns being realized, but also on the confidence with which they are formulated. But secondly, there is the speculative activity carried out by those operators who buy on the market not because they have an idea of the fundamental values of the asset, but because they believe other operators will also buy that particular security. For these operators, the important thing is to correctly anticipate the market trend, not to identify which investment will truly have the capacity to generate profits in the future. And if these operators are the majority at a particular moment in time, the market, whether the structure is adequate or not, will move in the direction they believe it should move without any real connection to the underlying real structure of the economy or will move randomly. Market values calculated in this way express a "conventional valuation," with all due respect to Eugene Fama and his theory of perfect markets, I might add.

The Uncertainty that Concentrates

Business activity is both an uncertainty inherent in the individual investment and one tied to an external environment that moves according to speculation's dictates: "classical" economics, according to Keynes, responds to such a scenario by ignoring it. The analysis in Chapter 12 of the General Theory is limited to financial markets, but the issue is more general and the considerations can easily be extended. Keynes believes that the uncertainty that conditions economic activity means there is no "scientific basis on which to form any calculable probability," and one cannot proceed by pretending that the issue is a question of risk, according to Knight's terminology—that is, calculable. When he says that certain phenomena are particularly uncertain due to the impossibility of conceiving any calculable probability, Keynes means, by calculable probability, numerical probability. Post-Keynesians will go further. Today, the distinction between calculable and non-calculable probability seems almost meaningless to me, especially if it refers to a probability that takes into account and is based on all the information and that the information is knowable. For this reason, for Keynes, political intervention is necessary, with targeted public investments (Keynesian, not South American), if private investments are not undertaken due to uncertainty. Public interventions are substitutes or supplements when this uncertainty is reasonably present; they are not constitutive of the market. Political authority, on which we can rely in acute crisis situations, cannot help but refuse to recognize the rationality of market outcomes when it is clear that they are guided by conventional judgments, and it is precisely in situations of true uncertainty that economic policy action is essential.

Decisions, whether personal, political, or economic, cannot depend on strict mathematical expectations: in situations of "Keynesian" uncertainty, not only is it difficult to formulate precise probabilities, but their degree of reliability is so low that Keynes focused on non-numerical probabilities.

Post-Keynesians

Regarding the views of post-Keynesians, while uncertainty, according to many economists, refers to situations involving incomplete information, according to post-Keynesians, uncertainty can also be attributed to situations where information does not exist at the time of the decision. Keynes believed that there might not be calculable probabilities and that it was impossible to specify a list of contingencies that could influence decisions. Post-Keynesians place greater emphasis on the importance of unforeseen events, and "the irreducibility of uncertainty to risk is therefore based not so much on the rejection of the axiom of certainty as of the idea that the decision-making context can be represented by a complete list of states of nature" (Carlo Zappia): Keynesian uncertainty would be unmeasurable in terms of probability, even though post-Keynesians have been accused of failing to propose alternative behavioral norms for decision-makers in conditions of true uncertainty. But are financial markets examples of mechanisms that always create efficient allocation? The Dutch who bought tulips might respond: calculation is impossible when data are incomplete, and when confronted with ignorance, rationality is mere pretense (Shackle, in G.L.S. Shackle. Expectation in Economics. Cambridge University Press. 1952, cited by Carlo Zappia, p. 161). Human Minsky, highly regarded today, argues that an unforeseen event offers new possibilities for enrichment through the use of heavily borrowed financial resources. Speculation grows, supported by a supply of funds that the progress of the financial industry makes more elastic, and the object of speculation can be anything: products, raw materials, real estate, foreign exchange, securities, bets. But sooner or later, endogenously, or following a new event, some signal, the convention changes. The debtor's risk and the creditor's risk become overestimated. Confidence wanes, distrust spreads. Debtors sell off to free themselves from debt, lenders push to repay their credit. Uncertainty and falling prices push up the real cost of money. The sequence stops if mistrust spontaneously subsides or trust is reestablished by economic policy.

In this post-Keynesian vision, Charles Kindleberger divided the Minsky model into the following logical phases: displacement; the object of speculation; euphoria; tension; the signal; discredit; the crisis and its consequences. But all these phenomena are often independent of the individual entrepreneur, as well as being inherent in business risk and cannot be eliminated without eliminating the business. Furthermore, they are neither governable nor perceptible by the entrepreneur, as they constitute a myriad of individual events spread across a thousand locations (H. P. Minsky, C. P. Kindleberger). A whole series of Keynesian arguments relating to money, speculative money, and how its use, the interest rate, can depend on "conventional" motives—often irrational, in the sense that they derive from perfectly explicable behaviors even if they don't fit the neoclassical homo oeconomicus framework—are now being taken up by what is called behavioral economics. Will behavioral economics, then, be a revolution capable of nullifying hundreds of pages of microeconomics textbooks? Some try to downplay its significance. In fact, it is pointed out that in economics, we study the behaviors, however desired, of actors, regardless of any influences. Some add that uncertainty is a feature of an unplanned economy, and blaming uncertainty for capitalism's problems is wrong, because in each historical period, we must trace back to the objective circumstances, the prevailing policies, which lead to investment choices, which even anarchists have their own stability to base themselves on.

But, aside from the fact that Smith himself and then Keynes gave speeches that took psychological aspects into account more significantly than many mathematical economists, in love with algorithms, who exist today, undoubtedly behavioral economics cannot fail to be a revolution. Its leading exponents have significantly said, "If you read an economics textbook, you'll discover that homo oeconomicus has the intellectual faculties of Albert Einstein, a memory capacity comparable to that of Big Blue, the IBM supercomputer, and a willpower worthy of Gandhi. Now that this isn't the case is evident, and this reality cannot fail to influence economic reality and discussions on competition, where small economic entities are imagined as having not only market power but also political influence, and where everyone's behavior occurs almost mechanically, precisely because economic entities are small and can only behave in a certain way.

They act rationally and take into account all the information, as if agents had an unlimited capacity to absorb and evaluate information. In truth, companies that operate in perfect competition, rather than acting mechanically, are incapable of setting the selling prices of goods and the purchase prices of inputs; that is, they are powerless and must act mechanically, automatically out of impotence, and the only thing that They can decide, perhaps, on the quantities of inputs to purchase and outputs to produce; they don't have to consider, or at least largely irrelevant, the characteristics of demand. But the world is different; economic and political constraints exist, and so do the phenomena described in behavioral economics experiments. When Charles Kindleberger breaks down the Minsky model into the logical moments indicated (the displacement; the object of speculation; the euphoria; the tension; the signal; the discredit; the crisis and its consequences), he enumerates phenomena that are often independent of the individual entrepreneur, as well as being inherent in business risk and cannot be eliminated without eliminating the business. However, they are neither governable nor perceptible by the entrepreneur, constituting a myriad of individual events scattered across a thousand locations (H.P. Minsky, C.P. Kindleberger). Returning to Keynes's writings, Minsky sees uncertainty, irrationality, and the conventional nature of expectations as constant sources of instability: in phases of optimism, the economic system sees economic agents begin to go into debt and are supported by bankers who share their expectations. Even when risk-taking does not take the extreme forms of "Ponzi Finance," the growth of debt positions means that even when expectations are positive, risks accumulate within the economic system, creating the conditions for a crisis. When many economic units are no longer able to maintain a sufficient flow of revenue to guarantee their solvency, a small increase in interest rates, a credit restriction, or a reduction in prices is enough to plunge the entire system into a dramatic crisis. The real effects, through credit-debt relationships, are transmitted throughout the economy and to all operators, even the most prudent and most solvent, and are transmitted rapidly and instantly. The flow of profits ultimately regulates the ability of agents to repay their debts, and in this, Minsky and the post-Keynesians echo Kalecki and Levy. The flow of current profits depends on investments, government deficit spending, and, in an open economy, exports; Expectations about future returns and investment volumes change the current volume of investments and, consequently, the flow of profits. All this without denying the value of financial regulation in helping companies and banks from excessive and imprudent borrowing (2), but all this impacts "so-called perfect competition."

Therefore, my work seeks to dispel some myths, clichés of a certain economic mainstream. These are situations where we depart from a presumed reference model given by perfect competition. A myth. The causes of market failure, precisely seen as exceptional situations, are above all externalities, market power, information asymmetries, and public goods. The former, like the latter, are almost always present: externalities are the consequences of the production process that must be borne by third parties other than those involved in the production and consumption of the good, such as polluting emissions. The price of the good sold does not take into account the cost that the community is required to pay for the production of the good. Market power and information asymmetries exist almost always. The recurrence of these situations should probably make them the rule rather than the exception, and should prompt a reversal of the relationship between them and perfect competition, even with obvious political implications. Indeed, with perfect competition, in an ideal model, many small businesses have neither market power nor political power to influence politics, society, or consumers. But other situations do exist that influence society, politics, and consumers. The approach should be to look for remedies, including legislative ones, and to approach them realistically, to protect everyone's freedom. It should be remembered that economics must not become "the celestial mechanics of a nonexistent world." For example, let's consider the case of market power, leaving aside other cases of so-called market failures: a company with market power circumvents and negates the so-called consumer power, influences tariffs, influences a government that wants to impose them, and seeks government protection (for example, the Google-US-EU case).

Market power arises from the presence of economies of scale or scope. Economies of scale allow the producer to spread fixed costs across a greater number of units of the good produced, encouraging an increase in the company's size. With economies of scope, the producer finds it advantageous to produce different goods belonging to the same range, always with the aim of spreading fixed costs across a greater number of goods. This creates market power and moves away from the perfectly competitive market model, as in other cases. But what if this were the rule, deriving from the implementation of the principle of free enterprise, and not the exception? It seems to me that it is, as with the other hypotheses mentioned above. Competition today is celebrated almost without distinction. The market structure of "perfect competition" is unattainable. Mainstream economics is anchored to the correspondence between free enterprise and competition. But historical experience contradicts this assumption. In its true form, what is called monopolistic competition exists. It is achieved by applying the principle of free enterprise to both the manufacturing sector and the industrial sector more generally, as well as to services. Not to mention the financial sector, where since the Middle Ages (in Renaissance Italy and elsewhere), small has never been synonymous with beautiful. This structure is the real one, the true one: it leads to product differentiation (including financial ones), which is also in the interest of consumers. It leads to innovation, to the introduction of new processes, products, and even financial products. It does not lead to companies without market power (or political, socio-political power) and forms of protection and counterweight. Precisely because companies are not small and without market power, they are subject to price as a given. It leads to the introduction, for example, of the topic of law into economics. (Perfect) competition: myth, reality? Monopolistic competition is based on the desire of every entrepreneur, every individual, to differentiate their product, essentially to differentiate and characterize themselves, to present their products with unique characteristics that (either through the methods of sale or credit facilitation or physical characteristics) best represent those who offer and produce them, whether they are signs of their work or inventiveness, of their genius or simply of their thought (theirs and their collaborators'), a sign of themselves and their organization (even if complex) [3].

Therefore, perfect competition is not a fact, it is a myth. Beyond the various definitions and explanations that have been given to the term myth, the various classifications of myths (there are also etiological myths, which are those that narrate the origin of social and political institutions or traditions and customs [4]. If the facts are other concrete market structures, then, apart from an ideological value, as mentioned, to affirm a certain model proposed by an elite, why study it in a scientific activity that should deal with reality and not with an ideology? At least we should be aware that it is such. The famous Black Death of the mid-14th century, which had fatal consequences for about a third of the European population and economic consequences. The doctors of the late Middle Ages knew neither the cause nor the way in which the plague spread. ≪In the 14th century there was neither the possibility of identifying the pathogenic agent of the plague, nor the theoretical knowledge to distance oneself from the classical medicine of the time, of a humoral-pathological orientation≫ [5]. For the Black Death, which was a fact, in 1347, it was added that ≪in an era in which nothing was yet known about microscopes and antibiotics, knowledge could not go further. It would not be correct, however, to ignore that humoral pathology, despite all its practical deficiencies, represented in itself a system of logical thought that seemed to easily explain the causes and symptoms of many diseases≫ [5]. It could be added that when looking for the causes of certain phenomena one should not do as they did in the fourteenth century when Pope Clement VI "had the corpses of those who died of the plague dissected in search of the cause of the disease, but the doctors were so convinced of the humoral pathological theory of the plague that in the dissections they sought and found confirmation of it", that is, in the search for the explanation of facts or theories one should not a priori go in search of one's own theses or convictions. Therefore, knowing that perfect competition is not a disease, but not even a fact, as the plague unfortunately was, it certainly seems that the theoretical construction that has developed around it closely resembles that "logical system of thought" that, in the case of the plague, seemed to explain the phenomenon. But it remains a "logical system of thought," which in the mid-fourteenth century sought to explain a real fact, a real phenomenon that occurred (people were dying), in our case a hypothesis, an unreal phenomenon.

(1) See cfr. for a review of economists and mathematical-statisticians who have dealt with uncertainty and risk, in addition to the authors cited in the other notes. In this introduction I refer in particular to A. M. Carabelli. John Maynard Keynes: economic reasoning. Complexity, uncertainty, happiness, tragic dilemmas. Carocci editore.2024 and above all C. Zappia. Uncertainty in economics. A history of theories from Keynes to the present day. Carocci editore.2023, from which I report several quotations; in general see J. M. Keynes. The General Theory of Employment, in Quarterly Journal of Economics.51 pp.209-223; J.M. Keynes. The General Theory of Employment, Interest and Money. Annotated edition edited by Giorgio La Malfa. Mondadori. 2023 in particular see the commentary notes on chap.21, pag.610; One can also refer to the classic works of G.L.S. Shackle. Expectation in Economics. Cambridge University Press. 1952; Knight Frank, Risk, Uncertainty, and Profit (1921; Italian trans. 1960); Capital, Time and Interest Rate (1934); The Ethics of Competition and Other Essays (1935); Freedom and Reform (1948); The Economic Organization (1951); Essays on History and Method of Economics (1956); Intelligence and Democratic Action (1960), up to John Maynard Keynes (who, as far as I know, did not give Knight credit) in Chapter 12 of his General Theory of Employment, Interest and Money (1936). For Keynes, "The market can remain irrational longer than you can remain solvent" and in 1936 he stated, regarding the Wall Street stock exchange, that when it was open at least half of the purchases or sales of investments were undertaken with the expectation, on the part of the speculator (which for him was simply carrying out an activity that tried to predict the psychology of the market while doing business by trying to predict the future return of an investment over the course of his life), of doing the reverse operation within the day. And this, he added, also applied to the

raw materials market, not just to financial products. Therefore, the whole world is the same and for centuries .... Bad guys exist or often economic conditions change without an entrepreneur not only being able to do anything about it but not even predicting it; see G. Conte. Reforming the vanquished. History and critique of liberal-capitalist reforms. Guerini Scientifica. 2022. on Keynes, see J.M. Keynes. The Post-War International Monetary System of September 8, 1941, Italian translation. of "Post-war Currency Policy, 8 September 1941, vol. xxv. pages 21-33 taken from The Collected Writing of John Maynard Keynes, vol. xxv)

(2) See v. S. Nerozzi, G. Ricchiuti, Thinking about macroeconomics. History, debates, perspectives, Pearson, London 2020, pp. 197 and 198; J.M. Keynes The General Theory of Employment Interest and Money, Mcmillan, London 1936, pp. 144, 152–153 and 317; I. Fisher, The Debt–Deflation Theory of Great Depressions, in Econografica, 1933, pp. 337–357; H.P. Minsky, Stabilizing an Unstable Economy, Yale University Press, New Haven 2008; C.P. Kindleberger, Manias, Panics, and Crashes. A History of Financial Crises, Mcmillan, London 1978; John Maynard Keynes. General Theory of Employment, Interest and Money. Mondadori. 2023, annotated by Giorgio La Malfa, pp. 562 and 610 for the statements on uncertainty; more generally on Keynes and uncertainty. See Anna Carabelli "Keynes on Uncertainty and Tragic Happiness" (2021), published by Palgrave Macmillan (with translation by Alessandro Guerriero): Keynes in his introduction to the Cambridge Economic Manuals series (1922-3), Keynes writes: "The theory of economics does not provide a body of settled conclusions immediately applicable to politics. It is a method rather than a doctrine, which helps its possessor to draw correct conclusions" (CW XII, 856). This passage highlights the continuity between the Treatise on Probability and Keynes's economic works. In his discussion with Roy Harrod in 1938, that is, in his most mature and forthright methodological manifesto, when he states that "economics is a branch of logic, a way of thinking, rather than a pseudo-natural science," for him, it is better to be approximately right than precisely wrong. He is interested in exactitude, not precision.

(3) F. Zatti, The problem of political responsibility in the "networks of independent regulators" of the market, "Aperta Contrada. Reflections on Society, Law, and Economics, November 9, 2012; S. Zuboff, Surveillance Capitalism: The Future of Humanity in the Age of New Powers, Luiss University Press, Rome 2019; M. Zuckemberg, Bringing the World Closer Together, Facebook, June 22, 2017; D. Solito, One in Two Italians Buys What Influencers Recommend, La Repubblica, October 5, 2023; J.V. Robinson, The Economics of Imperfect Competition, edited by G. Nardozzi, Etas Kompass, Milan 1973; E.H. Chamberlin, Theory of Monopolistic Competition, edited by H. Brawer Liberanome, La Nuova Italia, Florence 1961.

(4) A definition, which could also be applied to our case, is that of myth, indicated as follows: Studied from life, myth is not an explanation that satisfies a scientific interest, but the resurrection in narrative form of a primordial reality, which is told to satisfy profound religious needs, moral requirements. It expresses, stimulates, and codifies belief; it safeguards and strengthens morality; it guarantees the efficiency of ritual and contains practical rules for human conduct. Myth is therefore a vital ingredient of human civilization; not a useless fable, but an active force built over time, see B. Malinowski, Myth in Primitive Psychology, 1926, p. 101.

(5) K. Bergdolt, The Great Pandemic. How the Black Death Brought Birth to the New World, with a note by Alessandro Barbero, Libreria pienogiorno, Milan 2020, p. 34.

(6) K. Bergdolt, The Great Pandemic, cit., pp. 38 and 85.

Price-Determining Methods

Competition, the pricing system that views firms as price takers, aiming to maximize profits, fails to take into account not only that they are often price-makers and quantity takers, with extensive market power and managers who focus on firm size rather than profit maximization, but also that, above all, in reality, the so-called markup—that is, the profit margin for firms—but also everything that serves to cover extra costs beyond labor, such as the cost of raw materials, can vary based on the balance of power between workers and firms and is not determined exogenously by the more or less competitive structure of markets. The relationship between savings and investments is crucial for growth, but causality runs from investments to savings, not vice versa. In a capitalist society, corporate decisions play a crucial role compared to those of consumers and households, and investment decisions are an independent variable that, together with the potential budget deficit and exports, determines the rate of growth, profits, and income. Investments depend on expectations of future profits, because no one invests unless they expect to make profits, and they don't look solely at the interest rate, which, as we know, can be variable and dependent on many factors, including international economic policy. This is true.

Prices, like investments, also depend on expectations of future profits and the decisions of entrepreneurs. It is not costs that determine prices, but rather prices that determine costs [1]. On the basis of valuation scales developed by economic agents, by entrepreneurs, they estimate, with respect to the consumer goods of interest to them, what the market price will be tomorrow, and based on this estimate of price and profit, they decide today to buy the production factors to produce the goods: they imagine tomorrow's prices and demand, if today's production factors are convenient ("a sombrero is sold for 100 euros not because it costs 90 to produce and a 10 euro markup is applied; its price is 100 euros because those who produce sombreros think they can sell them for 100 tomorrow and are willing to spend up to 90 to produce them today").

I don't know if this argument is well-founded, because in some cases the entrepreneur has market and forecasting power (he values, as de Soto says, certain goods) by which he determines the value of the good, sets its price, and consequently adjusts costs, that is, he purchases the various production factors (labor, etc.) at a given price. However, in many other cases, he cannot do this. Although the classic neoclassical model of many small businesses, for which price is a given, is not present, and although the entrepreneur has a certain market power to determine the price in his target market, he cannot determine prices, and costs follow. Let's not think about the sale of the final good (the sombrero), but rather each good, for its production and subsequent sale, is part of a supply chain, made up of other, different, successive entrepreneurs and so on, including various intermediaries, who merely provide a service rather than producing a good or part of it. Each of them supplies a component, a raw material, a "piece" of the final good and this entire process leads to the final good whose price is conditioned by it.

The seller of the final good is constrained by the prices of intermediate goods, by the prices of intermediate services (services would require an analysis and an entire book on their own if even Apple believes in the future to earn more from services than from iPhones, i.e. the innovative good, for example how is the valorization determined according to the language of de Soto and then the presumable future price of a service, which service i.e. the one connected to the chain of intermediate goods or the final service, services, moreover, are often not very standardizable and are very personal in the sense that they concern the person and that they require a performance characterized by personality and therefore very variable, in some cases they are provided by subjects who must conform to a severe but specific professional ethic and cannot act, for example, by providing care or other services, looking only at those who request the intervention and are able to pay; it is probably the theme of services that makes one lean towards the neo-Keynesian thesis of a mark-up, a mark-up on costs), by the price of raw materials, by a series of elements and constraints that he does not control and by which depends, first and foremost, on the price-cost of raw materials, energy, which is determined abroad, perhaps dependent on exchange rate factors beyond the control of intermediate and final entrepreneurs. Therefore, the neo-Keynesian model of markup, of cost-plus surcharges, generally does not seem to me to be dismissive in asserting that prices determine costs. However, De Soto's argument is valid because it highlights, like Keynes, the role of the entrepreneur, a central role, because investments and the decision whether or not to make them depend on them and on the prospects and expectations they have at every level. De Soto, like Keynes, highlights the centrality of entrepreneurial decisions, linked to future expectations, partly unrelated to the interest rate, based on presumed demand and forecasts today, on the basis of the valuation of a good, on a predictable price tomorrow.

These are considerations of a proud anti-Keynesian, but in reality they are linked to what Keynes himself states in the General Theory, when in the third chapter(2), he reverses a usual perspective and, looking at reality, asks who is the economic actor who establishes the level of production. Is it the worker who offers his work at a given real wage who induces the entrepreneur to produce more? Or is it instead the entrepreneur who decides which production he has the well-founded hope, that is the expectation, of being able to place profitably on the market? In the second case, the entrepreneur will choose the level of employment that, given the existing capital stock, is necessary to produce the quantity of goods that he expects to be able to place profitably on the market: in reality, demand, expectations of profit prevail, and less so the interest rate and costs. Vision, inventiveness and innovation also play a role because it is thought that a product (for example an iPhone) can be sold, opening up a market. From a general point of view, even if De Soto may in some respects be close to Keynes, he is actually open to criticism, precisely because of his legal approach. I come across as a bit of a jurist, who is often a greater realist than an economist.

My work is grounded in reality, in reality regarding how prices are determined and who determines them, in the role of the profit rate, the markup, which is not determined exogenously by a presumed more or less competitive structure, where competition would be the only safeguard for consumers, but is determined by a conflict between categories of subjects driven by different interests (an insufficiency of aggregate demand can occur and it is not always (It is true that any saving decision implies an investment decision), given how investments actually act in relation to savings and how economic actors, primarily financial ones, act in creating money, unlike a presumed sovereignty of an abstract consumer, which did not even exist at the time of the Dutch tulip crisis of the 17th century, will be inspired to verify what the true structure of the markets and its relevance might be (in reality, it is not determined exogenously, in any case without anything being able to do about an important parameter such as the profit rate for the company, which in turn is relevant for all the other parameters, people find no protection in a structure based on abstract and idealized competition). It is not always useful to start from the level of the individual consumer and the individual company, a bit like stating that human nature and behavior precede cultural development: human nature and behavior cannot precede cultural development, human behavior is not predetermined with respect to culture and society. Reality, precisely [3]. More specifically, regarding the method of price formation, I've already mentioned the views of Huerta de Soto, which, despite the author's staunch opposition, have some connections with Keynes in certain respects, at least regarding the role of demand and the importance of the entrepreneur and his prospects and expectations, rather than the costs of setting prices. However, numerous authors with a post-Keynesian perspective have analyzed the problem. Everything, that is, considering the two approaches (de Soto and post-Keynesians, in some ways opposed or very different on many points), seems to me to converge in the sense that we can affirm that price formation does not follow neoclassical "rules," which are inspired by consumer sovereignty, who should find protection for their real income through a certain system of price formation. Philip Andrews since 1949, Kaleki since 1954, Paolo Sylos Labini since 1956, and Alfred Eichner have noted that entrepreneurs set prices in a way that is not predicted by neoclassical models. Firms are not price-takers but price-makers and quantity-takers. Today, firms are large corporations (we see this less often in Italy) that enjoy significant market power and are managed by managers with objectives that focus on increasing their size rather than maximizing profits.

Firms' average and marginal cost curves are bowl-shaped, not U-shaped as neoclassical theory suggests. What does this mean? Costs remain constant for long periods up to a high level of capacity utilization. Firms set their prices by setting a markup above average variable costs (e.g., wages). The markup must include fixed costs (e.g., warehouse rent) and the financing of new investments, allowing firms to minimize their reliance on external financing. To set a price, entrepreneurs add a certain percentage to the unit production cost (the cost of labor for each unit of the good produced), which varies according to the various economic sectors, to cover fixed costs, plus approximately 10% to make a profit (price = unit cost + X% fixed costs + 10% profit): this is the true theory. Not the other. As mentioned, Philip Andrews had already argued, in 1949, that firms' average and marginal cost curves were basin-shaped, not U-shaped: costs remain constant up to a high level of capacity utilization. How could this not be taken into account? Investments are also calibrated to create a margin of excess production capacity to prevent the firm from being unable to absorb peaks in demand or able to do so only at prohibitive costs. As long as production is below maximum production capacity, output can be increased at constant costs. Therefore, firms will hardly need to change prices to increase production: with spare capacity and constant costs over a large stretch, firms will adjust production to the quantity demanded, without changing prices. Even if demand were to contract, firms would avoid lowering prices to avoid disrupting the market.

Therefore, there is not a single condition that guarantees the efficient use of resources, but rather a multiplicity of conditions from which the entrepreneur can choose depending on production needs and the level of expected demand (Tortorella Esposito). This is the reality, not the one depicted by theories based on perfect competition or neoclassical theory. Therefore, it is not the production function that defines the equilibrium level of employment and guarantees the conditions of maximum profit for firms. On the contrary, given a certain level of effective demand to be satisfied, firms produce with "a production function with fixed coefficients... capable of providing a consistent quantity of output... and guaranteeing the planned profit margin" (Tortorella Esposito). Within this framework, the consequence is that the substitution process between capital and labor is limited: what changes is the margin of unused productive capacity (Sidney Weintraub). The price of goods therefore becomes a function of the ratio between nominal wages and labor productivity, plus a markup. The markup is not determined, as the dominant theory that emphasizes competition holds, by the more or less competitive structure of markets (i.e., it is not determined exogenously). But it also depends on the balance of power between workers and firms. Particularly when the economy approaches full employment, unions will strengthen, managing to increase real wages and lower the markup. This gives rise to inflationary pressures that accelerate the dynamics of prices and nominal wages, until the two parties agree on a distribution of theIncome shares between wages and profits (Weintraub).

In reality, there is a distributive conflict; nothing is predetermined as a consequence of a law of nature. There is a distributive conflict and a conflict in production relations, and a potential conflict between entrepreneurs and workers, who are driven by different interests. Equilibrium becomes a special case, difficult to achieve because there are different interests: the level of investment is usually set by entrepreneurs with the aim of achieving planned interests; the level of savings is usually set by workers with the aim of maintaining their standard of living constant; that is, they look not at profits but at their savings. These are two different categories, with opposing interests, and the economic equilibrium of the system is not an automatic occurrence. Regarding the structure of markets, Galbraith in his famous essays "The Affluent Society", "The New Industrial State", criticizing the traditional description of the market process, both for the theory of demand and for the theory of supply and of the behavior of the firm, also highlighted how the traditional theory of price was wrong and how consumers were outperformed by firms. It is traditionally assumed that individual consumers' desires are given because they originate from the individual, and that the consumer is sovereign and directs the allocation of resources to satisfy his or her needs. In reality, it is producers who create the desire for the goods they produce through a dependency effect, and needs are largely created by producers through this effect, thus changing the traditionally represented pattern of consumer behavior. Concern and worship for increased output, now that strictly necessary goods are often no longer produced, are needed because, in this way, the problems associated with unequal income distribution, personal insecurity, and depression can be alleviated or even resolved thanks to this uninterrupted expansion of output, induced by the businesses themselves.

Businesses shape our social habits, produce goods, and equate social well-being with ever-increasing production of such goods. In this way, they reevaluate their role within society and assign themselves worthy goals to be collectively pursued. Contrary to the traditional view of consumer sovereignty, as corporations become large and powerful, they control and manipulate consumer preferences. The planning implemented by managers of large corporations is primarily aimed at ensuring the continuity or survival of the business and then at increasing sales. However, it also includes managing consumer preferences, which has become an essential component of the economic system. Manufacturing companies, in this way, gain control of their markets by inducing consumer behavior and shaping the social attitudes of those they are supposed to serve. Galbraith speaks of a revised sequence, contrasting it with the traditional accepted sequence. The state, in turn, supports the technostructure of corporations, often encouraging social behaviors that aim to enhance the production of an ever-increasing quantity of goods. While neoclassical theory also addresses the issue of control, through the action of the Antitrust Authority and other bodies, the attitude that the market needs only be shaped by (abstract) principles inspired by perfect competition is mistaken. For consumers and citizens, even if the problem of scarcity were solved, this approach, which requires only the system of perfect competition to guide income distribution—for example, the action of the Antitrust Authority or the competitive forces (of perfect competition) competing on price—does not solve the problem of the danger of becoming "servants of the industrial system rather than its masters."

(1) F. Carbone. School of Economics. Lectures by Professor Jesus Huerta de Soto, freely transcribed and reworked. Usemlab. 2012; Jesus Huerta de Soto. Money, Bank Credit, and Business Cycles. Rubbettino. 2012;

(2) J.M. Keynes. The General Theory of Employment, Interest, and Money. Annotated edition edited by Giorgio La Malfa. Mondadori. p. 523

(3) cf. S. Nerozzi and G. Ricchiuti. Thinking about Macroeconomics. History, Debates, and Perspectives. Pearson 2020. p. 198 ff; G. Tortorella Esposito. Post-Keynesian Literature: "School of Thought" or "Research Tradition"? Sestante. Bergamo. 2012. p. 84 and 86 for the citations on price determination: post-Keynesian theory recovers in new forms and from a macroeconomic perspective the theme of distributive conflict and the theme already present in Robinson and Kaldor who argued that the mark-up depended on distributive conflict and production relations, see N. Kaldor. Economics Without Equilibrium. Sharpe Armonk.1985; J.V. Robinson. What are

the questions? Journal of Economic Literature,15(4).1977; S.Weintraub. An Approach to the Theory of Income Distibution. Chilton Philadelphia.1958 and S. Weintraub. Keynes, Keynesians and Monetarists. University of Pennsylvania Press. Philadelphia 1978. In reality, the determination of the price, but also the quantity of sales (which evidently depends on the selling price requested by the seller and on the purchase price, i.e. the price at which a buyer is willing to purchase the good), depends on many factors. Not just costs, not just the concepts of marginal cost, marginal revenue, and all the concepts that refer to the term "marginal" as a symbol of rationality. As is well documented (see Richard H. Thaler, Misbehaving. The Birth of Behavioral Economics, Einaudi, 2018, p. 185 et seq.), concepts such as the endowment effect and/or status quo bias also come into play. Indeed, they have clear psychological effects on buyers. One cannot think solely in terms of "marginality." This fails to take into account that, in reality, as Sylos Labini, even before Kaleki, argued, technical progress generates development, but not in a system of perfect competition but in a system of oligopolies. Kaleki, in particular, realistically observes, taking into account what I have stated above about the costs present in a business, that there exists the so-called "full cost" associated with non-competitive markets, but that this is the reality.

Full-cost pricing is a pricing criterion often followed by companies with market power, i.e., in systems that actually exist. It consists of setting the price by adding to variable costs (such as wages) a proportional margin intended to cover fixed costs (such as the cost of renting a warehouse) and overheads, thus ensuring a profit margin. In this way, companies set prices, not according to the utopian criteria of marginalism, and earn a profit, which—that is, a rate of profit—is an indicator of the economy's potential growth rate, because profits are likely to be used for investment, in addition to other purposes. The traditional theory's view was criticized by a 1939 study conducted in Oxford, which highlighted how businessmen maximized their profits differently from that indicated by marginalist doctrine: they rely on the "full-cost" rule. Without being able to go into detail, empirical research has developed views that deny that firms operate by seeking equality between marginal cost and marginal revenue. This may be because, for example, they are unable to know their demand curve, or due to information deficiencies. In practice, the firm sets the price based on some criterion and sells at that price whatever quantity the market can absorb. See Samuelson and Krugman in their textbooks: P. Samuelson, W. D. Nordhaus, C. A. Bollino. Economics. McGraw-Hill. 19th Edition. 2009. pp. 100-102; P. Krugman and R. Wells. Microeconomics. Zanichelli. 2nd Italian edition based on the 3rd American edition. 2013. p. 304.

Behavior of Agents

Let's start, as an example, with some famous sayings of Adam Smith. In particular, Adam Smith's statements are well known, one on markets and the state ("Every individual seeks to employ his capital to produce the greatest possible value. He does not generally intend to promote the public interest, and is not even aware of the extent to which he promotes it, but acts exclusively for his own security and his own advantage. And in this he is guided by a hand which leads him to pursue an end foreign to his own intentions. In furthering his own interests he often promotes those of society much more effectively than when he actually proposes to promote them") and another on economic efficiency and markets ("It is not from the benevolence of the butcher, the brewer, and the baker that we expect our dinner, but from their regard to their own interest. We address ourselves not to their humanity, but to their interest, and we discuss with them not our own needs, but their advantages").

But there are, in the meantime, those who highlight the psychological or cognitive weakness of customers and how the unregulated free market does not reward those who refuse to take advantage of this situation of cognitive or psychological weakness, and how the free market can therefore induce people to take advantage of this double weakness to achieve only an individual advantage that is optimal for the individual but not for the economy. This is the topic addressed by behavioral economics, by phishing, by the presence of so-called externalities or, in general, by market failure. We will see them in the course of the analysis [1]. For now, let's focus on Adam Smith's well-known statements and compare them with some rational examples and theories of human behavior. Game theory seems to contradict Smith's approach, as does the new theory of behavioral economics. The classic example of game theory is the case of the prisoner's dilemma. There is the case of two prisoners, Carmen and Edoardo, who committed a crime together [2]. They are interrogated separately. Each is given the opportunity to confess, reporting the other. This would result in a 3-month sentence for the one who reports and a 10-year sentence for the other. If they both admitted their guilt, without reporting the other, they would be sentenced to 5 years each. If they both denied it, they would be sentenced to 1 year each. What should they do? Confess and get 3 months, which is better than 5 years? Not confessing would be risky, because if one of the two confesses, without the other's knowledge, the one who did not confess would be sentenced to 10 years. Therefore, it is better to confess and get 5 years rather than risk 10. In reality, a cooperative attitude would be preferable between the two, who, on the contrary, by acting selfishly receive a longer sentence.

Certainly an agreement or cooperative behaviour would bring better results to both subjects involved in the prisoner's dilemma: denying it for both would lead to, for example, a sentence of 1 year, which is not 3 months but could be inviting. Many criminal organisations already know this, starting with the mafia, which push, for this and other reasons pertaining to the interests of the organisation, to have collusive behaviour. They push to remain silent. In reality, the push to remain silent, to cooperate or not is determined by many different factors. Also by the repetitiveness and multiplicity of the relationships [3]. Other examples that fit this pattern could also be given. Let's look at a second example that demonstrates that behaving rationally, in an individualistic manner, does not achieve the best social solution. There is an apartment where two students live, each earning 700 euros.

They must decide whether to buy a television.

Buying a television will bring each a benefit quantifiable at 500 euros each. The cost of the television is 600 euros. The television's services can be considered a public good because the television can be watched by both at the same time, and once purchased, it is very difficult to prohibit one of the two from watching it.

There may be so-called free-rider behavior (we will look at the concept in more detail later, which is someone who takes advantage of the work of others for free).

Each hopes that the other will buy the television.

Therefore, he might declare that he is not interested in purchasing it, preferring to read, or rather, he doesn't find it worthwhile to shell out 300 euros, because he claims the monetary benefit of owning the television is less than that amount.

If both of them behave this way, the television will not be purchased. In reality, it would be economically efficient for both of them to buy it, given that the sum of the individual benefits (500 + 500 = 1000) exceeds the total cost of 600.

But if both choose not to contribute, the television will not be purchased, and each will receive a utility of 700 euros, their initial income.

If both decide to contribute, each will shell out 300 euros, and therefore their situation will be equal to 700 - 300 + 500 = 900 euros.

If only one of the two decides to contribute to the purchase, the one who spends the entire amount will ultimately have a utility equal to 700-600+500=600 euros, while the one who spent nothing will achieve a utility equal to 700-0+500=1200 euros.

That is, non-contribution would be the dominant strategy for each of the subjects: in fact, if one of the two decided to contribute, it would be better for the other not to contribute; whatever the choice of one of the two, the other should find it optimal not to contribute.

But thus, by acting individually rationally (both choose not to contribute), a situation arises in which both would have been better off in another situation. If both students had chosen to contribute, they would have obtained a utility of 900, therefore greater than 700 euros. Strict individual rationality leads to a socially inefficient outcome. c- A third example could be two individuals who, in a lake, want to fish, either intensively or moderately.

Consider all the situations involving fishing and the exploitation of biological resources.

If both fish intensively, the reproduction of the fish stops and, in the short term, neither will be able to catch anything (utility 0); if one fishes intensively and the other moderately, the former obtains a very large advantage (he eats a lot and the fish can continue to reproduce), while the latter is particularly disadvantaged (he refrains from fishing abundantly and sees the other eat); if both fish moderately, both obtain moderate advantages. For each fisherman, the strategy of fishing intensively appears to be the dominant one, but this would result in a situation in which both fishermen are worse off than they would be in a different situation.

All these examples demonstrate a point, and it contradicts Adam Smith's assumption.

The game demonstrates that, when each player pursues his or her optimal outcome and behaves individually rationally, each player creates a suboptimal situation from a social perspective.

The individual optimal outcome does not lead to the social optimal outcome, and, conversely, the social optimal outcome is not compatible with optimizing individual behavior.

That is, the prisoner's dilemma is the exact opposite of Adam Smith's invisible hand metaphor.

Rules and institutions are needed to resolve certain situations, which cannot be left to the sole initiative of each individual pursuing his or her own interests.

Indeed, let's see:

1-Battle of the Sexes Game

There are two engaged couples (M and F) who cannot communicate because they don't have cell phones, but they know they have to meet on Sunday afternoon.

They haven't decided in advance to go to the movies or to a soccer match.

For both, spending time with their boyfriend is a priority, but he (M) prefers to watch the game with her (F).

She would prefer to see a movie with him at the cinema.

Each of them can choose between going to the cinema (C) and going to the game (P).

No one can choose the outcome that is the result of the simultaneous choice of both, but only their own move.

To verify the outcome of the game, it would be enough to ask your boyfriend what he chose, cross-reference the moves, and draw conclusions. Neither player has a dominant strategy (the priority is seeing your partner), so it is impossible to predict in advance what will happen.

But in Italy, a male-dominated society—that is, where there are rules, customs, and particular institutions—it can be said that there will be a consolidated, albeit determined, behavior, regardless of whether there is a formalization of a legal norm.

In a male-dominated society, it is predictable that both M and F will choose P.

On the contrary, in a society where etiquette prevails, M (but also F) would choose C, the cinema.

Rules, formal or informal (etiquette), are important for reaching satisfactory social solutions.

Common law starts from custom, but... up to a certain point, because, in the states, there are legislative rules and those who, as controllers, impose chauvinism or impose etiquette.

Moreover, in some cases the rules are definitely not customary.

2. Tourists at the Crossroads

Two tourists face each other at an intersection on two scooters. One comes from the right (R) and one from the left (S).

Each can decide whether to stop (F) or pass (P). There can be four solutions, and neither has a dominant solution.

But unlike the two lovers, where there was a customary rule, whether chauvinistic or preferring etiquette, here there is an institution that has established who has the right of way.

From the perspective of economic rationality, it is absolutely irrelevant whether precedence is given to those coming from the right or the left: the important thing is that there is a rule and a controller to avoid an inefficient outcome.

In reality, beyond what we have said about the relationship between Adam Smith and rationality in economics and the guiding criterion constituted solely by individual interest, as the famous saying seems to suggest, things are a bit more complicated and are not exactly like that, even in Smith.(4)

. However, the fact that the definition of the naturalness of the market dates back to Adam Smith is true, but only up to a certain point.

In fact, a different awareness emerges in Smith compared to a certain common belief.

This aspect, which makes Smith appear less "selfish" than he seems, cannot be explored in depth, also because it goes beyond the scope of our discussion, from which, with the examples indicated above, we can conclude that the individual optimum does not lead to the social optimum and, on the other hand, the social optimum is not compatible with optimizing individual behaviors.

It is enough to recall that for a complete analysis of Smith, one cannot ignore those (5) who highlight how, with regard to the relationships between economy, private interest and other values, "the theme is rich in nuances, lost sight of by those who have too hastily attributed to Smith a stereotyped conception of homo oeconomicus, coldly rational and solely seeking his own advantage. This conception is rather attributable to the more extremist strands of Benthamite utilitarianism which identify in a mechanical felicitous calculation of pleasures and pains the guide of human action. The Benthamite construction has in fact been accepted and used in the construction of economic theories. However, this has not happened with the classical economists, from Smith himself to Ricardo and John Stuart Mill, who was also a student of Bentham....It is appropriate to underline that Smith speaks of self-interest (personal interest), not of selfishness (egoism), and that the theory on the positive effects of the pursuit of personal interest developed in THE WEALTH OF NATIONS must be read in the light of - and not in contradiction with - what Smith himself had He wrote in his previous work, THE THEORY OF MORAL SENTIMENTS..... the pursuit of personal interest occurs within a framework of moral rules, as well as legal ones (Smith recalls that the latter have little effectiveness if they are not supported by the former) which guarantees a socially positive outcome.

We can conclude Smith's analysis by recalling how he said that in the pursuit of personal enrichment, everyone can run with all their strength, making the most of every nerve and muscle to overtake all the other competitors. But if he were to elbow his way through or push one of his opponents to the ground, the indulgence of the spectators would end completely. This is a violation of fair play that cannot be tolerated (6).

In fact, Smith, in his Theory of Moral Sentiments, distances himself from Mandeville's approach regarding the relationship between the Theory of Moral Sentiments and The Wealth of Nations.

The self-love Smith speaks of is not pure egoism; it is the feeling of being "worthy in one's own eyes," of not being ashamed of oneself, but also of not being "hateful"; being "worthy of praise" is the aspiration "as much of the butcher as of the baker, as of each of us." Therefore, the theory of human sentiments is based on sympathy, that is, the willingness to be affected by the pathos, the feelings, of others; Smith spends much time specifically on the impartial spectator because he refers not only to the feelings of others toward oneself but also to the feelings one feels toward oneself, toward one's own "ego," as a consequence of one's own behavior, given that internal judgment is a construction based on the agreement between the feelings of others and one's own, not just those of others.

Today there are those (7) who highlight how Smith considers man as a social being, similar to Aristotle, distances himself from Hobbes's conception and demonstrates, as a letter published in 1755 in the "Edinburgh Review" attests, that the division of labor, praised by Smith, is considered by him not as the origin of the community but as an element that arises from the community.

For our discussion, the author mentioned above (Alessandro Roncaglia) concludes as follows: "It is precisely on these themes - the importance of the legal, cultural and moral foundations of the market economy - that the attention of Smith scholars has recently returned to focus, who now lean towards an integrated reading of his works rather than a clear break between economic analysis and ethical reflections and the study of legal institutions".

(1) G. A. Akerlof and R. J. Shiller. They Take Us for Fools: The Economics of Manipulation and Deception. Mondadori, 2016

(2) Let's repeat the example from a well-known textbook: P. Samuelson, W. D. Nordhaus, Carlo A. Bollino. Economics, 2009 edition. 195 pages

(3) R. Axelrod. Games of Reciprocity. Feltrinelli, 1985; A. Massarenti. Strategies for Cooperation. Il Sole 24 Ore, 1 October 2000; F. Carlini. Altruism Pays Off in Il Manifesto, 23 January 2001; O. Morgenstern. Game Theory. Bollati Boringhieri, 2013; P. Dehez. Conflict, Bargaining, Cooperation, and Power. Introduction to Game Theory. Giappichelli Editore. 2021.

(4) The above examples are taken from R. Cellini. Economic Policy: An Introduction to Fundamental Models. McGraw Editore, second edition, 2011, pp. 101-108.

(5) A. Roncaglia. Introduction to The Wealth of Nations. Newton Edizioni, 1995, pp. 6 and 7.

(6) A. Smith. The Theory of Moral Sentiments. Rome, Institute of the Italian Encyclopedia, 1991, pp. 111; M. Bee. Introduction to The Economics of Sentiments. Donzelli Editore, 2011, pp. 5-37.

(7) M. Bee. Introduction to The Economics of Sentiments. cit. pp. 24 and 149-154.

Theory of Behavioral Economics

It is increasingly common to recognize that behavioral economics and neuroscience are destined to revolutionize established assumptions of microeconomics regarding consumer choices, influencing a different attitude among those who perform and will perform cultural mediation activities, such as those providing legal services, to protect and assist consumers.

Perhaps, regarding notaries, it may put us in competition with other professions, but the added value compared to a contract lawyer, who focuses on the interests of one party, is highlighted precisely in cases of market failure that require preventative remedies.

It has been argued that "if our minds were governed by reflective and deliberate processes...then traditional microeconomics might even be a good theory of real choices. But that's not the case. In the last decade, cognitive neuroscience has begun to reveal our most intimate economic instincts when we deal with risk and uncertainty, with gains and losses, when we interact with others, cooperating or defecting, trusting them or punishing them for violating a social norm." And again, "Decision neuroscience deals the final blow to our egocentrism, making us discover that we are no longer even at the center of ourselves, by virtue of the fact that many of the neural mechanisms involved in decision-making are automatic or at least beyond the decision maker's awareness. So much for the logic of choice!"

It is clear that this approach overturns a centuries-old economic tradition, rehabilitates and gives new tasks to jurists and to those who, especially preventively, advise on choices and evaluate their legality, to act as cultural mediators despite being jurists.

Beyond the traditional economics of conscious choices, there is also the neurobiology of emotions and the "discovery of a cognitive unconscious capable of deciding for us" (1).

Neurosciences and behavioral economics, therefore, will be a methodological revolution for the economy, for consumer behavior, for the analysis of consumer choices, especially taking into account the complexity of today's world, whereby, despite the greater average acculturation, both the less prepared people and, more generally, everyone, because it is enough to leave their specific field of training and one is "ignorant", will need professionals, and in particular legal professionals, who can explain and help with choices and are independent of economic actors.

Certain professions in Italy, due to their traditions, can be very useful, if they do not lose their traditions.

The work of an economist and psychologist, Daniel Kahneman, on the relationship between economics and happiness, on the psychological aspects of individual choices, highlights how approaches considered remote from the specific issue of the efficiency of justice can, in fact, be relevant. Memory and evaluation are important; they play a significant role in decisions. Human decision-making processes often do not take into account principles of rationality, and it is not always true, as microeconomic theories maintain, that the behavior of those who act is rational and aimed at maximizing utility, or that utility can be measured (as Jeremy Bentham claimed) in a completely objective manner regarding what, in terms of human activity, is appropriate or inappropriate. Today, based on and in the wake of the economic studies of Simon and Kahneman, both Nobel Prize winners, the relationship between behavioral economics and cognitive science, behavioral neuroeconomics (2), is openly discussed.

Beyond the presumed behavior of each individual according to principles of rationality, aimed at maximizing their own utility, we need to reevaluate the role of cultural or institutional differences. These can cause differences in cognitive, comprehension, and, consequently, behavior, among "Western" individuals, both among themselves and between them and those of different cultural backgrounds. Therefore, the presence of guarantors can become important to bridge these differences.

This is a goal of a modern welfare system.

Discussing the effectiveness of incentives, authoritative economists (3) have highlighted the importance of interpersonal relationships and criticized the overestimation that economists give to people's selfishness. Economic theories are said to be flawed by an excessive desire to focus on rational individualism, according to which each person evaluates everything without taking into account the behavior of others, especially without taking into account the treatment others receive, or emotions such as envy, jealousy, or a sense of justice.

Economic analysis often fails to take this into sufficient account. It fails to explain, for example, the importance of advertising, its purpose which is not only to provide information but also to "shape perceptions" (4).

In this regard, in the recent American financial crisis, those who took out mortgages, even though they knew they would not be able to repay them, were affected by both irrationality and fraud on the part of many operators in the sector, who induced "ordinary people" who did not even know English (i.e., could not understand what they were signing) to take out mortgages.

Kahneman, defined as a paternalistic libertarian, demonstrates that "the illusion of rationality" has influenced certain economic policies, for example by leading people to believe that individuals could understand what they were signing and read what they were signing. Perhaps greater intervention would have been more appropriate, one that, while respectful of their will, would have provided means of greater understanding. Economist Joseph Stiglitz speaks openly of predatory lending and the breakdown of the rule of law in the mortgage crisis, raising profound questions about the rule of law, which is a hallmark of an advanced and civilized society (5).

The economic theory that has most explored the rationality of choices, called behavioral economics, is the one for which Daniel Kahneman and Vernon L. Smith, in particular, recently received the Nobel Prize.

Let us therefore see whether the two points, especially the second, are well-founded, given their revolutionary scope.

Behavioral Economics

It is concerned with rationality, or rather, the lack thereof, on the part of economic agents.

During the classical period, economics had a close connection with psychology. For example, Adam Smith wrote an important text describing the psychological principles of individual behavior, The Theory of Moral Sentiments, and Jeremy Bentham wrote extensively on the psychological basis of utility. Economists began to distance themselves from psychology during the development of neoclassical economics, when they sought to reshape the discipline as a natural science, with explanations of economic behavior deduced from established assumptions about the nature of economic agents. The concept of homo economicus was developed, and the psychology of this entity was fundamentally rational.

There are three main themes in behavioral economics:

- People often make decisions based on rough rules of thumb, not following strictly rational analyses; see also cognitive biases and bounded rationality;

- The way a problem or decision is presented influences the Decision-making actions, i.e., framing flaws;

- There are explanations for observed market outcomes that contradict rational explanations and market efficiency. These include price mispricing and non-rational decision-making.

Behavioral economists conduct various experiments on certain behaviors to prove their irrationality. Traditional economists, however, are skeptical of the experimental or survey-based techniques used extensively in behavioral economics.

We must examine, above all, how people actually make their decisions. This is what behavioral economics is all about. Let's look at one of the best-known and most recent reconstructions, that of Krugman and Wells, and Akerlof.

a) In this sense, we note that sometimes behaviors pursue the alternative that worsens one's well-being, rather than choosing the one that maximizes profit.

A person pursues the alternative, the outcome he or she "prefers," the preferred outcome, even if it doesn't coincide with what, rationally, would be the best from an economic standpoint. I choose a university course because I like it.

The economic outcome, which is called suboptimal in this case, is chosen perfectly rationally. A suboptimal outcome is rationally chosen, but it is chosen because it is an outcome one prefers. The individual is rational and acts rationally, but also humanly, for various reasons:

- reasons of fairness (such as when I give a gift to a relative or a tip),

- reasons related to "poor rationality" (such as when it is too costly and difficult to evaluate all the economic variables, to perform all the marginal cost-benefit calculations discussed above, and when it is too costly and requires too much effort for me to achieve or pursue the best economic outcome, and I am content with a merely "satisfactory" outcome),

- reasons related to the fact that one does not want to take any risk, and risk aversion can lead to behaviors that are rational because they are human, but "irrational" because they forgo pursuing part of their own economic benefit and forgo economically rational behavior.

b) It must be considered that, in addition to the distinctions between consumption and production behaviors—rational behaviors because they are human, for reasons of fairness, limited rationality, or fear of risk—there are also irrational behaviors in the sense that, for the economist, they lead to worse outcomes than other alternatives but occur due to errors (and are predictable).

Economics and psychology have studied these behaviors, which lead to worse outcomes but occur and are predictable due to various errors.

These behaviors are held because people are irrational (even if predictable) and adopt certain attitudes as a result of errors. Therefore, this is a category, somewhat different from others, where a preferred outcome was achieved by a person who acted rationally for various reasons.

Here, one acts irrationally, even if predictably, so much so that psychology can study certain behaviors as a result of errors.

These Errors are:

- incorrect perception of costs (generally, people only look at the monetary costs, which involve a monetary outlay, and not the opportunities they miss);

- excessive self-confidence (because they often believe a task can be completed in a certain amount of time, when in fact it's not true; overconfidence affects others and not themselves);

- unrealistic future expectations (i.e., excessive optimism about their future behavior; someone on a diet might be a master of this aspect);

- different accounting for money (someone who frequently uses a credit card might be another master of this aspect);

- loss aversion (where losing something they own is more painful, giving up a sum they have, or accepting a loss rather than a potential win; losing 100 euros is more painful than winning 100 euros);

- Predilection for a status quo (which results in a failure to make a choice and a resignation to automatic solutions)

These analyses, developed by so-called behavioral economics, evaluate, in psychological terms, why people engage in irrational, economically incorrect behaviors, even if they are predictable based on psychology—economically irrational behaviors.

These behaviors, due to errors predictable by psychological science, are different from rational behaviors performed to achieve a preferred outcome, performed by rational but human subjects (for ethical reasons, limited rationality, fear of risk), even if they are economically irrational.

George Akerlof, in the wake of behavioral economics and those who highlight information defects and asymmetries (6), with a series of articles from the mid-1980s, overcoming the postulate of perfect and complete information, and instead imposing the condition of asymmetry between economic agents (for example, the seller has more information than the buyer), explains many real-life situations that could not find a place in conventional economic theory.

Those who generally consider prices to be signals that provide information on the value of goods, on the buyer's willingness to buy and to what extent the seller is willing to transfer the good, must recognize that in many cases there is a problem of "private information": the seller of a car, as Akerlof has highlighted, knows the characteristics of the good, the information on its value, and whether or not the car is a good deal, better than the buyer. In these cases, legal professionals are key. They independently and autonomously resolve issues related to information deficiencies, avoiding the seller's advantage (such as a mortgage on a property) and avoiding the buyer's advantage (which could exaggerate certain problems). This lack of information may not be reflected in the price or may even influence the price, beyond the classic marginalist analysis that relies on supply and demand.

We will explore these aspects in more detail later.

We will see that this creates the need for a third party to act as an intermediary with specific tools and expertise.

We must distinguish between rational, but also human, behaviors that aim for a preferred outcome even if it is not economically optimal, driven by bounded rationality (rather than by reasons of fairness or fear of risk), and irrational behaviors motivated by errors. Let's try to address these categories together, while keeping in mind the distinctions (Paul Krugman and Robin Wells. Microeconomics. Zanichelli, second edition, 2013, pp. 239-253).

Behavioral economists conduct various experiments with certain behaviors to prove their irrationality. Traditional economists, however, are skeptical of the experimental or survey-based techniques used extensively in behavioral economics.

Let's look at some examples and then reach more "ideological" conclusions regarding the two points above. Which, I repeat, if true, justify, at least for legal services, a different approach and ad hoc, dedicated legal forms and rules, precisely for the sake of justice. Which is our general theme.

Examples:

a - the availability of the good: economic evaluation depends on an individual's availability of the good. A series of people who won a ticket to a tournament final were asked if they would be willing to buy it for $3,000, and 94% answered no. When asked if they would be willing to sell the ticket they had won for $3,000, 92% answered no. 86% of individuals, in a clear contradiction, answered no both times. The endowment effect is linked to the status quo, which makes it difficult to part with goods, in terms of utility, compared to those who do not have access to them.

b - Impatience: choosing to consume unhealthy foods today with harmful consequences in the future but with present gratification, or consuming healthy but less pleasurable foods today for better long-term health. Participants were asked to choose what to eat in a week's time and then choose what to eat today. 74% chose healthy foods if the consumption was for the following week, while 70% chose unhealthy foods for immediate consumption. Individuals prefer sacrifices of immediate utility that are slightly deferred in time over instantaneous sacrifices.

Participants were asked to choose a series of DVDs with light-hearted and arthouse films. When choosing a film to watch that evening, 56% chose the light-hearted film; when choosing a film to watch a week later, 37% chose the light-hearted film; when choosing a film to watch two weeks later, only 29% chose the light-hearted film.

c - Context: In a supermarket, a person buys a €500 computer and a €50 sweater. How many people are willing to spend 10 minutes to get a €10 discount on the computer, and how many are willing to spend 10 minutes to get a €10 discount on the sweater? The percentage of people willing to spend 10 minutes for the discount on the sweater is much higher than the percentage willing to spend 10 minutes for the computer, even though the financial benefit is the same.

Faced with the option of a subscription, there are two options.

Option A:

a - online subscription only €10

b - online subscription plus print version €25

c - print subscription only €25

Proposal B:

a - online subscription only €10

b - online subscription plus print version €25.

In the first option, option c) was not chosen by anyone. Option a) in the first option (A) received 13% of the votes. In the second proposal (B), hypothesis a) received 65% support, despite being equal. The context, that is, the role played in proposal A by the presence of hypothesis c), was decisive even though it should have been irrelevant.

Other examples, such as risk aversion, demonstrate that individuals experience greater disutility when losing a sum of money compared to the utility they experience when gaining the same amount.

Building the architecture of choices is important.

Nobel Prize winner Daniel Kahneman himself, applying these principles, highlighted how the value assigned to a good changes when it is owned. That is, the perceived cost of losing a property (a house) is greater than the value attributed to the same good if it were not lost. These observations on individual attitudes lead to collective prescriptions.

For example, in a poor country with an uncertain legal framework, a property might be contested by several people. Consequently, if it were clear who owns it, that person, according to Kahneman, would be willing to work harder to defend it than those who dispute its ownership. In any case, this would be a deterrent to attempts to take it away. If property rights to a property, as often happens in Brazilian favelas, are uncertain, several people might believe they have a right and fight for it, for its possession, with equal commitment, resulting in disorder, instability, and uncertainty. Thus, preventative and post-employment legal services (notaries and lawyers) help the confused economic individual, and help him escape poverty.

But the collective consequences of Kahneman's and behavioral economics' approaches don't stop there. The role of cultural mediator, also linked to the migration phenomenon, is important. It must be performed by those who provide legal services, either preventively or subsequently, but perhaps more so the former than the latter, which must follow procedural rules.

The tests discussed above suggest that the way the problem is constructed influences perception and, subsequently, preferences. There is the problem of manipulation. limited rationality, which does not mean stupidity, the reduced capacity to acquire all the information relating to a problem, banal laziness, etc.

The risk of making mistakes increases with choices related to financial markets.

Several experiments (7) have demonstrated how people are influenced by a placebo effect linked to the presumed price of a medicine. The more expensive the drug, the more individuals actually benefit from it, for example, a lower sensitivity to pain. For energy drinks, consumers think that their high price indicates that the drink is more effective. Behavioral economics has opened a debate on the need for consumer protection, and the debate in Italy is not as developed as in the USA (8).

Does the current financial crisis, with mortgages being sold, demonstrate that someone had an interest in selling snake oil like in Western movies? Exploiting naivety? (9).

Is it also a symptom of externality to prescribe particular rules and impose behaviors? Without being able to accuse every prescription of paternalism, why in many cases, wouldn't the market alone impose attitudes deemed obligatory? For example, there is a "smart" car seat invented by a NASA researcher, which triggers an alarm when you get out of the car and feel a weight. Certain statistics say that the tragic phenomenon of children forgotten in cars, often with tragic outcomes, began to become more frequent when, due to the airbags placed in front of the front seat and the possible harm they could cause to children, they began to be placed in the back. A rule that imposed the adoption of the smart car seat with relative alarm would be enough. But a rule is needed, because it is unlikely that car manufacturers have the incentive to produce them because no one or few would buy them (10).

Others propose a rule, regarding children, such as that if a child does not show up at school or kindergarten, it is mandatory for school authorities to immediately check with the parents to see if they are with them (11).

Is this also paternalism, or is it simply an acknowledgement of the true functioning and limits of our mental mechanisms?

But the collective consequences of Kahneman's and behavioral economics' approaches do not stop there.

Let us consider the role of cultural mediator that those who perform legal services must play, either preventatively or subsequently, but perhaps more so the former than the latter, who must follow procedural rules.

The migration phenomenon, we have said, brings people with different customs and habits, and consequently different attitudes, into contact: it is necessary to find a common ground, often a compromise with very different customs, some of which are unacceptable for our culture (think of cases of infibulation, requests for selective abortion for women, phenomena with criminal relevance).

Consider the phenomena of polygamy and repudiation, the relevance of certain de facto cohabitations, and homosexuality. More simply, consider the phenomenon of negotiation, of making contracts with foreigners, whose languages differ from ours—not only in the sense that they don't understand the language, but also that they can interpret the same sentences differently, due to different cultural traditions.

Then we understand the role of those, such as notaries or certain legal services professionals, in the pre-contractual and contractual phases, at the moment of its conclusion, who play a role in interpreting the parties' will. This function, in legal terms, is called "adaptation." This means not only making the contract's content, obligations, and rights comprehensible to the parties, so that there is no ambiguity between them, but also ensuring that it conforms to the legal system and its principles, which may at least be different from, if not contrary to, the parties' cultural traditions. In this regard, an example of the hidden pitfalls and pitfalls of legal language is also cited, which require a different approach than that required for other types of services. Verbatim: "What meaning could the question "Do you like horse?" have when asked to a speaker from a tradition where—unlike the speaker's—horsemeat is edible? It could evoke in him not only the image of the elegant animal, but also that of the tasty fillet.

A conversation between individuals belonging to distant cultures, who are unaware of the dangers posed by these "false friends," risks turning into a comedy of errors.

It is said that a few decades ago, certain Arab magnates, after having completed large real estate investments in London, discovered that a large portion of their new possessions would not be passed on to subsequent generations, since they were leaseholds, i.e., temporary ownership, whose expiration dates vary in each specific case (and it seems that many were very close together).

The conclusion of agreements, the stipulation of contracts, between individuals from different traditions requires mediation, cultural rather than legal, where the connections between language and law are involved.

It is repeated It is often said that a deeper mediation is needed the greater the distance between the two contexts, but the news spread a decade ago about the sale of a child that went unpunished in Michigan, because that State lacks a corresponding prohibition, caused a sensation" (12).

Therefore, the problem arises of criticizing the idea that people are rational and have well-defined tastes, that they act in a coherent way. Companies and banks can manipulate consumers' decisions, as Galbraith also said. The problem arises of possible forms of protection that are not (too) paternalistic.

It is apparently not connected with our topic, but In fact, if we consider that one of the assumptions of economic theory, of those who discuss the system of perfect competition, is the existence of the informed consumer who makes individual choices based on nearly perfect information to maximize their utility, the observations made in an interview with Il Fatto Quotidiano on February 20, 2013, by Tullio De Mauro, who states that "More than half of Italians have difficulty understanding written information, and many also have difficulty understanding spoken information," become relevant. Here it is, the country's gut, according to the linguist's study:

5% of Italians between the ages of 14 and 65 are essentially illiterate, meaning they are unable to distinguish letters and numbers.38% of Italians can read, meaning they can recognize letters and numbers, but have obvious reading difficulties.33% of Italians who can read fluently have difficulty understanding text.

It's a frighteningly high number: 76% of Italians, in fact, are unable to understand written concepts and independently rework them.

On other occasions, linguist De Mauro has added that it should therefore not be surprising that 33% of Italians, despite knowing how to read, can decipher only basic texts, and that a further 5% are unable to decode any letters or numbers. Moreover, it seems that knowledge of grammatical and syntactic structures is virtually absent even among our university students, who rank at the bottom of European rankings in terms of language skills (as is the case for mathematical knowledge). It's not an exaggeration to say that the cultural crisis in our country should be at least as worrying as the economic crisis. Tullio De Mauro has clearly stated that we shouldn't be fooled by the data on reading in Italy. The 60.3% of the Italian population who, according to ISTAT, read books must be "read" carefully: 12.8% are "soft readers" (the classic cookbook), another 41% are "obligatory readers" for school or professional reasons. 43% of people often respond that they read only one book a year. And, once again, only 34% of readers can truly define themselves as such.

Criticisms

Some have criticized the approaches of behavioral economics on the grounds of possible attacks on individual freedom. These criticisms seem unfair, and above all, exaggerated.

Professor Sunstein, regarding the criticisms and to explain how an architecture of choices can be articulated without violating freedom (13), responds to those who challenge some of the assumptions of behavioral economics (and above all speak of paternalism), arguing that gentle nudges are approaches that influence decisions while safeguarding freedom of choice.

He offers several examples, focusing on the architecture of choices, and believes that gentle nudges can also improve the functioning of the market by informing consumers. Ultimately, quoting President Obama, people themselves often try to reduce the number of decisions they have to make, not because they're too "weak-minded," but, one might say, "so they don't become too weak-minded." Obama says, somewhat paradoxically, "I'm trying to reduce the number of decisions I have to make. I don't feel like deciding what to eat or wear. I already have too many choices to make. You have to conserve your decision-making energy. You need routine."

Sustein adds, "This is very useful advice, and not just for heads of state: intelligent people rely on routine, but our lives are also routinized and made livable by countless decisions made by others... If we had to make choices about everything that concerns us, we would run out of time before we ran out of choices. If we don't realize this, it's only because we can take our social environment for granted, to the point of not even being able to see it anymore. A careful architecture of choice enables us to make the right number of decisions, which is a tiny fraction of those we would otherwise, in principle, have to deal with." The leading exponents of this movement try to respond to the accusation of paternalism and, using the example of the school lunch manager who wants children to eat healthily, argue that being a libertarian paternalist means being in favor of the option of arranging food in a way that maximizes students' well-being. Individuals should be and remain free to choose. The adjective "libertarian," used by Sunstein and those inspired by his ideas, when used as a term for paternalism means "preserving freedom." That is, they consider themselves paternalists because they believe it's legitimate for policymakers to try to influence behaviors in order to make lives healthier: a measure is paternalistic if it seeks to influence choices for the well-being of those who choose, "in their judgment." That is, public or private policymakers actively push individuals in a certain direction; they don't simply monitor or endorse the choices individuals might make. But the distinctive feature is that the push, the prod, is gentle; it doesn't prohibit any option or significantly alter economic incentives: "placing fruit at eye level can be considered a prod, but banning junk food cannot." They favor not more intrusive government, but better governance. There is no coercion (the term excessive should probably be added) because the choice is made "according to the judgment of those who choose, even if influenced."

Examples abound, din the pension sector, all the rules that automatically provide, if a certain will is not explicitly expressed, a certain solution (14).

However, I do not believe that we can strictly speak of paternalism (15).

Paternalism, understood in its historical sense, was a government in which measures benefiting the population were entrusted to the sovereign's understanding and goodwill toward the people. That is, the sovereign acted coercively because he was in good faith and interested in the public good. However, anyone who acts toward another because he is presumed to have these characteristics and imposes choices can be called paternalistic. This is not the case with legal services or behavioral economics. We do not have, as was the case with enlightened sovereigns, but anyone with power can have the right to issue directives that certain individuals impose and direct to others, aimed at promoting their elevation or the elevation of the social status of the people.

For example, legal services not only serve the function of assistance or clarification, but also of control, both preventive and/or subsequent. And where there is coercion, the activity of notaries is for a collective interest, such as urban planning or tax compliance. There is also an activity of monitoring compliance with rules established by Parliament. In relation to behavioral theory, which has so much to say, being a true revolution in its own right on microeconomics and the evaluation of behavior, with implications also for macroeconomics, the case of subprime mortgages and banking crises is instructive, and a book recently came out that deserves praise.

In any sector, even in finance, companies tend to sell what maximizes their profits but not necessarily the utility of consumers.

The recent book by two famous economists, Akerlof and Shiller, delves into these risks. The free market is not only the best mechanism ever devised for providing people with what they want; it is also the best mechanism ever devised for providing people with what they don't want(16).

In the book, a company commits phishing when it exploits customers' informational and emotional weaknesses to sell them goods, services, or investments that could be harmful. Consider cigarettes, gambling, unproven medications like Vioxx for arthritis, now withdrawn from the market, or complex financial instruments with hidden risks like the mortgage-backed securities that were at the heart of the 2008-2009 financial crisis. A "phool" is anyone who falls victim to this phishing scam.

While this argument may seem trivial—it's hardly surprising that some people try to scam others every now and then—"Phishing for Phools" argues that the free market can create fertile opportunities to profit from dishonesty.

A fundamental concept in psychology is that people often make decisions they're unhappy with. That's why they seek psychotherapy!

If companies have the opportunity to profit by getting us to make decisions that are good for them but bad for us, they will. They have the same incentive to give us what we want as to give us what we don't want.

So what is the role of reputation, and how can it lead to deception?

George Akerlof's answer: Suppose someone has a reputation for selling great avocados.

This gives them the ability to sell disgusting avocados, if that's more profitable. We believe this is what happened before the

2008 financial market crisis.

Financial markets are a special case because, for many people, they represent a complex choice with implications for the future. What will the market do? This invites customer abuse by salespeople, people who deceive them into managing their savings. In many cases, these are more sales experts than market experts.

But are there different types of naive people?

Shiller's answer is that some people have a knowledge deficit because they have been exposed to a set of information that leads them to make bad decisions. Then there are the "psychological" naive people who are at the mercy of their own feelings, emotions, and erroneous behaviors. The information-naive and "psychological" naive are everywhere, and anyone could be one of them. We know we are."

To reduce the risk of being caught as unwary, investors should keep in mind that stock prices reflect the stories told around these securities.

These stories don't just reflect economic fundamentals; a good portion of them are generated by people who make a living selling these securities. Precisely for this reason, financial markets are rife with "phishing for phools." That is, Shiller concludes, "investors must remember that a profitable deception is to build investment tools that meet savers' preconceptions."

Notaries can be useful for so-called informational phishing, but psychological phishing cannot be overlooked.

Notaries as a legal system to meet the needs recently highlighted by Akerlof and Shiller.

The legal system can be used to try to overcome the problems arising from information asymmetry or posed by phishing.

(1) M. Motterlini. Neuroeconomics, how exciting!, commentary article, in Il Sole 24 Ore, Sunday edition of July 14, 2013, page 37, on the work of Christian Schmidt. Neuroeconomics; on neurosciences, see A. Benini. How to manage uncertainty. In Il Sole 24 Ore, Sunday edition of July 21, 2013, page 31.

(2) R. Viale. Methodological Cognitivism: Mind, Rationality, and Society. Springer, Dordrecht, page 350.

(3) J. E. Stiglitz. The Price of Inequality. Einaudi, 2013, pages 181 and 195, notes 68 and 69.

(4) see J. E. Stilglitz. The Price of Inequality. cit, pp. 239-302; V. L. Smith. Rationality in Economics, preface by M. Motterlini and F. Guala. IBL Libri, 2010, p. 553.

(5) J. E. Stiglitz. The Price of Inequality, cit., pp. 308-310 and pp. 315-321.

(6) by G. Akerlof see. Stories of a Nobel Prize Winner in Economics. Asymmetric Information and Everyday Life. ed. Il Sole 24 ore. 2003; as well as by G., Akerlof and R. Kranton. Identity Economics. How Our Identities Determine Work, Wages, and Well-Being. Laterza. 2012.

(7) D. Ariely. Predictably Irrational. Rizzoli. 2008.

(8) G. Akerlof and J. R. Shiller. Animal Spirits: How Human Nature Can Save the Economy. Rizzoli. 2009.

(9) M. Novarese. Behavioral Economics and Consumer Choices in Consumers, Rights and the Market. Topics, No. 3/2010.

(10) V. Furlanetto. It's Easy to Say Mother. Melampo. 2010, chapter 9 and the various examples indicated.

(11) A. Massarenti. Children Forgotten in the Car. In Il Sole 24 Ore, Sunday, June 16, 2013, page 54.

(12) Text taken from A. Fusaro. Legal Translation and Cultural Mediation in Contracts. The Role of the Notary. Paper presented at the conference on "Intercultural Law. Democratic Order and Legal Practices" held on May 22, 2009 in Genoa, organized by IDEDI, the "Interculture, Democracy, Law" association; on this point, see R. Sacco. Introduction to Comparative Law. Turin, 1992, pages 12 ff., which emphasizes that a legal rule must have the same meaning for all parties and the difficulties between people of different cultures and languages.

(13) Cass. R. Sunstein. Semplice. The art of government in the third millennium. Feltrinelli. 2014, pages 57 and 122 and 262

(14) R. H. Thaler and Cass R. Sunstein. The gentle push. The new strategy to improve our decisions about money, health, and happiness. Feltrinelli. 2014, pages 10-21.

(15) L. Beltrametti. 'Paternalism and economic policy' edited by G. Barberis, T. Lavanda, G. Rampa, B. Soro. "Economic policy between markets and rules. Writings in memory of Luciano Stella". Rubbettino. 2005, on the various forms of paternalism.

(16) This is the thesis of the new book "Phishing for Phools:

The economics of manipulation and deception" by economists and Nobel Prize winners, George A. Akerlof and Robert J. Shiller (Italian edition, G. A. Akerlof and R. J. Shiller. They take us for fools. The economics of manipulation and deception. Mondadori. 2016.

Public Goods

What are public goods? (1) .

Let's look at an example of the distinction between public and private goods. A historical example. The example and the discussion of public goods will be useful when I discuss, in the conclusions, a typical Italian institution: the civil law notary who privately provides a public good: the protection and control of legality in the interest not only of all the parties involved, for example in the transaction, but of all third parties, the general public, even those who were not even born at the time of the transaction, certifying, to use an improper and above all approximate terminology, certain qualities of a good or service. In World Bank reports, for example, historically in Doing Business and subsequent studies on the quality and security of real estate transfers, Italy has obtained important recognition for the efficiency of the system managed by the Notary, positioning itself in first place or at the top of the world for the legal security and reliability of real estate registries and electronic transactions: the Business Ready (B-Ready) 2025 report, published by the World Bank in 2026, sees Italy in first place overall out of 101 nations in the Business Location index, the parameter that is considered the basis for evaluations of the efficiency and quality of the real estate transfer system.

A well-known economics manual, the most widely used in the USA, gives a historical example of what public goods are and how the concept is variable (2). Are lighthouses public goods?

For many years, the example of English lighthouses was used to illustrate the concept of public goods.

They serve to save the lives of sailors and ships' cargoes, but lighthouse keepers cannot go out to sea to demand payment from ships using the service, and even if they could, there would be no social benefit. Providing light is more efficient if it doesn't require payment, because the cost of warning one ship of the presence of rocks is equal to that of warning one hundred ships. This thesis was contested by Nobel Prize winner Ronald Coase, who argued that in England, lighthouses had been privately operated, profitably with licenses purchased from the Crown and financed by lighting duties imposed on ships using nearby ports.

Characteristics of a public good are "lack of rivalry," meaning the cost of extending the service to an additional person is zero, and "non-excludability," meaning it is impossible to exclude an individual from enjoying the service.

A public good, however, is not necessarily provided by the state. Furthermore, the fact that it is privately provided does not mean it is efficiently provided or that a market mechanism can support the cost of the lighthouse. The English example demonstrates a case in which if the provision of a public good can be tied to another good or service (the ship's tonnage) and if the state grants private individuals the right to collect what are, in effect, taxes, it is possible to find an alternative mechanism for financing the public good. In the United States, things were different. From the beginning, the US believed that navigational aids should be publicly provided. The example of lighthouses in England and the United States, operated by private individuals in the former country and considered public goods in the latter, demonstrates a historical and geographical variability in these notions.

For public goods, or those considered public goods, such as the English lighthouses built and operated by private individuals, the state required ships to pay for the lighthouses before leaving port: that is, lighthouses are examples of goods not offered on the market, as is the case with private goods, but which nevertheless provide benefits for all. (Steven Shavell. Economic Analysis of Law, cit, pag 25).

Let's look at the general characteristics of public goods.

Public goods are those for which the cost of extending the service to an additional individual is zero and it is impossible to prevent individuals from using it.

For Example, Defense.

A public good is one that can be provided to everyone as easily as it can be provided to a single individual.

Public goods guarantee indivisible benefits to an entire community regardless of whether a single individual wishes to purchase it (defense, public safety, a dam). Private goods are those that can be provided separately to different individuals (for example, several loaves of bread) without entailing costs or benefits to others (3).

Private goods are "**exclusive**" goods, that is, those for which the producers of the good can prevent those who do not pay from consuming it.

Private goods are "rival goods in consumption," that is, those for which the same unit of the good cannot be consumed by more than one person at a time.

It is said that goods that can be private are simultaneously exclusive and rival in consumption, such as wheat. Public goods are not exclusive and are non-rival in consumption, such as the sewer system. Wheat, a private good, is exclusive because the farmer can sell a ton to one person and need not sell the rest. Wheat, a private good, is rival in consumption because the bread eaten with the farmer's wheat ensures that that wheat cannot be consumed by others. But certain goods whose consumption by others cannot be prevented, who do not pay for it, such as fire-fighting or sewerage services, are public. (4) .

According to economists, therefore, goods can be distinguished:

- private goods, which are exclusive and rival in consumption, such as wheat

- public goods, which are non-exclusive and non-rival in consumption, such as a sewer system

- common resources, which are non-exclusive but rival in consumption, such as the water of a river or the fish of a specific locality, i.e., the famous common goods to which certain politicians are attentive

- artificially scarce goods, which are exclusive but non-rival in consumption, such as movies broadcast on cable, etc.

Markets can generally only provide private goods.

A farmer can decide to produce wheat or not. But he is unlikely to decide to produce it regardless of whether he is paid or not. A private good exists when, being exclusive, a farmer sells wheat to whoever pays for it, without having to supply wheat to all consumers in the country. A private good also exists when, being rival in consumption, an individual consumes bread made from wheat, and that bread, in any case, that good, cannot be consumed by others. Private goods are exclusive, meaning producers can prevent those who don't pay from consuming them, and they are rival in consumption because the same unit of the good cannot be consumed by more than one person at the same time. This is a consequence of property rights.

On the other hand, a sewer system is a public good, meaning it is non-exclusive and non-rival in consumption. Similarly, national defense or disease prevention (the former protects all citizens, the latter occurs when doctors implement programs to prevent the onset of a disease and protect everyone—and, incidentally, they can also do so as private individuals entrusted with a public service and paid for it by other private individuals). A sewer system improves environmental conditions for everyone.

These benefits benefit everyone, regardless of whether they pay for the service (though it could also be paid for). Generally speaking, no entrepreneur is willing to provide this "public" good for this very reason. However, beyond taxes, the public good could be paid for, as in the historical example of the lighthouses or in other cases. Generally, however, with a public good, the rational consumer is unwilling to pay for the use of a non-exclusive good. Rather, they say, they consume "for free." This gives rise to the free-rider phenomenon (from "to free ride," meaning traveling for free). For example, in the case of students doing group work, a thesis, some of them hide and let others do the work.

Consequently, this would mean that public goods would not be produced by the market, and since they are non-exclusive and subject to the free-rider phenomenon, no company would want to produce them. Since they are non-rival in consumption, it would be inefficient to charge individuals for their use, except in the case of taxes or other specific cases (we have seen the case of English lighthouses or doctors, even if they provide preventive care). Without having to choose common resources in detail, the other category of goods identified by economists has become the focus of politicians; in practice, like artificially scarce goods and pay-per-view movies, they are much closer to private goods than one might think. Common resources are non-exclusive but rival in consumption. Fish in a limited area, or clean air or water. The fish in a certain area are limited in number and can be caught by one individual, but those already caught cannot be caught by others. Common resources are subject to the phenomenon of their "overuse." In fact, they are non-exclusive, so it is not possible to charge individuals for their use (think of water or fish). But they are also rivals in consumption, and if an individual consumes a unit of them, he or she exhausts it because that unit is not available to others. Therefore, an individual often continues to use it, ignoring the cost this action imposes on society—the depletion of the good, such as fish or water, etc. How can this be remedied?

Economists, whose opinions I am simply summarizing here without adding anything particularly significant, demonstrating that certain arguments can be used for notarial work, have devised various remedies. As with public goods, it is not always true that a price cannot be charged. It has been said that to avoid excessive use and the costs it inflicts, which are passed on to society, one can:

- tax the use of the common resource (as happens with the taxes levied on motorists who enter the city center and consume the air, as happens with parks where there is an entrance fee);

- create a system of tradable licenses for the right to use the common resource (authorities issue a number of licenses equal to the efficient level of use of the resource, and their tradability ensures that those who use the resources are the ones who benefit most);

- finally, the common resource can be made into a private good, that is, exclusive (the right to use it, in fact the property, I use a non-technical legal term, is assigned to a subject who has an incentive to protect the value of the good, that is, to avoid excessive use which derives from not belonging to anyone, access to the good is limited by establishing who can use it and to what extent: it is made exclusive and the good is assigned to whoever has, at that point, an incentive to protect it and use it efficiently). The daily press is also starting to realise this. The Corriere della Sera (5) cites the example of what is happening in California where a code is attributed which gives access to water resources. A water code with the assignment of a "political tariff" quota imposing a market price for extra consumption. The city of Irvine has assigned each family a certain quantity of water at the price of 1.34 dollars per hundred cubic feet and charges ten times that amount for excess consumption.

1. P. Krugman and R. Wells. Microeconomics. Second edition, based on the third American edition. Zanichelli, pages 454 and following.
2. P. A. Samuelson, W. D. Nordhaus, C. A. Bollino. Economics. McGrawHill, 19th edition, 2009, page 36; S. Shavell. Economic Analysis of Law. Giappichelli. 2007, pages 13-26.
3. P. A. Samuelson, W. D. Nordhaus, C. A. Bollino. Economics. cit. pages 35 and 349-350.
4. P. Krugman, R. Wells, K. Graddy. The Essentials of Economics. Zanichelli, second edition. 2012, page 262.
5. M. Gaggi. "A US-model water code to follow". in Corriere della Sera, 24 October 2014, page 53

VI. MERIT AND DEMERIT GOODS

If the theme of paternalism cannot be applied to the assumptions of behavioral economics (the theme of choice architecture is more suited to it), objections based on paternalism, on the concept that it is unfair to introduce limitations on individual freedom for the use or production of a good, certainly arise with regard to so-called merit and demerit goods(1).

Merit and demerit goods, according to economic doctrine, are those for which political authorities deem it justified to limit individual freedom of choice regarding their use or production, because they believe that individuals have limited or distorted information about the individual benefits or costs that would accrue to them as a result of the consumption or production of these goods. They are similar, but different, as we will see, from goods that produce externalities, whether positive or negative.

Here, the political authority believes it should impose consumption that is higher than what the individual would consider optimal for themselves, or lower than what each individual would consider appropriate.

Consider drugs, alcohol, tobacco, prostitution: they are all demerit goods.

Consumption is imposed that is lower or nonexistent than what could be derived from an individual assessment of the costs and benefits that the good can bring. As Cellini states, and all economists agree with him in describing this category of goods, limitations on the freedom of production or consumption arise from a public authority assessment that believes individuals are incapable of assessing the individual costs and benefits that derive from these goods.

They therefore express a demand that is higher than would be optimal if they were fully informed (they have deficient or distorted information) and have preferences deemed "inappropriate" based on ethical reasons or comparison with prevailing customs and habits. If they had more complete information or assessments characterized by better capabilities, they would better understand the individual costs and benefits that would derive from these goods and would demand or supply them in quantities different from what they do.

We are not talking about the presence of negative externalities. Often, when we are dealing with demerit goods, for example, they exist. If they exist, there is an additional reason, indeed an additional one, to justify public intervention.

But a demerit good is independent of the presence of a negative externality. If it exists, it means that the individual costs and benefits differ from the social costs and benefits, and, therefore, public intervention is doubly (yes, doubly) justified.

But when we discuss demerit goods, for example, drugs, etc., we are dealing with a good that the public authority deems as such because the individual is unable to evaluate, due to lacking or distorted information, due to incorrect assessments, the individual, not social, costs and benefits that the good provides him. The social costs and benefits are ignored.

Let's take a classic example. In the case of drugs, public authorities believe that individuals are not correctly assessing the individual health consequences. Then there may be the additional problem of negative externalities, the consequences for those around the individual and the costs to society (for example, detoxification treatments).

In the case of vaccines or education, we are dealing with merit goods.

Individuals might believe that the individual cost of the vaccine exceeds its individual benefit. But authorities impose mandatory vaccination not only for positive externalities—because it limits infections and presents social benefits that exceed individual ones—but also for the individual benefits they believe exist. The same goes for education. Many individuals, left free, might believe that the individual costs outweigh the individual benefits, but public authorities, beyond the positive externalities represented by an improvement in society through education, impose compulsory education because they believe that individuals have a distorted or incomplete set of information about individual benefits.

As has been said, "the meritorious (or demeritorious) nature of a good implies that the sovereignty of the consumer (or producer) is limited, in the name of better information (and judgment) held by entities that are above the individual."

Naturally, extreme libertarians reject this possibility of imposing limitations based solely on the meritorious or demeritorious nature of a good and not on the presence of positive or negative externalities.

Consider Milton Friedman and his position on narcotics. Can a political authority assess the individual benefits or costs of a good better than the individual?

One might respond that the existence of a state and an organized society requires it.

But the answer may be different.

Let's consider a different example than those indicated.

The Italian state makes great efforts to protect its artistic heritage. Artistic heritage, one might say, has an "existence value" that is independent of its use value. The expenditure for its conservation, the limits placed on its use and transfer, and the controls, including those carried out by notaries, can be justified by the social value—the value as a public good—that many of its assets have, but they can also be justified by the fact that individuals "cannot correctly evaluate the benefits, even private ones, they receive from the existence of monuments and works of art."

But aside from this argument, drawn from this example, different from that of drugs, alcohol, education, etc., there is another reason.

The entire discussion of these goods, where individuals make a distorted assessment or have an incorrect, poorly informed, and inappropriate representation based on ethical considerations or prevailing customs, regarding the individual, non-social, benefit or cost of these goods, starts from the assumption that, in the 2000s, individual benefits and costs can be distinguished from those towards others, if not social costs.

In this regard, we are helped by what happened in 2008 and the financial phenomenon of so-called deleveraging.

In economic crises, such as that of 2008 or the 1930s, unemployment or the individual tragedies of many individuals depend only (minimally) on their choices, but rather on factors beyond their control, let's say macroeconomic. In any case, they have little influence over these factors, at least in modern societies. The events of the American A.I.G. that would have caused systemic crises had there not been state intervention, the events linked to the crises of American parabanking institutions, such as Lehman Brothers, resolved in one way, or Northern Rock or Bear Stearns, resolved in another, demonstrate that, today, things are much more complicated and intertwined, and autonomous individual choices are difficult to make, and above all, decisions governed by a single individual. The financial phenomenon of deleveraging, which developed in 2008, demonstrates how certain visions are strongly reminiscent of eighteenth-century society.

In 2008, following the well-known events, a financial contagion phenomenon occurred that is so powerful that it has caused drama for those affected, almost without their responsibility. While the directors of Lehman Brothers or AIG, etc., may deserve, under certain conditions, at least moral punishment, others do not. The vicious cycle of deleveraging causes a financial institution under pressure to seek to sell its assets to raise liquidity. By selling assets quickly, it often has to sell them at a discount. Contagion arises from other financial institutions holding similar assets, whose prices decline due to the "at all costs" selling. The falling prices trigger a vicious spiral.

The decline in the prices of these assets harms other financial institutions, prompting their creditors to stop lending. Financial institutions, in turn, are forced to sell their assets at all costs to raise liquidity and avoid bankruptcy, fueling the fall in prices. In the months following the Lehman collapse, this phenomenon became evident, not only undermining the system but also demonstrating that allowing a culprit like Lehman to fail, while fair, is not responsible. The prices of a wide range of assets held by financial institutions, from corporate bonds to student loan securitizations (they simply wanted to study at a prestigious university and pay for Lehman) collapsed under the pressure of a wave of selling.

What is the TED spread? It's essentially an indicator of confidence.

It is the spread between the interest rate on three-month interbank loans and the interest rate on three-month U.S. government bonds. The latter are considered safe.

The TED spread measures the risk banks consider themselves taking in lending to other banks. Normally, the TED spread is around 0.25%, but in August 2007, it increased to 4.58% in 2008, before falling again. But it was a testament to the situation, creating harm for everyone. Likewise, if the U.S. government bailed out the insurance company A.I.G. exposing itself for 182 billion dollars, if the English government saved the Northern Rock bank by guaranteeing all deposits regardless of their size or the Irish government took on a similar burden not only towards deposits but towards all liabilities of national banks, Sweden had done the same in 1991, the American government in 2009 had acquired around 140 banks, it was not due to a resurgence of socialism, but due to the consequences of a different behaviour: due to the relationships maintained by A.I.G. with other financial institutions and companies, the non-payment of insurance policies, the so-called credit default swaps, which insured an investor who purchased a bond in the sense that he would pay the insurance company if he did not pay the person who had issued the bond, would have had devastating effects (2), due to the relationships maintained by A.I.G. With other financial institutions and companies, the failure to pay insurance policies, the so-called credit default swaps, which insured an investor who purchased a bond in the sense that he would pay the insurance company if the bond issuer did not pay, would have had devastating effects (3).

However, it is known in economics that individual behaviors considered worthy, the so-called paradox of thrift, can have negative collective economic and macroeconomic effects, causing an economic crisis or worsening it. If everyone exceeds savings, net of monetary interventions by central banks, negative macroeconomic effects result from worthy individual behaviors (4).

The best expressions remain those of an old politician, Giovanni Amendola, whom we have already mentioned.

A realistic vision, individual actions are reflected to the advantage or disadvantage of others, different from that of others, much more nineteenth-century, if not anarchic. Typical of a society with fewer people, from a purely quantitative point of view, where people can live more isolated and where political life, if not social life in general, is the prerogative of the elite. Amendola's realistic view is that of individual actions that, in any case, "reflect to the advantage or disadvantage of all," said Amendola. I've already given the example of the financial phenomenon of so-called deleveraging, which developed in 2008. DAMAGE TO ALL.

1. R. Cellini. Economic Policy. Introduction to Fundamental Models. McGraw Publishers, Second Edition, 2011, pp. 126-127.

2. P. Krugman and R. Wells. Macroeconomics. Zanichelli. Second Italian edition based on the third American edition. 2013, pp. 161-163, 421, 489, 496; P. Krugman. A Country is Not a Company. Garzanti. 2015, pp. 19 and 40; P. Krugman. Out of This Crisis, Now!. Garzanti. 2013, pp. 63-67.

3. P. Krugman and R. Wells. "Macroeconomics". Zanichelli. Second Italian edition based on the third American edition. 2013, pp. 421, 489, 496.

4. P. Krugman. "Out of this crisis, now!" Garzanti. 2013, pp. 63-67 on the paradoxes of thrift, deleveraging, and wage flexibility; P. Krugman and R. Wells. Macroeconomics. Zanichelli. Second Italian edition based on the third American edition. 2013, pp. 161-163.

Information Asymmetry and Moral Hazard (Market Failures)

Information asymmetry occurs when the parties involved in economic exchanges have different information.

This asymmetry can occur before a contract is concluded, in which case it is called "adverse selection," or after a contract is concluded, in which case it is called moral hazard.

When adverse selection occurs before a contract is concluded, only lower-quality goods are traded on the market, and the market can collapse if no remedies are found. The best-known case is the trade in used goods, such as cars, but the same could be true with real estate, for example. Only those selling used goods know their exact quality, and this prevents higher-quality goods from being placed on the market, while only lower-quality goods are traded. For example, in the insurance market, only those who have the possibility of being affected by a certain illness are willing, or more willing, to purchase policies that cover the event. If the difference between information systems arises after the contract is signed, we are faced with situations of moral hazard, which in Italian would be a correct translation: unfair behavior. This refers to situations in which a party changes behavior after a contract is signed. Two subgroups can be distinguished: hidden actions and cases of hidden information.

In the first case, the information differs because one party cannot observe the actions of the other party; in the second case, the information differs because, even if the actions are observable, the motivations cannot be known. To give an example from the insurance world, a policy against theft is taken and at that point, even the minimal precautions that would otherwise have been taken are no longer taken.

Evidently, the most interesting case of information asymmetry for notaries is what goes by the name of adverse selection, which occurs before a contract is signed, rather than what goes by the name of moral hazard, which occurs after the contract is signed.

Let us therefore look at the first case which was the subject of a famous article by Akerlof in 1970(1).

Adverse selection occurs, therefore, when one of the two contracting parties possesses a set of information different from the other. Whoever possesses more information will be able to adopt behaviors that are individually advantageous but lead to market failure, even to its disappearance. The case concerns the difference in information about the good or service being contracted for.

Let's consider the used car market, a subject of attention by the American economist, but the reasoning can be extended to any market.

Whoever sells a used car knows its characteristics better than the person seeking to buy it. Thus, for example, with medical care: the doctor's skills are known by the doctor himself rather than by the patient requesting the service.

Asymmetry prior to the signing of the contract produces an unsatisfactory outcome. In fact, buyers are unable to know the quality of the product at the time of purchase, and the selling price of each unit, consequently, is independent of the actual quality.

A situation will arise in which only the lowest-quality goods will be sold (in English and Akerlof parlance, "the trash cans," "the lemons").

Let's assume, in fact, that the quality of the goods sold—houses, cars, etc.—is heterogeneous, as always happens, and that there are high-quality and low-quality goods. The true quality of the good is known by the seller, but not by the buyer. Thus, the seller of the car is willing to sell only if the selling price exceeds the valuation of the good's quality: but the selling price will be the average of the values of used cars placed on the market.

If information were symmetric, that is, if the quality of the good were observable by everyone, the market would produce a situation in which good cars are sold at a high price, and poor-quality cars at a low price.

But lacking adequate information, and above all being asymmetric, that is, at the seller's disposal, the cars will ALL be traded at the same price, equal to the average of the theoretical prices of good and bad cars.

In the presence of a single price, which IS IRRESPECTIVE of the quality of the specific car being traded (naturally, Akerlof's theoretical explanation requires some adaptation to individual markets, but the general principle remains valid), the only people willing to sell their cars will be those who know that their car is worth LESS than the single market price.

Thus, all high-quality vehicles, more specifically those with above-average quality, will disappear from the used car market.

In a subsequent negotiation, the average price drops further because the quality of the cars remaining on the market has declined. At this point, as has occurred previously, used cars whose quality is assessed by their owners as being higher than the (single) prevailing price will not be placed on the market.

Gradually, this process will lead to the market's disappearance.

Is it possible to avoid it? Can remedies be found?

In this case, notaries can also be useful.

One option is to make the quality of the asset more visible, establish a legal information system to reduce asymmetry, and provide the buyer with the right to compensation if it is discovered that the asset does not meet the required quality standards.

The first solution includes all quality certification systems, which may be mandatory (requiring a doctor to have a degree or be registered with a professional body, or the notarial system as a whole, with obligations to the notary for a series of information related to the asset, etc.), or for certain assets, a mark may be required, which is an indicator of quality or, in any case, possession of certain characteristics.

Let's quickly move on to the different hypothesis of moral hazard, that is, when the difference in information systems becomes relevant after the contract is signed. This is less of an issue for notaries but remains important for demonstrating the requirements that, first and foremost, the market itself imposes and demands to avoid its failure. This is not a demand from hardened statists, but rather demands that arise from the market itself for its functioning.

For example, we have a subject, called the principal, who possesses less information than another, called the agent, who executes the contract. The classic hypothesis is that of the principal delegating a manager or a principal delegating a worker to perform certain functions.

If remuneration is independent of effort, those who must perform the work will be encouraged not to exert themselves: the remedy may be to monitor the worker if the activity is easily observable.

If behavior is not easily observable, this opens the door to distinguishing situations in which the outcome of the agent's work depends on his or her behavior or also depends on other unobservable, or worse, non-attributable, factors (think of environmental conditions, which are not always observable).

Earlier, however, we referred to the behavior of an agent who, having taken out insurance against theft, behaves without the slightest caution.

In some cases, contractual arrangements are designed to counteract the risk of moral hazard, discouraging unfair behavior and preventing opportunism—for example, deductibles in insurance contracts or profit-sharing in employment contracts.

But, in general, this is the meaning of so-called information asymmetry: individual behaviors that are, indeed, individually optimizing, but which lead to market failure, to its disappearance.

For these, aside from voluntary systems, contractual clauses, or contractual arrangements, a legal system becomes necessary, of which notaries are a part, required by the market, not by statists, which overcomes information asymmetry.

That is, remedies are needed to limit inefficiencies, which, in the case of asymmetric information, can even lead to the disappearance of the market.

They can be adopted by the individuals participating in the transactions themselves (guarantee clauses, voluntary adherence to quality labels, the application of exemptions in cases of moral hazard). But private initiatives do not eliminate all problems.

Only public intervention can correct the market outcome. Public intervention must have the aim of making information a public good, that is, a non-rival and non-excludable good.

Only legislative measures can achieve this, introducing mandatory certifications (which may concern agents' personal and professional skills, for example, to access certain professions), the quality of products sold (for example, product certifications), and the organization of the production process (for example, quality system certification). It is the legal system that can resolve the problems of information asymmetry, rather than individual, economic interventions (such as incentives to encourage certain behaviors), which would limit opportunistic, yet individually rewarding, behaviors without eliminating their causes or eliminating them.

While some aspects (certification of skills and impartiality) concern notaries as an organization and category, others concern public registries (i.e., the legal structure of the real estate profile, the organization aimed at certifying the quality of products sold, and the organization of the production process related to those assets).

This may involve the introduction of standards to be respected or the obligation to disclose specific information about the property and ensure that it is reliable.

(1) G. Akerlof. Stories of a Nobel Prize Winner in Economics. Asymmetric Information and Everyday Life. ed. Il Sole 24 ore. 2003;G. Akerlof and R. Kranton. Identity Economics. How Our Identities Determine Work, Wages, and Well-Being. Laterza. 2012;G. Akerlof, J. R. Shiller. Animal Spirits. How Human Nature Can Save the Economy. Rizzoli. 2009.

Experience Goods, Credence Goods, Financial Services and Their Knowability

There are many cases of asymmetric information: one of the most common is in the healthcare field, where it occurs between patients, doctors, and insurance companies. But it is not the only case. Patients are unable to independently evaluate appropriate treatments; they rely on doctors, "their demand depends on the advice of those who provide the service," to prevent them, as consumers, from purchasing expensive, useless, poor-quality, or harmful services. This phenomenon occurs in many services, almost all professional ones. Legal services also involve a degree of control over how other services are provided.

Professional services in general, and legal ones in particular, do not respond to the usual economic mechanisms that attempt to address information asymmetries between seller and buyer. One such mechanism is the brand, a company's legally recognized symbol. With the brand, BMW car or Coca Cola drink, when you buy them, says economic science, "you pay a premium for the quality control provided by these organizations" that produce and sell the good.

But the same economic science adds, significantly, that "for more complex areas such as medical or legal assistance, there is no standard product or sure remedy for information asymmetries and society relies on the professional to fill the knowledge gap; it is customary to rely on the ability of professionals to provide adequate services. Compare the levels of trust placed by consumers in the advice provided by doctors and car salesmen" (1).

In particular, there are goods whose qualities and characteristics can only be assessed after they have been purchased. The consumer cannot calculate, beyond psychological deficits, the costs and benefits of the good he is purchasing, he cannot know its characteristics: these are the goods known as experience goods.

Sometimes companies can resort to informative advertising (to the extent that the amount depends on the costs and expected benefits of the advertising campaigns) or they can adopt brands (again, by weighing the costs against the benefits). Brands serve to publicize the characteristics of a product before purchase (an appliance may bear a mark, a sticker, or a special sign indicating its energy consumption; a seaside resort, even voluntarily, may have a mark regarding the quality of its water, etc.).

The brand raises consumer awareness and reduces uncertainty, increasing demand.

Then there are other goods called credence goods, whose qualities or characteristics cannot be assessed even after purchase, perhaps only after a long period of time. For example, medical care or legal advice. Information asymmetry cannot be balanced with brands, perhaps only with certificates certifying the service provider's ability (a degree, registration in a professional register, passing a state exam or competitive exam). Even a service like that of a ski instructor or mountain guide presents the same problems, and it is not the same thing to have been licensed as a mountain guide in Denmark or in Italy, and this is in relation to the free circulation of the validity of diplomas.

Financial services in general pose even more problems.

Does the maximizing individual exist, even in the financial field?

Let's look at two phenomena.

A) The first concerns the so-called speculative demand for money. A speculator is someone who buys when a stock's price is low and sells when it's high. Let's recap the basics.

A debt security, as we know, is the receipt for a loan made to a company or the government. It can have a nominal value, for example, €1,000, and pay an annual coupon, for example, €100. There is a primary market where newly issued securities are traded (those who buy them are savers and those who sell them are companies or the government), and there is a secondary market where old securities are traded (savers purchase them from other savers who had previously purchased them).

If a security has a nominal value of €1,000 and a coupon of €100, however, its price can also differ from the nominal value. If someone who bought the security at €1,000 in 2025 wanted to resell it in 2026 on the secondary market, they might find that in the meantime the interest rate paid on newly issued securities has increased.

For example, the government, for economic and budgetary reasons, is forced to issue new bonds at a higher interest rate to entice savers to buy them.

Anyone who owns an "old" bond and wants to sell it in 2026 cannot get the same amount as the purchase price, because if the interest rate has risen, to 20% for example, this means that the new bonds yield 20%, or €200, and still cost €1,000.

Therefore, those who buy bonds can choose between newly issued bonds that yield €200 annually and old-issue bonds that yield €100 annually. Obviously, those who sell old-issue bonds must discount the price. They must sell them for €500.

Thus, for a buyer, it makes no difference whether he buys two old bonds yielding €100 each at a price of €500 each, or a new bond yielding €200 at a price of €1,000.

There is an inverse relationship: when the interest rate increases, the price of the old bond sold on the secondary market decreases; when the interest rate decreases, the price of the old bond increases.

What's the point of this?

If speculators believe that interest rates on newly issued bonds, those to be issued, will rise next year, they will sell (even en masse) the old bonds.

Thus:

- they avoid, if they sell them next year, incurring a loss by having to sell them at a lower price than when they bought them;

- in a year's time, they can use the same amount of money to buy bonds that yield higher returns.

The gist of the argument is that the fundamentals of each company that issued the securities are ignored, that the value of securities, whether companies or the state, is independent of fundamentals. It is linked to forecasts, psychological factors, and discretionary and conventional assessments.

A speculator will prefer to hold liquid money rather than securities; he will demand money if he believes that next year's yield or interest rate will increase. Every speculator forms his expectations with reference to a future interest rate, a rate he deems normal, and if the market rate is higher than what he deems normal, the speculator expects the market rate to decrease, that is, that the price of old securities will increase: therefore, he will prefer securities rather than money. And vice versa.

Therefore, the value, price, and size of sales or purchases of securities are linked to expectations, not to the so-called fundamentals of the securities.

Is the financial market by its nature unstable? Does it have an equilibrium? Is it different from the goods market, where equilibrium exists, or is it easier for it to exist?

To answer these questions, let's look at a second phenomenon.

B) The second phenomenon concerns a comparison between the goods market and the financial market.

Let's simplify the example. I'm following the discussion of a recent book by Professors Franco Spinelli and Carmine Trecoci, cited in the footnote.

We have a goods market at the beginning of the week.

There are two merchants, a baker selling bread and a farmer selling potatoes, standing in a square so that they cannot see each other.

The baker is confident he can sell the same amount of bread on

Monday as on Friday, and he offers the same price as last week.

The farmer, however, knows that the potato harvest has been significant, more abundant than the previous one. He has therefore brought more potatoes to the market and is offering them at a lower price.

Even though the two goods are not identical (bread and potatoes), this situation affects their sales.

Buyers notice that potatoes, compared to last week, are cheaper both in absolute terms and in relation to bread, and they buy more potatoes and less bread.

The baker is unaware of the abundant potato harvest and their lower price, but he notices that the demand for bread has decreased compared to expected.

To avoid ending the day with unsold bread, he lowers the price of bread. This decision increases the demand for bread but reduces that of potatoes. The farmer notices only the lower demand for potatoes and, to avoid unsold goods, adjusts the price of potatoes downward. At that point, demand shifts from bread to potatoes, resulting in a second reduction in the price of bread, which leads to a further reduction in the price of potatoes, and so on. It's a price war between invisible traders, which largely ignores the value of the two goods: traders respond to demand signals.

Eventually, a stable equilibrium is reached at a lower price level and with a lower relative price of potatoes, thus eliminating the increased quantity supplied.

In theory, without external intervention, we will have lower (higher) prices that stimulate a greater (lesser) quantity of demand.

Let's see what happens if a surprise, a shock, arrives that alters this equilibrium.

A man suddenly shows up, after an equilibrium has been reached, and asks for a large quantity of bread. The price war begins again: the baker raises his price, to avoid being unable to meet future demand for the rest of the day.

So, buyers return to buy more potatoes, but the farmer also raises his price, and so on until a new equilibrium is reached, with a price of bread higher than last week's.

Since this leads to greater profits for the baker, once he has ensured, over time, that the man who suddenly asked for more bread (the shock, the surprise) is a constant presence, that is, he always returns, he will increase production.

Already in this example, using a Keynesian reference, we can say that demand is in charge. Supply, production, comes later.

At this point, however, a greater demand for bread will have stimulated greater supply, production, and all the determinants—of price and quantity—of endogenous rebalancing have been activated.

But to return to our discussion, this is a schematic view of a goods market.

Does the financial market work the same way? It tends toward endogenous equilibrium-rebalancing.

Many, mistakenly, answer yes (2).

In reality, this is not the case.

Yes, after having seen the first phenomenon, we should have understood how different the financial market is, where expectations dominate, where the so-called fundamentals of the securities do not.

But let's look more deeply.

There is a broker and a banker on the market.

The broker displays the various types of securities on the counter, just as the baker displays the types of bread. Unlike the baker, the broker has two prices in front of him.

The price at which he is willing to buy and the price at which he is willing to sell, slightly higher to cover business costs and ensure a profit. The broker repeats the same two prices as last week.

The banker is also interested in two types of transactions: raising money (deposits) and investing money (loans). Unlike the farmer, he displays two prices. The interest rate he is willing to pay on deposits is the same as the rate he requires on loans. In this second case, too, the second price is slightly higher, to cover costs and ensure a profit.

In this case, we discover that the financial market is unstable, but more due to its objective characteristics than to the presence of expectations, psychological factors, or the like. But that doesn't change my point: the myth of balance exists, of unrealistic and unachievable assumptions.

The activities of the two operators correspond to the different habits and needs of the inhabitants. Some are prudent and risk-averse and keep their savings in the form of bank deposits. Others are more risk-loving and resort to bank loans to purchase debt securities ("leveraged") with the aim of profiting from their fluctuations in value.

In a village, in reality, these (at least) two categories of people exist and cannot be ignored.

The banker, knowing that even a small, unrepaid loan would cause him a large loss compared to the interest margin earned on the many other successful loans, grants loans equal to only a fraction of the value of the securities the customers intend to purchase. This amount is expressed by a percentage ratio called the loan-to-value ratio, which is less than 100, meaning the loan is less than the market value of the securities.

Furthermore, he demands the securities be delivered as collateral for the loan granted.

If at any point the securities' prices fall toward the amount of the loan, he orders the debtor to reinstate the collateral; if this fails to happen, he proceeds to sell the securities, which pushes the prices further down.

If, however, the prices rise from their initial values, the banker is ready to increase the size of the loan, which, by allowing the customer-debtor to make further investments, further increases the prices.

The destabilizing potential of a collateral and mark-to-market mechanism capable of triggering and fueling ascending or descending feedback loops is evident (as is the decoupling from the intrinsic value of the securities).

Let's assume that after various operations to reinstate/sell the collateral or grant new loans have been carried out, the prices stabilize and an equilibrium is reached.

Something unexpected, something new, occurs. A person enters the scene, having learned that the bakery is doing very well, and wants to buy 100 of its shares. Not bread, but shares.

Let's imagine that the bakery has a billion shares in circulation and that the broker is willing to sell those shares for €1.01 each and buy them for €1.00, and that therefore the banker is worth €1.00 for each share received as collateral.

Once the person (the surprise) has paid €1.01 and taken the 100 shares, he leaves.

The broker, however, reflects on the increased demand for the stock and revises the previous prices offered to the public, declaring that he is willing to buy at €1.01 and sell at €1.02.

The banker notices this and knows, at this point, that both the bakery and the customers' collateral are worth €10 million more.

Mark-to-market accounting meant that the movement of just 101 euros created greater accounting wealth, thus enabling the bank to grant additional loans of as much as 10 million euros.

Suppose that, at the behest of the borrowers, this potential translates into actual new loans of one million euros, which nevertheless end up in further share purchases.

The initial new demand for 100 euros of shares turns out to have created an additional demand of one million euros. The process continues because the additional demand determines a new and more significant increase in the share price, thus triggering a second round of new and even more substantial loans, and so on.

After the arrival of the individual (shock), the bread market reaches equilibrium.

The arrival of the foreigner who wants to purchase shares (second shock), combined with the possibility of debt investments, the collateral technique, and mark-to-market accounting, create a self-perpetuating spiral that results in a financial bubble that eventually bursts.

If the newcomer had sold rather than purchased 100 shares, an equally explosive downward spiral would have been triggered.

In both cases, the securities market does not quickly find a new equilibrium; psychological and more objective reasons make it peculiar, it is rushing toward a breaking point.

And beyond the importance of the financial market compared to the material goods market, precisely because the aforementioned mechanisms fuel it more than the latter, it is intrinsically unstable.

But if it is, the material goods market also becomes so due to its importance and its intertwined nature.

The solution lies in good rules. Not excessive, but good. Referring to what was mentioned in the introduction regarding the Italian Enlightenment thinkers, Antonio Genovesi, Pietro

Verri, Gian Domenico Romagnosi.

This is why rules and institutions become important, which in turn are conditioned by transparency and the possibility of knowing the contractual conditions of the various operators.

Considerations that are linked to those expressed by behavioral economics to those who say that it may be appropriate to establish rules that highlight the necessary differences between products. In fact, "saying no to financial markets does not mean renouncing the market at all. It simply means renouncing the market for what is not a commodity, namely, money and credit" (3).

We must, as a new principle, simply "renouncing the market for what is not a commodity, namely, money and credit".

Works such as that of professors Carl Schneider, of the University of Michigan, and Omri Ben-Shahar, of the University of Chicago, (4) which address a problem that concerns European societies, especially Italian ones, which are very attentive to transparency, such as excessive information, must be taken into account. That is, even the information requirements, formal and otherwise, may be inadequate for effective protection. To think that savers are protected simply by fulfilling certain requirements is laughable. Despite everything, savers may discover that they are not savers and, in the event of a crisis, may be innocently and unknowingly participating in it. Disclosure obligations, say the two American authors, increasingly common in every contract, banking or otherwise, in themselves provide no guarantee and can leave recipients of the information more disoriented and "ignorant."

One of the most common ways to achieve transparency is believed to be the mandatory disclosure of a whole range of information. This disclosure would have the effect of increasing the knowledge, and awareness, of the weaker party.

Mandatory disclosure is now a requirement "everywhere": from renting a car to signing complex contracts, mortgages, etc. The authors highlight how "mandatory disclosure" is linked to the principle that more information is better than less information. But they point out that it rarely produces benefits that outweigh the costs.

Is a flood of information, written in very small print, really a benefit to the weaker party? To make the party understand what they're doing and the type of obligations or, in general, the regulation of their relationship?

The suspicion is that it's simply a "method" for regulators.

Which can even prevent them from resorting to more appropriate rules.

It actually constitutes a convenient alibi for regulators and for "strong" contractual parties. Moreover, at the end of the day, as demonstrated by various issues triggered by contractual relationships related to mortgages, which don't even prevent litigation. The European legislator on consumer credit requires that the form sent to the consumer contain only the information required by Directive 2008/48/EC. Aside from the fact that the information alreadyWhile the information provided by law is often excessive to form a true opinion and consensus, it should be taken into account that, regarding the excess of voluntary information, the French Court of Cassation (Cassation 3rd civ. 26/6/1991 in Bull. civ. III no. 194) has appropriately stated that the plethora of information provided by the local professional to the consumer was considered prejudicial because "the prodigality of information" can be a qualified indication of a contract "too lax to be honest".

In implementation of the European Commission's recommendation of March 1, 2001, for example, most Italian banks have adopted a Code of Ethics for pre-contractual information on home mortgages. Based on this code, banks are required to provide customers with a standardized information sheet (E.S.I.S.: European Standardized Information Sheet) before signing a contract. Also starting October 1, 2003, the new national regulation on the transparency of banking transactions and services came into force. As a result of this regulation, banks are required to provide customers with an "information sheet," which must contain, among other things, the financial terms of the transaction and the contractual clauses that govern it. These are useful regulations, but as the two American authors state, they do not resolve the issue. Therefore, expecting participation in the crisis by individuals who are effectively unaware of it becomes unfair, as well as uneconomical, because savings and the banking system have developed on security. and because it has provided ever greater certainty, at least since 1926, the date of the first banking law, onwards.

Given the above considerations, the advice given to savers becomes laughable.

In short.

In theory, savers, large and small, need to determine the true criteria for distinction, beyond the official ones; they will have to learn to be more careful and carry out checks. But they have the means and also, without offense, the skills. And even if they did, is it worthwhile?

From the very beginning, we've been taught to think that all banks are the same. If you think about it, the expression "having money in the bank" is neutral and inspired (used to inspire) security. Today, this is no longer the case. After the Cyprus case, in which account holders were called upon to repay the debts of two large banks, we must acknowledge that the system of using account holders' money to plug the holes created by careless banking management has become a consolidated, legal system, codified by European regulations for bank rescues. It therefore becomes essential to implement strategies for selecting your bank, especially if these strategies are simple, understandable, and proven to work.

Many websites, including online ones, try to explain simple ways to find out if a bank is safe and how to find a viable alternative. But these are certainly more sophisticated methods than in the past, but they require culture, greater understanding, continuous updating, but above all, it seems to me, also a bit useless in concrete cases (for a legal analysis of information problems see: The Notebooks of the Italian Notary Foundation (edited by Pietro Sirena). Mortgage loans in comparative and European law. Commentary on Directive 2014/17/EU, in particular the Information Statute and Responsible Lending in Directive 17/2014/EU (on credit agreements for consumers relating to residential immovable property) by Stefano Pagliantini; Directive 2014/17/EU Art. 6 - Financial education of consumers. Commentary by Francesco Paolo Patti; CHAPTER 3 - Conditions applicable to creditors, credit intermediaries and designated representatives and CHAPTER 4 - Information and practices preliminary to the conclusion of the credit agreement). Let's look at the various recommended ways to obtain more information.

The first point is:

a- Regulatory Capital Control

The commonly accepted criterion that defines banking risk, understood as the amount of investments made by a bank relative to its capital, is the Core Tier 1 Ratio, or the ratio of risk-weighted banking investments to the bank's equity capital. The Core Tier 1 Ratio has recently been replaced by a new ratio drawn up according to Basel III criteria, the CET1 Ratio, or Core Equity Tier 1 Ratio. European regulations require a minimum CET1 Ratio of 10%, which means that a "regular" bank can make risk-weighted investments exceeding 10 times its equity capital. This does not seem to be a guarantee of "extreme" security.

So, a first criterion for choosing our Italian bank is to check its CET1 Ratio. But how many people have access to, know, and fully understand this criterion? In theory, would it be the saver's fault if they don't look at it? And even if they look at it?

The second point would be:

b- Comparing Relative Performance on the Stock Market

The price of a stock on the stock market is the result of investors' buying and selling decisions. Investors behave more or less rationally based on the information they possess. But is it conceivable that the average investor would start making comparisons based on which economic theories have even been developed, and Nobel Prizes in economics have even been won, yet their usefulness is recognized up to a certain point, while some question their validity, for, and not only, "irrational" behavior? There is a special category of investors who decisively influence prices: institutional investors. These are those who have large amounts of money to invest and who act according to professional logic. Among institutional investors, there may be individuals who possess privileged information and therefore act accordingly.

For this reason, the price of a stock, if observed over a period of time and with a simple, not too short, would in itself provide important information: how is the company, the bank in this case, performing compared to the average of its sector?

This should be the question that investors should ask themselves rationally.

The price of a stock cannot absolutely represent the health of a bank; it is too influenced by the general sentiment about a certain sector (the banking sector), but if we compare the price of a bank with the average of the prices of the entire banking sector of a country, perhaps we can find out what the market, and especially institutional investors who often have inside information, think about that individual bank.

And in practice, in 100% of cases, a bank failure has always been preceded by a collapse in share prices compared to the benchmark index, months if not years before the unfortunate event.

In Italy, there is an index called FTSE Banks, easily comparable in percentage terms with the price performance of individual listed bank shares.

The saver, in other words, would be at fault if he hadn't checked the FTSE, after having failed to check the Cet1 Ratio.

Let's look at the third point and note how it is, if possible, even more uncertain than the first two criteria. Even so, to a certain extent, that if one were to be influenced, it could lead to a run on the bank.

The third point, according to much of the financial literature, would be:

c- Reading court reports (even online)

Paradoxically, this third method, although it requires a minimum amount of attention from the account holder, is at the same time the safest and the simplest. This is undoubtedly true. It should be added that the fact is that there has never been a single bank failure that wasn't preceded by MONTHS, if not YEARS, of polemical and alarming articles in the economic and judicial press. Neither Lehman, nor our Banca Itallease, Banca Marche, Banca Spoleto, or Banca Etruria were truly bolts from the blue. It is also said that before the event, there is always, ALWAYS, 100% of the time, a major news story in the newspapers. What we can see, however, is only a stream of news stories appearing in various publications about Banca Etruria at various points in 2014, featuring Bank of Italy inspections, bad debts, the need for recapitalization, and calls for solidarity. It can't be said that the Banca Popolare Etruria e Lazio scandal came out of nowhere.

But is that enough?

Most Italian banks have a local presence and are "reported" in detail by local press outlets; for example, the vicissitudes of a number of banks have been the subject of daily articles, interviews, and analyses.

But if a problem were to arise, could NO ONE claim innocence for not having thought of it sooner?

Can all this, along with press information and other information, be sufficient evidence? Doesn't it confuse rather than clarify, and is it even a criterion? Given that it's everyone's duty to conduct a minimum of checks on their own bank, since it is, after all, the place where we entrust the majority of our money. To derive certain consequences regarding savings protection from these criteria, with their consequences for each saver and the objective consequences for the economic system, seems to me like a simple buck-passing to those who should have been "informed."

So savers should be guided by news reports or stock market trends.

But for banks, according to April 2016 data, on average, their shares in Italy have lost about 40% on the stock market, about 90% in Greece, but the trend is similar in other countries. About 40% in Spain. The performance of certain German banks—Deutsche Bank, Swiss, French, etc.—is well-known and worrying. In England, outside the eurozone, the stock market depreciation has been 20%-30%.

The entire credit sector is in trouble because it has demonstrated its inability to make profits in the long run, its ability to incur significant non-performing loans, and its need to restrict credit despite the actions of Draghi's ECB.

In this situation, what should savers do?

Storage their money under the mattress or lend it directly to those they believe to be trustworthy, without the need for banking intermediation?

However, in a general crisis, individual savers' assessments are laughable, and banks can go into crisis, even those that aren't poorly managed, for general reasons (companies default on mortgages because the economy is struggling, even if they weren't granted carelessly). Raising banks' capital requirements in these times is pointless (credit tightens even further despite the fact that money, thanks to the ECB, is becoming cheaper), but it's better to see how we can intervene to avoid banking crises that have negative general effects.

(1) P. Samuelson, W. D. Nordhaus, C. A. Bollino. Economia, cit., p. 382

(2) P. Samuelson. Economics, An Introductory Analysis. 4th Edition, p. 39. differently. F. Spinelli and C. Trecroci. Financial Crises in History. Lessons, Costs, Theories, Physiology and Structural Nature. Giappichelli. 2026, p. 113

(3) see M. Amato and L. Fantacci. How to Save the Market from Capitalism. Donzelli 2012. And adds "Credit is not a commodity but a relationship" (M. Amato and L. Fantacci. How to save the

market from capitalism. Donzelli Editore. 2012, p. 14.

(4) Ben-Shahar, Omri & Schneider, Carl E. "The Failure of Mandated Disclosure" (March 2010). U of Chicago Law & Economics, Olin Working Paper No. 516

Conclusions

The market is not merely a technique for producing goods that can be used in a variety of contexts, but a social institution that develops in connection with others and, therefore, cannot be considered independent of the political context. If the discovery of economic laws, with all the limitations mentioned above—for example, those highlighted by behavioral theory, but not only—is actually the discovery of general norms of human behavior, and if the human mind is characterized by different types of rationality, it is inconceivable that the political sphere can be separated from the economic sphere: economic and political-legal institutions are the product of different but interconnected logics. While state intervention aimed at a more equitable distribution of market-produced wealth often fails to prevent such wealth from being distributed unequally, and ends up transforming itself into an increase in political power and assigning the latter the task of directing social development, this does not imply denying the interconnections between economic and political-legal institutions, nor does it imply asserting independence from the political context, nor does it imply denying the importance of laws and rules in general. These rules, realistically speaking, in today's context are either legislative or refer to representative and parliamentary institutions, or are the product of private contexts and environments. In this latter case, it is unknown how and by whom they are formed. In some ways, with all the necessary limitations and caveats, the state can be the guarantor of law and push for a reduction in power if the checks and balances theory is followed and implemented.

Institutions can be understood as guarantees of individual freedoms. A political order can also be designed to guarantee everyone the ability to freely exchange information, goods, and time.

In this context, there can be rules and institutions that provide guaranteed information to consumers and producers, guaranteeing the timing of both production and consumption.

A small example is the sort of territorial authorities that could be civil law notaries, not common law ones, which guarantee very little.

If public intervention can correct the outcome of the market, it must have the aim of making information a public good, that is, a non-rival and non-excludable good.

Only legislative measures can achieve this result, introducing mandatory certifications that may concern the personal and professional skills of agents, for example, to access certain professions, or the quality of products sold, for example, product certifications, or the organization of the production process, for example, quality system certification.

While the first aspect concerns notaries as a category, the other two concern public registries, that is, for real estate, the organization dedicated to certifying the quality of products sold and organizing the production process.

This may involve the introduction of standards to be met or the obligation to disclose specific information about the property and ensure that it is reliable.

The legal system is designed to overcome the problems arising from information asymmetry.

Let's look at the Civil Law Notary in more detail. It's impossible to outline the scenario in just a few brief notes. Suffice it to say that alongside its anti-procedural function, evidently preventing disputes, as recent World Bank rankings on real estate transfers attest, it combines the function of providing market operators, families, and consumers in general with certified and reliable information, and it feeds public registers which, thanks to useful legal provisions, provide legally valid and potentially incontrovertible news and information on assets and situations. This is because the Civil Law Notary has a dual purpose. What a Civil Law Notary is cannot be separated from a legislative definition. And, in Italy, this definition begins first and foremost with Article 1 of the Notarial Law (Law No. 89 of 16 February 1913). Notaries are defined as public officials appointed to receive deeds inter vivos and of last will, to confer public faith, to preserve the deposit, to issue copies, etc. The law is more complex and, like any law, has been supplemented by doctrine and case law. In defining the role of the notary, reference is primarily made to the concept of "public official." The most recent doctrinal contributions emphasize the public nature of the notary, which will be further explained below. This distinguishes the notary from his or her impartiality, impartiality from the parties, distance from yet closeness to them, and the ability to adapt their will—that is, to adapt not only to achieve their interests and objectives, but also to adapt their will to the law.

This contrasts with opinions that limit the notary's public nature to a mere certification activity. Therefore, the notary's activity is a public activity, and, precisely in its public aspect, it is unified and complex. It is divided into multiple phases, but while operationally divisible, they are functionally unified to achieve the adaptation of the private will of private individuals to the law. To reconcile the will of the parties with legality. There have, therefore, been scholarly contributions, even before legislative interventions, that have developed a unified concept of "notarial deed." It's impossible to delve into the specifics of the civil law notary, as opposed to what is known in the Anglo-Saxon world as a public notary, which merely provides certification, perhaps even more limited than what we do. Indeed, in the latter case, that of the public notary, the identification of the parties is severely deficient, the verification that they actually sign is insufficient, and the verification that they know and understand what they are signing is lacking.

A) Regarding the certification function, notarial intervention is required by law for the deed to produce further effects, not only between the parties. For example, with its transcription, required for legal publicity in the real estate sector. But then again, much of the law is never a private matter between two people, but rather a rule, as Aristotle said, pros heteron, which must govern relationships with third parties. Article 28 of the law establishing the notary public requires verification of legality, understood as non-contradiction to express prohibitive provisions of law, principles of public order, and morality.

B) Alongside the certification function is the verification of the legality and legality of the document's content (Article 28 of the Notary Law). Indeed, the latter is preliminary to the former because the notary cannot provide his services, including certification, if the verification is negative. This verification also extends to private deeds for which the notary authenticates the signatures, even if the text was written by someone else. For company meetings, where the notary records their proceedings, he is a collaborator and advisor to the meeting but also, and above all, a neutral documenter of their proceedings. Even when recording the minutes of corporate meetings, the notary does not merely passively transcribe the resolutions passed and communicated to him by the meeting chairman, but performs the adjustment function that is typical of his work. He must therefore ensure the precise and correct translation of the meeting's expressed intentions into legal terms, just as he may refuse to record a resolution that violates mandatory provisions or conflicts with public order or morality. While the notary's role in small companies may extend de facto, though not de jure, to verifying the manner in which the meeting was constituted and ensuring its regularity, it always concerns, in both small and large companies, the documentation (in particular, the (as specified above) of the deliberative activity of an already established corporate body (the assembly). In the Italian legal system, both when the company is established, through a contract, and when a meeting modifies the bylaws (increasing capital or modifying the corporate purpose or certain rights of the members, etc.), the notary performs the so-called homologation control. That is, to ensure that corporate documents registered or filed in public registries (Company Register) are, in principle, valid and effective and can be enforced against third parties, the notary, before filing or registering them in the public registry, must verify that the shareholders' resolutions, for example, do not conflict with legal provisions (the issue would be too broad to address specifically; generally, these are laws that provide for nullity or voidability). If, during this review, the notary has any doubts, he or she can, after notifying the directors, refer the document to the judicial authority before registering it in the public registry and making it effective against third parties. The notary expresses his or her doubts to the judicial authority, which then decides. If the notary registers a corporate document (meeting minutes) in a public registry without raising objections, in specific cases he or she may be subject to both financial and disciplinary sanctions, including severe penalties. When incorporating a company, it's clear that if the partners wish to, for example, establish a company with a corporate purpose, a "prohibited" activity (and the concept encompasses a lot; for example, a brokerage firm could, by law and under certain conditions, only do that, while a corporate purpose involving multiple activities would be prohibited, etc.), the notary simply doesn't sign the deed, rather than submitting it to the judicial authorities. Not to mention the complex identification process for anti-money laundering purposes, etc., which is particularly relevant in corporate matters. In this regard, the notary becomes responsible and the point of contact with the anti-money laundering authority for having fulfilled a series of identification or risk-relevant obligations regarding the transaction, which may require reporting. Incorporating a company or drawing up minutes of a company meeting without a notary means missing these checks, not knowing who is behind a company, not knowing who actually incorporated it (European and national directives regarding anti-money laundering obligations are clear). The legality check is a minimal and negative aspect of a more complex function that characterizes the notary's work. This function, overall, is defined as compliance. There is debate about the so-called merit assessment that the notary could express. Many argue that it exists and is necessary, thus integrating a more general legal provision contained in the Civil Code (Article 1322 of the Civil Code). According to this approach, the preliminary notarial assessment would be based on the interests protected by constitutional provisions, promoting these interests, seen as an aspect of the notary's public function. This position is probably exaggerated, but it is a clear trend, indicative of the notary's role, not merely anti-procedural, but also of an active, almost political role, like several Anglo-Saxon judges. In any case, it is a well-established fact that the provisions of the code and laws must be interpreted in light of constitutional principles, as must the interpretation, among the various possible ones in theory, that is most consistent with constitutional norms and principles. The notary is no longer merely a public official. The function of compliance is exercised towards individuals lacking technical legal knowledge, or whose roles are unbalanced with respect to it (which is similar to Shiller and Akerolf's sniping). Here the notarial role is not only passive but all the consequences of their intentions will be presented to the parties in such a way as to allow them, without coercing their will, to modify the scheme of the reciprocal relationships that they had envisaged (it is something similar to what in the economic environment today is expressed with the so-called Sustein's architecture of choices, which also intervenes in those situations of uncertainty examined by Keynes). Therefore, for civil law notaries, those who refer to them as those who since the Middle Ages have controlled (1) "the crossroads that leads from fact to legality, through the representation of the former in documents with the prescribed requisites" are right.

In more modern terms, Natalino Irti, who emphasizes the importance of form, not only recalls, with regard to the notary, both the expressions of other jurists, who place him as an "Office of the Republic," and, with regard to the notary-supervisor, the figure of gauger of the parties' interests based on constitutional principles, clearly sets out the criterion distinguishing the notary's activity from any other purely legal interpreter. Irti emphasizes that the interpreter is called upon to ascertain the content of an agreement "that already exists," while the notary is responsible for gathering the material for an agreement "that does not yet exist." The interpreter investigates the common intention in order to establish the meaning of a linguistic text; the notary investigates the will in order to draft the linguistic text. If the interpreter's labor begins where the notary's labor ends, and the one interrogates words written or spoken in the past, and the other interrogates people in the living present, if the interpreter engages with a text from the past to discover its meanings, and the notary engages with the parties to grasp its purposes and translate them into words, if the notary is the guardian of the word and translates the parties' will into legal language, in the living present, the notary's difference from any other professional who deals with form is clear. His role in the form that differentiates him—that is, in pre-contractual preparation—is clear, unlike that which any other professional can assume.

Civil law notaries, in some ways, can even go beyond judges: what do I mean? Judges depend on the parties' requests for their judgment. Judgement which also constitutes, even if in a different way than in the Anglo-Saxon environment, a principle. Notaries, in their deeds insert data, fabricate data that are independent of the parties, can also go against their interest, or what the parties believe to be their interest, they insert data regarding the family status, patrimonial and patrimonial regime of the family, fiscal data of the subjects, urban planning data of the assets, which can be used by everyone, by the public administration but also by anyone, even in the future by those who were not yet born at the time of the construction of the building or when the transaction was completed and Notaries can refuse the deed or induce to adapt the properties in case of irregularities even against the request of the parties: Judges must decide "on the entire request and not beyond the limits of it" (art 112 cpc), that is, it is conditioned by the request that specifies the object and the decision-making scope; Notaries insert data and make them public, data drawn up by them, even regardless of or against the will of the parties, the judge cannot exceed the limits of the request, the Notary responds if the seller, despite his statements, is not the owner, the property is mortgaged or presents serious urban planning violations.

If in the past a scholar like Giovanni Tarello, as Irti recalls (2), could lucidly contrast legal culture and industrial culture with a foresight of current discussions and themes, defining them as distant and different worlds (one founded on the values of continuity and security, dogmatic and national, the other, that is, the industrial one, characterised by values of change, risk, pragmatic and transnational), today a recomposition is a must. Recomposition in the spirit of what Alpa indicated and which must see jurists, in their task of controlling and adapting private and entrepreneurial behaviour to the law, as an aid to business because by preventing disputes or recomposing them, the business world and the market are helped and brought back to the respect of values. A meeting between the needs most strictly represented by economists, at least, let's say in an exemplary way, those who look at exclusively economic aspects, with those of jurists is inevitable. Just think of what Paul Volcker, former Chairman of the Fed, said at the time of the Enron scandal, when he recalled that "a car reaches port if, in addition to using the accelerator, you also know how to use the brakes."

We have already mentioned Professor Irti. A few years ago, he began his work, which aimed to counter claims of a natural market and reaffirmed the shaping function of law. He also supported the necessity and value of political decision-making against any claim to technocratic neutrality, evoking a famous passage by Luigi Einaudi (former President of the Italian Republic) who, in 1949, at the beginning of his Lezioni di Politica Sociale (Lessons in Social Policy), gave an example of what a market was and described a village fair in the countryside. Einaudi emphasized the importance and influence of law on the market and said that even if one didn't know the civil, commercial, or criminal code, one would go to a lawyer or notary to draft a document or resolve a contentious matter, and at that moment one would realize that one can't do everything one wants. These expressions by Einaudi (pages 43-44 of Lezioni di Politica Sociale, Einaudi editore, 1975) are echoed by Natalino Irti, who views them through the lens of a jurist. He sees in them the rules and institutions of public and private law. Laws influence the market: road construction, traffic regulations, trade licenses, the calendar of fairs are all elements that are not decided by the parties involved in the exchange but depend on the will of others. This is the problem of the relationship between law and the market that Natalino Irti tends to resolve by contrasting a presumed claim of the naturalness of the market. According to Professor Alpa (3) the market is not a portion of nature that would have its own life without human intervention, but the fruit of spontaneous forces that intermingle, reaching balances according to laws that would have a natural course if there were no human intervention. In reality, legal rules operate within the market; there is no market without social aggregation. The market does not exist ex nihilo, but depends on other institutions: the legal institution and money.

For this reason, we cannot ignore those who, in the past, Gian Domenico Romagnosi, coining the expression "civilization", updated what was already the lesson of the Milanese school of civil and political economy (Verri, Beccaria) by emphasizing the importance of laws (4).

In his wake, more recently, among all Amartya Sen (5) who has contributed to the discussions on the economics of development, of well-being through his capability approach, to overcoming the vision of homo oeconmicus: the true indicator of equality, for example Sen claims, is freedom, what really counts is not income but how people manage to transform income into freedom, what unites freedom and equality is not income or some primary good but what Sen defines with the term capability. What should be equalized is capability, that is, the effective freedom of a person, the freedom to be able to choose and this is crucial to understanding the standard of living of an individual. These are issues widely discussed in doctrine and which would take us too far with respect to my approach which aims to highlight, on the one hand, a connection between the approaches of Italian economists and debates and problems present today and, on the other, the need to evaluate and move beyond a context which only sees economic laws operating in an abstract way.

Epilogue

Therefore, the various theories ultimately prove unsatisfactory and, as John Maynard Keynes argued, both the classical economists and the socialist economists — and we might also add the neoclassicals, the so-called marginalists, and even the New Classical Macroeconomists with their contributions concerning rational expectations — all believe in the same "laws of economics". According to the theory of rational expectations, rational agents use all relevant available information in order to make their decisions and consequently formulate correct predictions concerning the effects of macroeconomic policies announced by governments; yet this is, to a large extent, a petitio principii. The difference is that the former — the classical economists — consider those laws true and inevitable, whereas the latter — the socialists and those attempting to depart from the so-called orthodoxy, including the proponents of the Italian and Catholic-inspired Civil Economy — regard them as true but intolerable.

Keynes sought not only to demonstrate that such laws were not true, but also, starting from an awareness of the central role played by uncertainty, to focus attention on the effects of changes — for example, changes in levels of production or the consequences of certain economic measures — and not merely on their causes.

Without denying the existence of the homo economics, or radically opposing certain underlying principles, Keynes nevertheless believed that claiming that nothing should be done because eventually the sea will become calm again may perhaps be true, but remains useless for those who, in the meantime, have died in the stormy sea.

It is true, as the well-known metaphor states, that the safest ship is the one that remains in port — a ship in harbor is certainly protected from storms, yet ships were not built to remain motionless. This echoes Keynes's famous observation concerning the long run: "Economists set themselves too easy, too useless a task if in tempestuous seasons they can only tell us that once the storm has long passed, the sea will again be calm."

This reflection is often linked to his equally famous aphorism: "In the long run we are all dead." Sailors, merchants, those who wish to act, and those concerned with economics — which is above all a matter of relationships among individuals — must instead begin from the assumption that guidance and directions are needed for when the ship is outside the harbor: not only to prevent it from sinking, but also to enable it to move forward, to survive storms, and to navigate difficulties without losing its course.

Today, Keynesian policies can scarcely be publicly defended, because political pressures are evident. Globalization has marked the end of the phase of nationally managed economies that had begun in 1914. Keynesian policies, grounded above all in realism — and first and foremost realism concerning the role played by uncertainty — are far less ideological than other approaches which attempt to derive vague and indeterminate consequences from notions such as the common good (as, for example, in the case of the so-called Civil Economy). If such policies are to be implemented today, they must necessarily operate at a global level, or at the very least involve entire economic areas.

The final shape of the political context — from which, as I have attempted to demonstrate, one cannot abstract — will become far more constrained by rules and norms than was the case during the 1960s and 1970s. The Keynesian thesis of benevolent governments maximizing social welfare now appears discredited, much like other similar theories. Yet rules concerning the money supply or balanced budgets cannot remain credible if mif anticipate that political pressure will ultimately lead governments to violate them.

This, however, also means that political pressure and democracy themselves cannot be ignored. Rules and norms governing action and behavior when the ship is far from harbor are therefore not only necessary and appropriate, but indeed indispensable.

In economics, interactions between humans exist, so models are dynamic but intrinsically uncertain. The rule in social systems is that they are characterized by feedback and interactions. Perturbations can occur, but in the presence of certain behaviors, even mass and/or herd-based, they are capable of amplifying even small perturbations ("the butterfly effect").

A dynamic system, like the economic one, is not predictable, at least not very predictable. Furthermore, economists, especially those of the marginalist tradition, have often applied the tools of mechanical physics not to the large objects for which physicists had created them, but to microelements, that is, individuals. Therefore, the physical-mathematical sciences that require the formulation of (tendentially) immutable "laws" are often not applicable to a science that must predict historical evolution, the evolution and change of habits and customs, opinions and beliefs.

The use of mathematics can confer authority, but if the axioms from which it starts, the basic hypotheses that influence the results, are the result of ideological conditioning, the whole thing becomes a "perfect" but circular reasoning that spirals in on itself. It is demonstrated that certain basic hypotheses do not necessarily lead to a result. But if the basic hypothesis is abstract and "non-historical," not real, what has been demonstrated?

This is why, above, referring to certain criticisms of Keynes, I said that there was a misunderstanding, and the claim that the economy reaches an equilibrium in which all its economic relations are respected and micro-founded is largely a self-defeating argument. More important than mathematical rigor is empirical relevance, comparison with reality, and history (Keynes said, "It is better to be approximately right than precisely wrong." The illusion of precision—that is, of having perfect data or calculations—is useless if you start from a flawed underlying idea. The value of approximation, that is, of an estimate close to reality, allows for useful decisions, while surgical precision based on flawed hypotheses leads to major failures).

How can we ignore the fact that the sum does not add up, that the "paradigm of complete markets" (a world in which markets exist for the negotiation of unforeseen power in which intertemporal budget constraints are satisfied) where bankruptcies and insolvency are impossible, but only acquisitions and mergers, does not exist. Also because if it did exist, almost without taking into account the "weaknesses," vices, and shortcomings of people, of humans, we would have a benevolent central planner rather than the auctioneer hypothesized by certain economic doctrines.

How can we ignore the fact that Keep in mind that in the 18th century, 95% of the products available today did not exist then, and if situations change, or conditions change as a result of innovation, much (if not everything) can change. Since the 18th century, new players have emerged (for example, central banks), new jobs, and markets (interbank markets, futures, repos, etc., which function differently from commodity markets, as we have seen), and the public sector, which employs 50% of the workforce, often provides services that the private sector could not provide. Innovations have transformed the economy, changing the structure and interactions between agents (the iPhone and the Internet are just a recent example; telegraphs, radio, and television came before), even if the individual had to follow the same rules.

The individual is not isolated from the new environment. He or she is immersed in a different environment.

The environment, in fact, makes the difference and recalls the assertions of Gian Domenico Romagnosi and the Italian Enlightenment thinkers, of the Italian economic tradition, attentive to context, the environment, and human development.

Attentive to civilization, which is not only the process of progress toward higher forms of civilization, the refinement of customs, and the refinement of civilization, but also economic development.

Civilization, in the thought of Gian Domenico Romagnosi, is the process of moral, civil, and social evolution and improvement of man and peoples.

It is the transition from a state of nature or minority to an advanced civilization, guided by educational, legal, and economic factors. This central concept is extensively discussed in his major work of 1832, Dell'indole e dei fattori dell'incivilimento,- On the nature and factors of civilization- and recalls concepts that have been expressed in modern times by other world-renowned economists, not least in the Stiglitz, Sen, and Fitoussi report, translated into Italian with the significant title Le misure sbagliate della nostra vita -The wrong measurements of our life -(Etas, Milan, 2013), or in increasingly frequent international documents, such as Work and Human Development. (http://hdr.undp.org/sites/default/files/2015-_human_development_report_O.pdf) , the World Economic Forum ,2021;Dept.of Economic and Social Affairs 2020, Oxfam 2020 [1-94].

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(3) G. Alpa. The Culture of Rules, cit., 2000, pp. 375 ff., in particular pp. 396-406

(4) L. Bruni, P. Santoni, S. Zamagni. Lessons in the History of Economic Thought. A Journey from Antiquity to the Twentieth Century. Edizioni Città Nuova. 2021. pp. 184 ff; L. Becchetti, L. Bruni, S. Zamagni. Principles of Economics. A Textbook of Civil Economics. Il Mulino. 2025. pp. 41-66 and p. 407 ff on the themes opened by Nobel Prize winner Daniel Kahnemann (D. Kahnemann. Thinking, Fast and Slow. Mondadori 2020) on the income-happiness relationship and above all on relational goods, on the importance of relationships in economics. Relational goods are "the intangible product of a communicative and affective nature generated through interactions between individuals," the emotional warmth that occurs in the encounter between two friends, while the encounter would rather be the production function. Relational goods are those dimensions of relationships that cannot be produced by a single individual because they

depend on the modalities of interactions with others and can only be enjoyed if shared: the economic approach to relational goods leads to considering them as realities independent of the relationship itself, but they are often confused with what is called service.

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