

EOC and challenges to Economic Theory by Benedetto Gui

The Economy of Communion and challenges to Economic Theory

The Economy of Communion (EOC) project is not just the proposal for a new system for profit-sharing or the organisation of businesses, but much more than that, it is the proposal of a new economic culture that emphasises openness to the ‘other,’ sharing, right up to the level of ‘communion.’ As already noted by Dr. Lorna Gold, this phrase ‘communion’ seems a little exacting and is reserved generally for religious usage, it’s therefore risky when used in terms of the economy; but I hope to show that it is a very reasonable objective for those who work within business.

The first question actually is, to see if openness to the ‘other,’ sharing, and communion is not outside the bounds of possibility in economic life. Generally speaking, economics is seen as giving no room to the notion of “noble sentiments.” But this is a somewhat simplified image and although often repeated we should really refer not just to scholars but to those who participate in the world of economics. In fact, the observations of entrepreneurs who take part in the EOC project suggest that matters are a bit more complex than are as usually described, and indeed are also far more fascinating.

However, I want to concentrate more specifically on a second question, easier for an academic: and that is, if such an economic culture [EOC] is useful for society.

The traditional answer that comes from economic science (and is still prevalent within it) is: “No!” “All businesses –it’s said and they still maintain- are concerned with wealth creation, and this is achieved, thanks to the market, and focussed on the objective of the maximisation of profit. So, we avoid letting other goals come into play which only cause confusion and damage efficiency. If then, there is the need for sharing, for the re-distribution of the wealth created, this is done at a later stage and it is the task of the State (through the taxation system, social security or welfare, development cooperation) or of private aid (based on the generosity of people, who if they earn more can give more).” This position was recently summarised in a very effective way by Edward Luttwak, an American “public pundit” who recently visited my own university in Padua and is well known in Italy. On the first evening of his visit, in a meeting with industrialists from Venice, he gave his one-liner on the entrepreneur: “Born a hyena, lives as a wolf and, if he is successful, becomes a cow to be milked.” Notwithstanding the crudeness of the image, the message is very clear!

There is, of course, in all of these viewpoints a grain of truth. It’s enough to think of the whole system of state nationalisations that were based upon the idea of adapting and moderating economic and social objectives and which, after achieving positive results, then created great wastage and inefficiency, because with the excuse of very worthwhile social objectives they were then used for far more less noble goals, like for example, buying or winning votes.

The inadequacy of the profit motive

Nevertheless, the idea that one can base an economy totally on the [LG1] profit motive, derived from the market, is too simplistic a vision in terms of economic factors. It is also too one-dimensional in terms of the economic subjects involved, of the real persons within the economic system who have to work, earn, spend, and invest their savings etc.

Profit and the economic factors

Why do I say “too simplistic a view of the economic factors”? Because the profit motive, if unchecked, can in itself bring with it a huge squandering of resources. One could cite the most obvious cases, such as the support that multinationals are accused of giving to one side or of the other in civil wars, in order to gain access to the natural resources of a country (you could mention here Africa and its diamonds). There are other more common cases.

[Here Benedetto speaks of two examples: a) the “Savings & Loans” banks scandals in the USA during the 80’s and b) the shipwrecks of oil tankers. I would use the examples of Enron and Parmalat instead, since they are more contemporary and the Irish audience are familiar with the examples. I suggest ending the examples with: “There is a climate of change afoot in the business world. All these corporate scandals push the need for ethical standards and a movement away from one-dimensional economics.”]

The cases we have just cited point to the need for more rigorous regulations but history teaches us that laws always follow on too late, that is, when the damage has already happened.

The unfettered search for profits by businesses, moreover, can often go contrary to the real needs of individuals and of society in another sense: through the inducement of artificial needs by means of advertising, it gives rise to a “culture of possessions” which can have negative consequences both on social cohesion and human happiness. It generates dissatisfaction with respect to what one already possesses or consumes, as well as a sense of inferiority in terms of having more prestigious models. Such is the strength of some marketing techniques that it can reach such a point in some poorer countries that there’s the danger of a worsening nutrition situation because some forego a simple wholesome meal in order to buy a burger or a coca cola at extravagant prices.

If one takes the profit motive to its extremes, it could also justify illicit practices that have emerged today, but which are easily intertwined with genuine business transactions: illegal drug production and dealing, money laundering, trafficking in human beings, the sex trade. Profit, as a motive on its own eventually leads to the exploitation of human beings and new forms of slavery. The costs in terms of human misery and economic losses are enormous.

The above dangers apply the pursuit of profit as a sole corporate objective, but one can also speak in a general sense, of the “logic of personal advantage [profit],” that operates in different ways within the economic system, not only between businesses and consumers, but also between businesses themselves and within each organisation. In the past, economic science deceived itself into believing that the price mechanism was the only thing needed in order to regulate relationships between customers and suppliers in the best way or to work out the best

ways for payment between employers and employees. Today, there are very few serious scholars who hold this anymore. Most academics [GIVE SOME NAMES!] in the field of economics see that in order to oil the complex mechanisms of organisations or of the network of businesses something more is needed and not just total reliance on the profit motive.

It's worth mentioning that in the last few years scientific journals on economics make repeated reference to concepts like: relationships of trust, voluntary co-operation, reciprocity, altruism, gift; all concepts which economists in the past left to sociologists but are now seen as necessary ingredients of a well functioning economic system. For example, I recently made a search on a computer database of scientific publications in economics on the word 'altruism' and well over 300 references came up.

Profit and human behaviour

As I've said, the economic perspective of academics in the past – which still influences the ideas of entrepreneurs and people of today – is based upon a too simplified view not just of the economic factors, but also of the economic subjects, of the real people who operate within the production system. Two specific aspects of human behaviour and motivation can be considered in this regard.

Firstly, there's the whole concept of work in itself. A logic of the two 'phases' (first you produce on the basis of the principle of efficiency, then if necessary we divide the product) condemns the major part of the life of people into having no value in itself but into becoming purely a means to an end, in particular to obtain an income with which we can then perhaps follow other objectives that have intrinsic values. But this analysis does not in fact respond to the need for meaning; to the human desire to carry out actions that have real significance in themselves. This is the essential characteristic of the reluctant cogs in the economic system that we call human persons.

I understand that a few days ago here in Ireland the results of the 'Best Companies to Work for in Ireland' competition were published. The top award went to MBNA (a Financial Services company). There is no doubt that the company is commercially successful but if you carefully read and analyse the ingredients that go into making such companies successful, well then you come across concepts like "people culture" etc. Some of the other companies won awards based upon criteria like: "credibility, respect, fairness, pride and camaraderie. On Abbott Ireland Laboratories it said: Respect "means appreciating good work and extra effort. Respect means that the work/life balance is a practice, not a slogan."

It's interesting that at a recent conference, Professor Aaron Ahuvia of the University of Michigan, supported the thesis that income and wealth has a modest effect on happiness with the necessary empirical evidence, but he went on to underline the fact that the intrinsic meaning that the employee attaches to the work carries with it an enormous effect.

The second aspect deals with the 'relational' dimension of economics. In the relationships which we engage in within economic life – between the seller and buyer, among colleagues at

work, between the users of a public service...-, as highlighted by Lorna Gold, we are not limited to a mere financial exchange for a good, or of just carrying out a task impersonally, but we find ourselves involved in interpersonal relationships which necessarily have a communicative-affective, positive or negative dimension. This is a whole area that's almost totally neglected by the science of economics and, to some extent[LG2], by entrepreneurs and those who are in charge of the economy. This is rather strange given that the economy should be concerned with the wellbeing of the citizens, and with their happiness. In fact, the intensity and quality of interpersonal relationships constitutes, according to the experts (I refer again to the results of the 'Best Companies to Work For' and the comments of Prof Ahuiva) an extremely important component of human wellbeing. However, on this very theme for a good few years now, there are promising signs of interest on the part of economists, who have begun to use phrases like "relational goods" in order to indicate that within the sphere of interpersonal relationships real and proper goods are produced and that this should be taken account of in economic analysis.

In this field, therefore, there's little room for the pure logic of contractual exchange (in which I give a good or carry out a service for your benefit with the aim of getting something that I want in exchange); instead there's a need for the logic of careful genuine attention to the 'other' and the search for the common good upon which can be based a relationship of open reciprocity, and that is what we call a fully human relationship.

In search of a "virtuous blend"

Thus, if we recognise that it's neither efficient nor equitable to base the system of production solely on the principle of profit; then the only way that remains is a so-called "virtuous blend" between the logic of economic efficiency and the logic of care of the 'other,' of sharing and of service. Companies that operate within the category of 'non-profit' or social enterprise are often good examples of this 'mixture' of elements. Those non-profit companies which focus usually on giving employment to the disadvantaged, or helping those who suffer from a certain disease, for example, incorporate these principles through serving real needs in a professional way (efficiency), but doing so in a spirit of service (care for others).

This virtuous blend can also be noted in the professionalisation of NGOs, which channel resources to the poor and help in this way to alleviate poverty. Through increasing professionalisation, their contribution has been enhanced and made more efficient. Likewise, the growth in "ethical business" sectors within the economy, such as ethical finance and fair trade companies point to the emergence of a new convergence between the profit motive and care for others (and the planet). There is a growing interest in these sectors within the academic literature too.

But this so-called 'blend' of values underlying such organisations is increasingly coming under threat from external pressures to adapt to purely market forces. Without a set of common values on which to base an alternative, the constant risk is that the financial efficiency model will begin to take precedence and to become the driving force rather than a contributory one, in the internal decision-making processes. Similarly, these non-profit sectors can risk repeating in their own sectors the very same patterns of destructive competitive behaviour, which is in

contradiction with their own ethos.

The Economy of Communion

The unique characteristic of the economy of communion is to propose this *fusion* of economic viability and the logic of service not just to particular types of organisations but to *all* businesses, that is, to start with this new paradigm for ‘for-profit’ businesses.

Another distinctive feature is this rather mysterious word that’s used in the whole title of the concept, that is, *communion*. This is a word, as already noted by Dr. Lorna Gold, used mostly within a Christian theological context, and also by sociologists to indicate an intense encounter, a deep reciprocal participation. Actually, the inspiration for this project goes beyond the one idea of the re-distribution of wealth through the division of profits, which although it comprises the most substantial aspect, points us towards the transformation of economic life. It entails moving from a situation where there is a conflict of irreconcilable individual interests, into an opportunity of encounter, of growth together, of fulfilment – also here, as in other areas of life – of the interior needs of the economic actors, in particular into the realms of relationship and of search for human meaning.

Thus, the logic of communion entails not just the sharing of the profit but the whole management strategy and operation of the business. The profit actually is really only the tip of the iceberg. Maintaining mutual respect and relationships with employees, suppliers, revenue authorities and competitors (and we will hear more about this in the afternoon when we hear the different case histories of some EOC businesses) leads to a greater return in terms of real profit for the company.

The third characteristic, which is also a condition for the success of the project, is the continuation of a profound dialogue between all the participants: between the entrepreneurs, who always need to renew their inspiration in meeting with others who have made similar choices; among those who give and receive, because the role of these profits is not passive, but it is also a sharing, not just with family members but also not to rule out those who are known to be in economic difficulty (a sign of this constructive attitude is the fact that many of those who were previously helped, as soon as their own situation has improved have asked that this money be channelled to others who are in greater difficulty). The dialogue is also maintained between the people employed in the business who adhere to the ideas of the project and many others who work elsewhere but who in their approach to work or the arrangement their own personal finances are attracted to the ideal of communion.

The project of the Economy of Communion can accordingly exist and grow if the economic culture (the culture of giving) that it proposes is continually fostered and nurtured. It’s for this very reason that some of the profits from the participating businesses are set aside for the formation and spreading of this culture of communion which seems so far removed from the dominant economic culture but which is nonetheless the deepest need of the human person. This is well demonstrated in the in the great interest that this project has evoked around the world and now here in Ireland, in the Michael Smurfit Graduate School of Business.

Conclusion

The reconciliation of the two logics, the logic of economic viability, of competition and efficiency, and that of openness to the 'other,' of service, of solidarity is a difficult but necessary challenge. To succeed in this challenge there's the need for greater efforts and more research in the whole area. These are some of the challenges that the Economy of Communion project sets for economic theory. It's up to us academics, students, entrepreneurs and all those involved in economic life not to let this opportunity with history pass us by.

[LG1] Here we are not always strictly talking about personal profits – but economic governance structures which are based on shareholder profits.

[LG2]