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Civic Education as Economic Infrastructure: The Way Towards Economic Development

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Abstract

Respect for rules is a structural pillar of well-functioning societies and modern economies, serving as a prerequisite for stability, trust among economic actors, and sustainable development. However, compliance cannot be assumed to arise spontaneously or emerge only when convenient. Rather, it is the result of long-term educational and cultural processes deeply embedded in social institutions, most notably the family and the school system. This paper explores the importance of educating individuals to respect rules as a strategic investment in collective well-being, social cohesion, and institutional quality. Drawing on an institutionalist perspective, it argues that when rule compliance is learned early and through consistent experiences, it fosters trust in institutions, civic engagement, and economic legality. Family and School - as the primary interface between individuals and the normative system - play a crucial role in shaping both civic and social capital. Scholars such as Heckman, North, Acemoglu, and Nussbaum have shown that investments in early childhood education and schooling have positive effects on economic productivity, crime reduction, and democratic participation. If well-designed and widely implemented, education for rule compliance can strengthen the moral and economic foundations of contemporary democracies, promoting a model of development that is fairer, more inclusive, and sustainable. This contribution aims to reaffirm the centrality of education policies - especially those focused on respect for rules and people - as tools for preventing illegality and driving development. It emphasizes the need for coordinated efforts among schools, families, and public institutions to build a

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citizenry that is aware, cooperative, and respectful of the rules that govern both economic and social life.

Keywords: Economic Development; Education; Institutions; Social Capital; Rule compliance

Introduction

Respect for rules is a foundational pillar of modern economic systems. In a market economy, the existence of clear and commonly accepted norms is essential for ensuring stability, fair competition, and mutual trust among economic actors. Without an effective and enforced regulatory framework, economic transactions become more uncertain, coordination costs increase, and the risk of opportunistic behaviour may undermine the system's overall efficiency.

Economic rules are not merely bureaucratic constraints or legal norms enforced under threat of penalties; rather, they are instruments that define the boundaries and conditions under which individuals and enterprises can operate. These rules regulate essential aspects such as property protection, relationships between economic agents (workers and firms, consumers and producers), market transparency, competition, and resource allocation. When respected, they reduce transaction costs (Coase, 1937), enhancing the predictability and effectiveness of economic decision-making. Coase was the first to introduce the notion of transaction costs as a core element of economic coordination. He argued that when the cost of organising economic activities through the market - such as search, negotiation, and enforcement - exceeds the cost of internal coordination, firms emerge as more efficient alternatives (Coase, 1937; p. 395).

The remainder of the paper is organised as follows. Section 2 discusses the importance of regulation quality as a foundational element of institutional stability and a catalyst for economic development. Section 3 explores how education contributes to the formation of civic culture and social capital. Section 4 examines the mechanisms through which cooperation and rule compliance influence economic outcomes, with particular attention to their effects on coordinated behaviour, altruism, and inclusive growth. Finally, Section 5 concludes by summarising the main arguments and outlining key policy implications.

Regulation Quality and the Institutional Foundations of Economic Development

The quality of regulation plays a highly critical role: an overly rigid or inefficient regulatory system can stifle private initiative and incentivise evasive practices such as tax evasion or informal economic activity.

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Institutional quality - central to understanding the effectiveness and legitimacy of rules in an economic system - can be measured through composite indices such as the Institutional Quality Index (IQI) developed by Nifo and Vecchioni (2014) and further elaborated by Casamonti and Liaci (2021). This index offers a multidimensional measure of subnational institutional quality, highlighting its impact on economic development and the ability of institutions to foster cooperative, rule-abiding behaviour.

As an example, it is useful to look at some simple data interaction between IQI and economic growth at regional level in Italy. Table 1 shows the relevant data of the IQI and regional economic growth rates for Italy for the years 2004 and 2019. We expect that regions with higher Institutional Quality Index (IQI) scores have also experienced stronger economic growth. The aim is to read the potential relationship between the quality of institutions and regional economic performance, emphasizing the role of institutional strength in fostering development.

Table 1: Economic and institutional indicators for Italy at the regional level

Region	**Growth rate 2004-2019 (y.a.)**	**IQI_2004**	**IQI_2019**	**Δ_IQI**
Trentino Alto Adige	3,1	0,8	0,89	0,09
Emilia Romagna	2,2	0,75	0,77	0,02
Lombardia	2,1	0,69	0,79	0,1
Toscana	1,9	0,71	0,73	0,02
Veneto	1,8	0,75	0,84	0,09
Friuli Venezia Giulia	1,7	0,79	0,85	0,06
Abruzzo	1,7	0,46	0,53	0,07
Basilicata	1,3	0,44	0,43	-0,01
Lazio	1,3	0,43	0,58	0,15
Marche	1,3	0,66	0,79	0,13
Sardegna	1,3	0,26	0,31	0,05
Piemonte	1,3	0,65	0,69	0,04
Liguria	1,2	0,52	0,6	0,08
Puglia	1,1	0,36	0,39	0,03
Valle d'Aosta	1,0	0,78	0,72	-0,06
Campania	1,0	0,05	0,25	0,2
Umbria	0,8	0,6	0,71	0,11
Sicilia	0,7	0,14	0,19	0,05
Calabria	0,6	0,15	0,19	0,04
Molise	0,4	0,44	0,33	-0,11

Source: ISTAT (online database) and Casamonti and Liaci (2021)

In Figure 1, the graph classifies Italian regions according to their initial level of institutional quality (measured by the Institutional Quality Index in 2004) and their average economic growth rate over the period 2004–2019. The vertical and horizontal dashed lines represent, respectively, the national average IQI and average growth rate.

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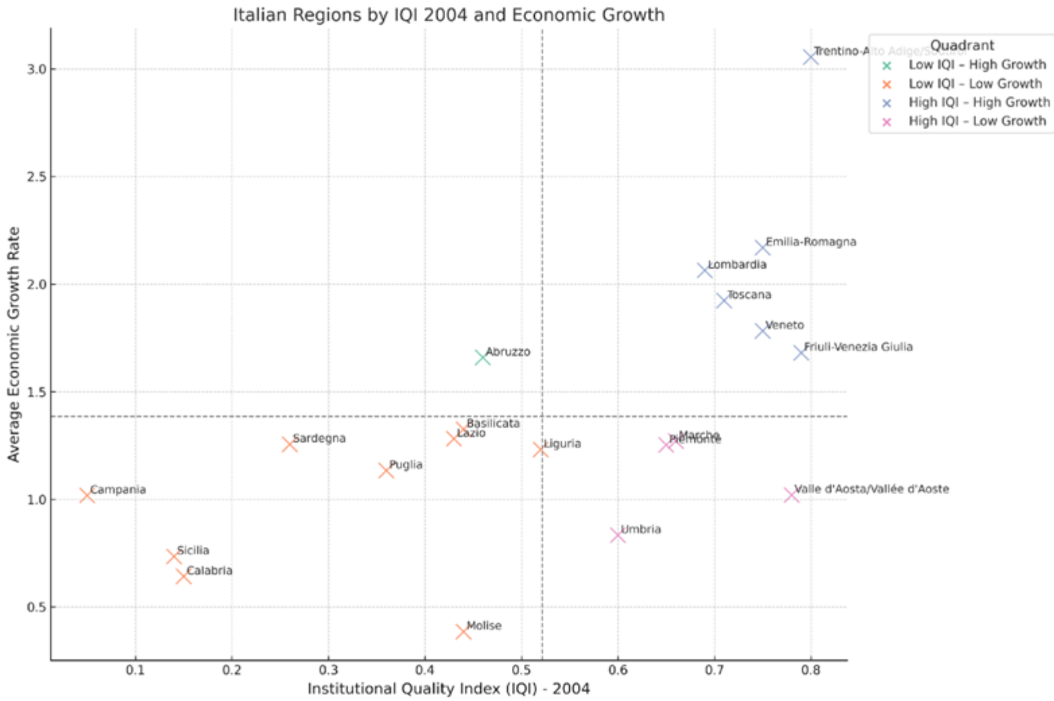
A clear pattern emerges: most regions with above-average institutional quality in 2004 are positioned in the upper-right quadrant, indicating both stronger institutions and higher growth. These include Trentino-Alto Adige, Emilia-Romagna, and Marche.

Conversely, regions with weaker institutional quality (IQI below the national mean) tend to cluster in the lower-left quadrant, combining institutional fragility with low or stagnant growth - a condition particularly evident in parts of Southern Italy such as Calabria and Campania.

Some regions deviate from this trend. For instance, Sardinia and Abruzzo, despite below-average IQI in 2004, experienced moderate economic growth, suggesting possible resilience factors or compensatory policies.

Figure 1: IQI 2004 and Economic Growth (2004–2019)



Source: own elaboration on data from Table 1

Respect for rules - whether they directly or indirectly influence the economic system - is therefore indispensable for a democratic, market-based country that seeks a path of economic, social, and political development grounded in cross-cutting sustainability. It becomes clear, then, that rule compliance is not an innate attitude, nor one that can be improvised or demanded only in times of necessity.

Rather, it is a strategic investment - producing intangible and often invisible outcomes - of public interest and of private benefit (though not in an individualistic sense). It must be planned, implemented, and monitored from

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the earliest years of citizens' lives, with full recognition of the strategic and foundational role played by early education and schooling.

Education, Civic Culture, and the Formation of Social Capital

From a socio-economic perspective, the relationship between rules and economic development is strongly influenced by the institutional and cultural context. Internationally, numerous studies confirm that respect for rules is higher in contexts where institutions are perceived as legitimate, fair, and effective. According to Acemoglu, Johnson, and Robinson (2001), institutional quality - understood as the ability to enforce property rights, fight corruption, and ensure regulatory equity - is a key determinant of long-term economic development. Countries with strong institutions experience higher levels of trust, lower transaction costs, and greater civic cooperation, which together create favourable conditions for growth and social cohesion.

Conversely, in contexts marked by distrust in institutions, widespread corruption, or regulatory overload, respect for rules may be weakened, with negative consequences for the entire economic system.

To continue with the previous example, table 2 shows the relevant data for school dropout rates at regional level in Italy.

Table 2: Regional economic growth rates and dropout rates in Italy

Region	2004-2019 (y.a.)	Dropout_2004	Dropout_2019	Δ_Dropout
Trentino Alto Adige	3,1	-0,6	-0,2	0,4
Emilia Romagna	2,2	1,0	2,1	1,1
Lombardia	2,1	4,2	2,7	-1,6
Toscana	1,9	2,8	2,1	-0,7
Veneto	1,8	0,9	-0,1	-1,1
Friuli Venezia Giulia	1,7	0,3	1,1	0,8
Abruzzo	1,7	3,0	1,7	-1,3
Basilicata	1,3	2,9	0,0	-3,0
Lazio	1,3	2,0	0,7	-1,3
Marche	1,3	1,1	1,1	0,0
Sardegna	1,3	5,3	2,2	-3,2
Piemonte	1,3	2,2	2,1	-0,2
Liguria	1,2	4,7	1,1	-3,6
Puglia	1,1	5,0	-0,2	-5,1
Valle d'Aosta	1,0	5,0	6,8	1,9
Campania	1,0	4,5	0,5	-4,1
Umbria	0,8	0,7	1,3	0,6
Sicilia	0,7	5,1	1,9	-3,2
Calabria	0,6	2,2	-0,9	-3,1
Molise	0,4	4,1	2,4	-1,7

Source: ISTAT (online database) and ISTAT- Statistiche per le politiche di sviluppo

Analysing the link between rule compliance and economic performance therefore requires considering multiple factors, ranging from

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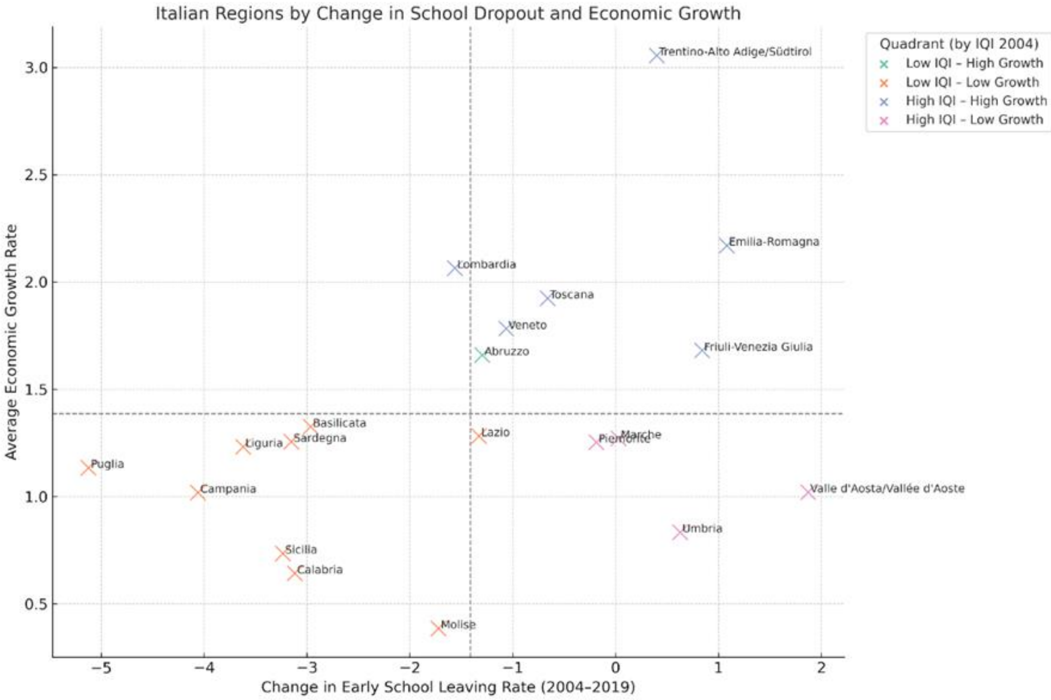
regulatory effectiveness to the degree of institutional trust. Understanding these mechanisms is essential for identifying strategies to improve the quality and enforcement of regulations and build a more equitable and efficient economic system.

Figure 2: Change in School Dropout and Economic Growth (2004–2019)



Source: own elaboration on data from Table 2

This graph shows the relationship between the change in early school leaving rates (horizontal axis) and average economic growth (vertical axis) across Italian regions from 2004 to 2019. Negative values on the X-axis indicate a reduction in school dropout, suggesting improved educational retention over time. The regions are color-coded according to their IQI 2004–Growth quadrant, to contextualize results in terms of initial institutional quality. The vertical and horizontal dashed lines mark the national averages for change in dropout and growth, respectively. A general pattern emerges in which regions with a greater reduction in school dropout (left side of the graph) tend to experience higher economic growth, though the correlation is not perfect.

Schools play a crucial role in the formation of social capital and in reinforcing a culture of rule compliance, with long-term effects on citizens' relationships with public institutions. Numerous economic and sociological studies have shown that norms learned in educational settings later influence civic and economic behaviour. According to Acemoglu and Robinson (2012),

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institutional quality is essential for economic and social development: equitable and effective education systems help form citizens who are more likely to cooperate with public institutions and abide by the rules of the economic game.

Respect for rules in the school environment goes beyond mere compliance with disciplinary codes; it represents a first experience of interacting with an institutional system. However, this is not always recognised, understood, or shared between educators and students, whether in schools or families. As a result, public institutions (other than schools) often show a lack of direct and timely interest in promoting rule education as a prerequisite for active and informed citizenship.

This responsibility is often left almost entirely to families, which - unless equipped with the necessary educational tools due to their background or personal motivation - may inadvertently reinforce behaviours that are at best incorrect, selfish, or disrespectful, and at worst conducive to illegality or criminality.

As North, Wallis, and Weingast (2009) emphasise, institutions regulate interactions among individuals and shape their economic and social behaviour. When schools succeed in conveying norms that are perceived as fair and functional, students tend to internalise a culture of rule compliance that translates, later in life, into greater commitment to legality and to economic principles of competition and transparency.

Civic culture plays a fundamental role in promoting economic development and enhancing community well-being. This relationship operates through multiple mechanisms, as civic engagement fosters the trust, cooperation, and shared responsibility needed for institutions and markets to function effectively.

Research shows that communities with strong civic participation tend to experience better socio-economic outcomes, including lower poverty rates, higher income levels, and reduced crime. Mencken et al. (2006) argue that active civil society engagement is a key determinant of economic growth and improved quality of life. Similarly, Barrios et al. (2021) highlight that civic capital - emerging from public participation - functions as a form of collective capital, influencing policies for community well-being and reinforcing the connection between civic culture and economic prosperity.

Civic engagement also contributes to the development of social infrastructure, which is essential for sustaining long-term growth. As Guiso et al. (2010) emphasise, civic capital supports trust-based relationships that facilitate economic exchanges and strengthen institutional frameworks. Trust and cooperation, fostered by a vibrant civic culture, reduce transaction costs and promote productive collaboration.

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Moreover, civic culture can be particularly transformative in economically marginalised communities. Ginwright (2007) introduces the concept of critical social capital, which highlights how civic engagement and activism can empower local populations, particularly in urban contexts, to address inequality and improve socio-economic conditions. In this sense, civic engagement acts as a catalyst for bottom-up change and social inclusion.

Integrating civic education into development strategies not only supports institutional effectiveness, but also empowers citizens to participate in shaping a fairer, more cohesive and sustainable society.

One of the most significant outcomes of a school system that promotes respect for rules is its influence on future tax compliance and civic participation. Feld and Frey (2007) argue that tax compliance is not solely driven by fear of punishment, but also by perceptions of fairness within the regulatory system. Individuals educated in schools where rule compliance is taught through coherent and transparent models are more likely to adhere to tax rules and less inclined to engage in tax evasion.

However, for schools to fulfil this role, they themselves must be perceived as fair and meritocratic institutions. A comparative study by Glaeser et al. (2004) found that in countries where educational institutions are weak or characterised by favouritism and inequality, students tend to develop greater mistrust towards rules. This has long-term consequences, weakening respect for legal and economic norms in adulthood. An ineffective school system can thus trigger a vicious cycle in which non-compliance breeds institutional distrust, reducing citizens' willingness to cooperate in both economic and civic spheres.

The role of schools in educating students to respect rules also extends to teaching economic competences and institutional awareness. As highlighted by Heckman (2006), investment in primary and secondary education has long-term effects on economic productivity and individuals' ability to operate within a regulated context. High-quality education enhances understanding of how economic institutions function and the norms governing markets, contributing to the formation of more informed and responsible citizens.

These considerations make it clear that compliance within schools is not merely a disciplinary matter, but a key factor in developing a country's civic and economic culture. An education system that teaches and applies rules in a fair and consistent manner fosters the growth of citizens more likely to cooperate with institutions, support legal economic practices, and actively participate in public life. This dynamic strengthens social capital and contributes to institutional quality in the long term, a relationship extensively analysed in economic literature.

One of Heckman's most important contributions is his demonstration that education is crucial not only for developing technical skills, but also for

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shaping social and behavioural abilities such as self-discipline, teamwork, and respect for rules. His research shows that early childhood education programmes - such as the Perry Preschool Project - produced long-term positive outcomes in terms of employment, income, reduced crime, and increased civic engagement (Heckman et al., 2010).

These results suggest that high-quality early education improves not only individual economic prospects, but also helps build a more cohesive society that values and respects institutions. An individual raised in an environment where rule compliance is encouraged and internalised is more likely, as an adult, to participate actively in economic and political life, respect the law, and contribute to building stronger institutions.

As Ostrom (1990) also emphasised, the sustainability of institutions depends on individuals' ability to internalise shared rules through educational and participatory practices that foster mutual trust and cooperation. But this is only possible if individuals are educated with that goal in mind. From this perspective, education plays a transformative role, as Nussbaum (2010) also argues, in shaping citizens who are conscious of and inclined to respect norms - an essential condition for equitable and lasting development.

A key aspect of Heckman’s thinking is that education is not just a process of knowledge transmission, but a mechanism through which societies shape the values and norms that govern their functioning. Investment in primary and early childhood education thus has a direct impact on institutional quality and on individuals’ perception of the public good.

In a society where education is accessible, fair, and of high quality, individuals develop a sense of belonging and collective responsibility. Heckman (2012) shows that those who receive an adequate education are more likely to comply with tax norms, participate actively in democratic life, and contribute to collective wellbeing. This is because education not only enhances individual competencies, but also strengthens social capital by fostering mutual trust and cooperation between citizens and institutions.

Societies that invest in primary and early childhood education enjoy numerous economic advantages. Heckman demonstrates that investment in the early years of life has a higher rate of return than later interventions, because skills acquired early facilitate lifelong learning and long-term productivity (Heckman & Masterov, 2007).

One of the most important effects of an effective education system is the reduction of social costs related to crime, unemployment, and marginalisation. Empirical studies show that individuals who receive adequate education are less likely to commit crimes and more likely to find stable, productive employment. This generates a positive impact on the economy and reduces the need for state intervention through social assistance.

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This evidence underscores that early education is not only a tool for individual wellbeing, but also a strategic investment in a country's long-term economic and social sustainability.

A fundamental point in Heckman's work is that a society composed of educated and aware individuals tends to develop a stronger sense of the public good. People educated in a school system that promotes respect for rules and social responsibility are more inclined to engage actively in building transparent and inclusive institutions.

This dynamic is evident in the relationship between education and democratic participation. Heckman's studies show that individuals with higher education levels are more likely to vote, take part in civic activities, and comply with norms that regulate social life. This suggests that education not only contributes to economic growth, but is also a key factor in building more effective and democratic institutions.

Heckman's approach highlights that rule compliance and institutional quality are not random phenomena, but the result of long-term educational processes. Societies that invest in early and primary education improve not only individuals' economic prospects, but also reinforce the social fabric, reduce inequality, and promote a culture of legality and participation.

This vision emphasises the central role of schools as the first laboratories of citizenship, where individuals not only acquire knowledge, but also internalise fundamental values for building a fair and functional society. A quality education system is thus an essential prerequisite for ensuring rule compliance and establishing solid institutions capable of supporting long-term economic and social development.

Cooperation, Rule Compliance, and their Economic Effects

The role of institutions in the economic and human development of societies has been extensively discussed in the economic literature, particularly in the work of Douglass C. North (1990). According to North, institutions represent the 'rules of the game' that guide economic and social interactions, shaping incentives, reducing uncertainty, and fostering cooperation among individuals and enterprises. However, the functioning of institutions is not independent of individual behaviour: formal norms (laws, regulations) must be supported by informal norms (values, culture, mutual trust) to create an environment conducive to growth and social stability.

North highlights that respect for rules and cooperation among individuals are essential for reducing transaction costs - the costs associated with negotiating and enforcing economic contracts. In an environment where people act in a coordinated and altruistic manner - respecting private property, contributing to public goods, and adhering to shared norms - enforcement

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costs decrease and economic institutions function more efficiently (North, 1990).

Behavioural economics has further explored these concepts, demonstrating that the propensity for cooperation and rule compliance is linked to mutual trust and the perception of institutional fairness. For example, Bowles and Gintis (2011) argue that societies with higher levels of altruism and cooperation tend to develop more resilient institutions and dynamic markets, where firms can operate in a predictable and stable environment.

A key element of altruistic behaviour is the willingness to contribute to the public good, even when the benefits are not immediately visible. Olson (1965) showed that public goods suffer from the free rider problem - where individuals benefit from collective resources without actively contributing. However, in societies where a culture of shared responsibility is more developed, there is greater willingness to invest in collective welfare, environmental protection, and infrastructure, all of which positively affect long-term economic growth (Ostrom, 1990).

Empirical evidence shows that societies characterised by high levels of mutual trust and rule compliance enjoy several economic advantages:

1. Better institutional quality: In environments where individuals respect norms and collaborate with public institutions, governance tends to be more effective. Rodrik et al. (2004) show that institutional quality is the primary determinant of economic development, outweighing natural resources or geography.
2. Reduced informal economy and tax evasion: Countries with high cooperation between citizens and the state exhibit lower levels of tax evasion and less reliance on the informal economy. Feld and Frey (2007) explain that when citizens perceive institutions as fair and transparent, they are more likely to comply with tax obligations, increasing the resources available for public investment.
3. Increased private investment and economic growth: Trust and respect for rules lower perceived risk among investors and foster private sector development. Knack and Keefer (1997) show that in countries with high levels of social trust, businesses are more inclined to make long-term investments, enhancing productivity and global competitiveness.
4. Improved quality of life and social cohesion: Societies in which citizens comply with norms and work together for the common good experience fewer social conflicts and less extreme inequality. Putnam (1993) found that Italian regions with strong civic traditions and social capital had more efficient institutions and higher levels of economic development compared to those with low mutual trust.

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On the other hand, when individuals act opportunistically, disregard rules, and focus solely on personal gain without considering the collective good, various economic and social issues emerge:

1. Increased economic uncertainty: In contexts where rules are weakly enforced and opportunistic behaviour prevails, economic agents incur higher costs to protect themselves from fraud, corruption, and breaches of contract. North (1990) stresses that in settings with inconsistent rule enforcement, investor risk increases and economic growth slows.
2. Corruption and institutional inefficiency: In countries with low social cooperation and poor rule compliance, corruption becomes systemic, reducing public administration effectiveness and widening economic disparities. Kaufmann et al. (1999) show that corruption undermines infrastructure quality, deters foreign investment, and lowers citizens' quality of life.
3. Underprovision of public goods and state failure: When citizens fail to support public goods and evade taxes, the state operates with limited resources, decreasing the quality of essential services such as education, healthcare, and security. This creates a vicious cycle in which distrust in institutions deepens and rule compliance deteriorates further (Acemoglu & Robinson, 2012).
4. Social polarisation and political instability: A lack of cooperation and rampant individualism can lead to social fragmentation and political unrest. Easterly (2001) notes that societies with high inequality and low social cohesion are more prone to economic and political crises, hindering long-term development.

Conclusions

The evidence presented so far supports the conclusion that education - especially early and primary education - plays a crucial role in building a society that respects rules and fosters cooperation, trust in institutions, and sustainable economic development.

Education is not only a tool for acquiring knowledge and professional skills, but also a fundamental process of civic and ethical formation. The values transmitted during the early stages of life - respect for others, the importance of shared rules, cooperation for the common good - profoundly influence individuals' social and economic behaviour.

When education promotes values of legality, social responsibility, and participation, it lays the foundation for a society that is more just, efficient, and inclusive. Conversely, a weak or unequal education system can reinforce social divisions, hinder economic development, and weaken institutional legitimacy.

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From this perspective, investment in education is not a cost, but a long-term public investment with high returns for the community. Public policies that support access to quality education, teacher training, and civic education can produce significant benefits in terms of economic productivity, public health, crime reduction, and democratic participation.

These effects, while sometimes difficult to measure in the short term, are evident in the long run and represent the basis for truly sustainable and inclusive development.

This paper has sought to highlight the strategic role of education in promoting respect for rules, trust in institutions, and economic and social development. Drawing on contributions from economists such as Heckman, North, Acemoglu, and Ostrom, we have shown how education - especially in early childhood and primary school - is essential for shaping cooperative and responsible citizens.

Respect for rules is not a spontaneous or incidental behaviour, but the outcome of long-term educational and cultural processes. Schools, as institutions responsible for knowledge transmission and civic formation, must be recognised as central to development strategies.

Public policies should therefore consider education not only as a right and a tool for reducing inequality, but also as a lever for improving institutional quality and promoting sustainable economic development.

A society that educates its citizens to respect rules, cooperate for the common good, and engage responsibly with institutions is better equipped to face contemporary challenges, such as climate change, inequality, and political instability. In this sense, education becomes not just a social policy, but a pillar of a new model of development - fairer, more inclusive, and more sustainable.

Moreover, civic-oriented education yields measurable economic benefits: it contributes to higher labour force participation, fosters a culture of tax compliance and reduces costs associated with crime, corruption, and regulatory enforcement. By promoting legal economic behaviours and strengthening institutional trust, education enhances market efficiency and attracts both domestic and foreign investment. These outcomes translate into higher productivity, broader fiscal capacity, and more stable macroeconomic environments - confirming that investing in civic education is not only ethically sound but also economically strategic.

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