

UNIAPAC World Congress

Governance of XXI century, a long-term vision to promote Solidarity and Common Good

Good evening. I would briefly like to thank José Maria Simone and Uniapac for having invited me to participate in this conference. I am not only honoured, but have found the conference very interesting.

The subject of this panel has puzzled me for many years. I come from Argentina where I find there is culturally low importance given to the common good. I am distinguishing solidarity from common good, I believe Argentina to be very solidarity minded, yet there is low esteem or importance given to common good.

I lived a couple of years in the US and have travelled because of my line of business through out the world and have been surprised to see that people are more or less the same everywhere, they have the same personal wants, you have people who want to strive and work hard, you have lazy people, you have honest and corrupt people everywhere, etc. However in some countries there is more importance given to the common good and general well being than in Argentina. I see this by the way people behave in the street, the way they drive respecting other drivers, the way they look after public spaces and the space they dedicate to public spaces, social networks, the way people do philanthropy, their attitude to taxes and the law in general, etc.

I have developed a personal theory, which maybe some of the academics around us can verify or discard some day. This theory is based on the System Dynamics, which is a field of investigation at MIT in which theories from the Physics are applied to social systems. This may sound complicated but I will try to summarize it in a nutshell.

Basically all actions produce a reaction which if it solves the problem on hand we call it a positive loop and if it works against the problem at hand a negative loop.

Lets try this. My arm itches. Action: I scratch myself. Reaction: the itch is temporarily relieved. Positive loop solved the problem for which I scratched my arm.

This is common knowledge. However in social systems usually every action not only produces a reaction with a positive loop, but many times produces side effects delayed in time, with a much bigger amplitude and usually in the opposite direction of the intended initial action. A big negative loop delayed in time.

I will try something from the economic world.

Prices rise, we have inflation (something we know about in Argentina), Government wants to stop inflation so they try and regulate prices or they do a price freeze. The initial reaction is that if there is a price freeze therefore inflation drops, a positive loop. Soon companies start having side effects, loosing money for

every item they sell therefore they stop producing, the result is that there is a shortage on supermarkets shelves, a negative loop which produces a huge inflation if you want to eliminate the shortage.

I think you get the idea.

Here goes my theory. In the medium and long run it is a better investment for an individual to look for the common good. In other words putting time and effort for common good has the initial effect of having to work for other peoples benefit, but has long term side effects which are good for me. In societies where there is better income distribution, there is less corruption; there is less crime and a lot of other benefits, which we all strive for, and want.

However in the short run, there are huge benefits from being selfish. Corruption has short-term benefits, but if you are caught, it has long term damaging effects, you could go to prison or loose reputation if you are a public figure.

Lets take it to the micro level. In the short term it is better to evade taxes (lets leave a side the morality of the issue), since I become richer. In the long term no, since there is a number of side effects, the government can not finance proper police system, proper schooling, job quality drops, crime rises, I have to have private surveillance system which is expensive, private schools, also expensive. Therefore in the long term I am poorer since I have to put money aside for things that the government could do more efficiently for the whole community.

Societies who have stable economies tend to have common good as a high priority, while societies who have a lot of economic downturns or crisis (such as Argentina) tend to give common good less importance. I believe this is because we never see the benefits of the long term when you have disruptive economic and political systems.

In order to have a social political system which values and therefore is willing to go for the common goal you need to have stability, both economically and political. I do not mean same political party in government, but same political system. You cannot go from dictatorships to democracy, etc.

In summary the way I see it is that anything that produces long term thinking or gets people thinking in long term will produce as a side effect common good, anything that produces short term focus runs the risk of producing selfishness and lack of common good.

With this framework here are a few things I think we are doing wrong if we want common good.

1.- The anonymous ownership of companies through equity funds and the sorts, seems to be producing to much of a short term focus. Producing short term incentives for managers, which puts huge incentives in cutting out community social benefits schemes that companies used to do when everybody knew where

the owner lived. Harsh negotiation with suppliers with no long-term relationship in mind, etc.

Although movements such as Social responsibility, sustainability, Green business, etc. have mitigated part of this short term focus, I am not convinced this is the way to go.

2.- Political cycles. In modern democracies, the 4 year political cycle has the negative side effect of putting a short term perspective on the projects politicians look for. They will not reap the political benefits of long term projects.

3.- Religious belief. The western world is turning away from religions such as Christianity and Judaism which emphasise eternal life (talk about having a long term view!!!!), for beliefs that preach the importance of living the present (there is a really short term view!!!).

What can businessmen and politicians do for common good?

1.- Generate wealth and distribute it efficiently.

People talk about wealth distribution and rarely stop and think about the fact that if it is not created it cannot be distributed. Wealth creation is just as important as wealth distribution.

Capitalism has clearly shown its benefits in using human kinds greed as an incentive to wealth creation, but clearly has great flaws regarding wealth distribution.

Politicians should understand better the process of wealth creation from businessmen, in order not to hinder it when they distribute it inadequately. Businessmen should be involved in the policy issues related to wealth distribution.

2.- Job creation for the poorest of the poorest.

There are two groups of people who run the risk of falling out of society (i.e. not needing or wanting to interact with the rest of society):

a.- Single mothers lead the poorest of Latin American homes. We need to work with governments to turn this around.

b.- Young people who do not work or study (ni-ni).

It is extremely important to incorporate them into society and that they feel the benefits of being part of the society and also feel the responsibility of producing.

It has been proved that when women work in a household, the household budget is more often used for proper food, health and education.

In short run I think we have to work on employment schemes .

We have to find employment schemes that allow them to retain the social benefits they get when they do not work. I am all for social benefits, but not when they generate a culture of lack of interest in work or progressing.

It is also very likely they will not fit in the employment schemes big business who can afford to employ less productive manpower presently have in place.

I am not sure what the solution is but I think policy makers and businessmen working together have a better chance of finding a solution.

In the long run we have to work on equal opportunity through education, which used to be a given at least in Latin America, but today the education gap between the poor and the middle and upper income families is huge.

3.- Look for God's wisdom

Finally since this conference is organized by UNIAPAC, I think we should also reflect on the spiritual aspect of leadership. The Bible is basically the history of Gods people or the History of Gods relationship with His people's leaders. God blessed his people through their leaders when they looked for God's wisdom and they suffered condemnation when their leaders gave their backs to God.

As businessmen and politicians we should not only spend more time together to understand each other's way of thinking but we should also look for Gods wisdom together in order to bless our countries. I believe this is related what Pope Francis calls the theology of reunion.