

UNIAPAC Foundation Board Think Tank Meeting 2019

DUCINALTUM

INCREASING INEQUALITY AND BUSINESS AS A NOBLE VOCATION





Report of the working sessions held by the Think Tank of the UNIAPAC Foundation April 5th, 2019 PARIS







UNIAPAC Foundation Board Think Tank Meeting

INCREASING INEQUALITY AND BUSINESS AS A NOBLE VOCATION

Transcripts by Avery Grant

April 5th, 2019 PARIS



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MORNING SESSION

8h30

Welcome of participants and group picture.

9h00 - 9h15

Opening words by **Rolando Medeiros**, Chairman of the UNIAPAC Foundation, Chile.

9h15 - 9h30

Introduction by **Michel Camdessus**, Former Managing Director of the International Monetary Fund and Honorary Governor of the Banque de France.

9h30-10h00

Panel I • "Ethical Transformations for a Sustainable Future : The experience of the Mondragon Cooperative Corporation", by Juan Manuel Sinde, President Arizmendiarrieta Kristau Fundazioa, Spain.

10h00 - 10h30

Open discussion moderated by **Nicolás Mariscal**, Chairman of the Board, Grupo Marhnos, Mexico.

10h30 - 11h00 Coffee Break

11h00 - 11h30

Panel II • "Reforming the entreprise", by **Olivier Favereau**, Co-director Department « Economie and Society » Collège des Bernardins, France.

11h30 - 12h00

Open discussion moderated by **Michel Camdessus**, Former Managing Director of the International Monetary Fund and Honorary Governor of the Banque de France.

12h00 - 14h00

Lunch offered by the Uniapac Foundation.

AFTERNOON SESSION

14h00 - 14h30

Panel III • "Starting from the world of the poor" by **Martin Maier**, Spiritual Advisor of UNIAPAC, Germany.

14h30 - 15h00

Open discussion moderated by **Sigrid Marz**, Partner of Korn Ferry Belgium and member of the Board of the UNIAPAC Foundation, Germany.

15h00 - 15h30

Panel IV ● "Economy for the human being. Sense and soul of capital" by **Ulrich Hemel**, President of Bund Katholischer Unternehmer e.V. (BKU), Germany.

15h30 - 16h00

Open discussion moderated by **Pierre Lecocq**, Chairman of the Honor Committee, UNIAPAC Foundation, France.

16h00 - 16h30

Synthesis and Conclusions by **Rolando Medeiros**, Chairman UNIAPAC Foundation.



LAURENT BATAILLE M ROMAIN BUQUET NI MICHEL CAMDESSUS SIG SERGIO CAVALIERI RC PIERRE DESCHAMPS PH OLIVIER FAVEREAU HE ULRICH HEMEL JU LUIS HERNANDO DE AC LARRAMENDI MARTÍNEZ RC PIERRE LECOCQ ET BURKHARD LEFFERS

MARTIN MAIER NICOLAS MARISCAL TORROELLA SIGRID MARZ ROLANDO MEDEIROS PHILIPPE MINE HENRY SAINT BRIS JUAN MANUEL SINDE AGNES SCHRÉDER RODRIGO WHITELAW ETIENNE WIBAUX

LAURENT BATAILLE

He is Chairman and CEO of Poclain Group. He is electrical and mechanical engineering from the ESTP in France and in 1982 obtained the MBA from Columbia University in New York. He began his career at Dumez Group before joining Poclain Hydraulics in 1985. He is General Manager in 1992, then Chairman and Chief Executive Officer in 2002, and successfully conducted the Group to where it is today. A family-owned company Poclain is the world's leading expert in the design, manufacture and marketing of power transmissions systems and related services for agricultural, construction, material handling and mining machinery, and now for road vehicles. Poclain Group is organized around 4 divisions, has sales subsidiaries in more than 20 countries, 10 production sites and employs 2 500 employees worldwide. In addition to his professional activities, he devotes part of time in high-level engagements within professional organizations such as FIM (Federation of Mechanical Industries), UIMM (French Mechanical Employers Association), UTC (Technical University of Compiègne, France). He was President of the French association Entrepreneur et Dirigeant Chrétien from 2014 to 2018. During his mandate, he highlighted the social teaching of the church. He is married, father of 5 girls and grandfather of 3 grandchildren.

ROMAIN BUQUET

After a business education (Master in Management, ESCP Europe), Romain started working as a junior consultant for Accenture in Canada, in the change management team. He then joined GROUPE SOS, the European leading social enterprise (12 000 employees, USD 750 million turnover), with missions related to international development. Romain co-founded in 2012 a forum that gathers every year 1 000 decision makers from around 40 countries (IMPACT²). He was subsequently Chief Operating Officer at INCO, an impact investment private equity fund (€100 million under management). Since 2015, Romain works as a researcher and lecturer on the topic on entrepreneurship and commitment (Research Master at Mines de Paris and PhD. candidate at ESCP Europe).

MICHEL CAMDESSUS

He is a former Managing Director of the International Monetary Fund and Honorary Governor of the Banque de France. He is a member of the Africa Progress Panel, chaired by Mr. Kofi Annan. He was a member of the UN Secretary General's Advisory Board on Water and Sanitation. Mr Camdessus was the Chairman of the World Panel on Financing Water Infrastructure (report: *"Financing Water for All"* - Kyoto-March 2003). Mr. Camdessus was educated at the University of Paris (Institut d'Études Politiques) and the National School of Administration (ENA). Mr. Camdessus joined the Treasury in the Ministry of Finance in 1960. He became Director of the Treasury in February 1982. During the period 1978-84, Mr. Camdessus also served as Chairman of the Paris Club, and was Chairman of the Monetary Committee of the European Economic Community from December 1982 to December 1984. He was appointed Governor of the Bank of France in November 1984. He served in this capacity until his election as Managing Director of the IMF (1987-2000).

SERGIO CAVALIERI

President of ADCE Brazil and Uniapac Latin America, Sergio Cavalieri, Civil Engineer, postgraduate in Finance, Advanced Management Program at INSEAD France. Sergio is one of the members of the third generation of the family who founded the ASAMAR Group in 1932. The Group holds stakes in companies in fuel distribution, real estate and construction, manufacturing of components for steel construction, steel structure project, fabrication and construction, Data Center, renewable energy from wood and a new project in wind power generation. He is Chairman of the Board to the Holding Company of the Group, and member of the board of several companies of ASAMAR Group. Founder and Past President of ADCE -Association of Christian Businessmen of Montes Claros, Past President

PIERRE DESCHAMPS

Pierre Deschamps spent his entire professional career at Unilog, an IT services company. He was a member of its board of directors from 1992 to 2004, then the president of its supervisory board from 2004 to 2008. In 2012, Unilog was acquired by CGI Group, a Canadian-American company. He was the vice chairman of the French trade union of research and consulting firms, then a member of the Chamber of Commerce and Industry of Paris Ile-de-France. After retiring in 2008, he became an investor in expansion capital funds, also making investments and managing partner companies. Simultaneously, he became involved in nonprofit and philanthropic activities, namely as the president of Les Entrepreneurs et Dirigeants Chrétiens (Les EDC, a movement for Christian Entrepreneurs and Business Leaders) from 2006 to 2010, and as a member of the sponsorship committee of the Collège des Bernardins. In 2011, along with his family, he created CapitalDon, an endowment fund aimed at supporting academic research works on the creation of governance models, based on Christian ethics and directed towards growth

strategies, and seeking to make financial contributions towards organizations fostering the development of young businesses. (<u>www.capitaldon.org</u>) Widowed since 2016, he has three children, one of whom died in an accident in 1996, and six grandchildren.

> OLIVIER FAVEREAU

Graduated from the Institute of Political Studies in Paris in 1967, he also holds a DES in Economics from the Faculty of Law and Economics of Paris, obtained in 1968. He is first a director in the Senate (Commission social affairs), then technical collaborator at the Center for Economic and Social Research (CRES) at the University of Paris X. He obtained his doctorate in Public Finance at the University Paris X in June 1982 and his doctorate of State in economics at the University Paris 1 Panthéon-Sorbonne in November 1982. In 1983, he obtained the agrégation of economics. Appointed professor of economics at the University of Le Mans, he will then be transferred to Paris X University. From 1990 to 1999, he is co-responsible (with Jean-Daniel Reynaud, CNAM and E. Reynaud, CNRS) for a monthly interdisciplinary discussion seminar "Work: market and organization". Since 1991, he has been director of doctoral training (DEA) "Économie des institutions" : 25 students, 16 professors, CNRS research directors, EHESS study directors, or gualified teacher-researchers. From 1994 to 2005, he was Director of the Joint Research Unit Paris X-CNRS 7028 FORUM : 100 CNRS or university researchers including 50% PhD students funded, divided into 4 departments. Since 2000, he is director of the doctoral school "Economics, organizations, society" (University Paris X and Ecole Nationale Supérieure des Mines of Paris, with the partnership of École Polytechnique, ESSEC and ESCP-EAP.

ULRICH HEMEL

Born 1956 in Bensheim (Germany), studies of Catholic Theology, Philosophy, Social and Economic Sciences in Mainz and Rome (Pontificial Gregorian University) where he did a licenciate (1979, "summa cum laude"). Doctorate ("Theorie der Religionspädagogik", "A Theory of Science for Religious Education Theory", 1983, "summa cum laude") and post-doc degree ("Ziele religiöser Erziehung", "Objectives of Religious Eudcation", 1988) in Regensburg where he continues to be professor of Religious Education Theory. He then worked as a strategy consultant (The Boston Consulting Group), as a manager (e.g. CEO of Paul Hartmann AG, an international, 10.000 employees company) and as an entrepreneur (Strategie und Wert GmbH, Rogg Verbandstoffe, Tacon Decor SL). Since 2001, he is the president of the "Research Institute of Philosophy" in Hannover; 2009, he established the **"Institute of Social Strategy"** (Berlin-Jena-Laichingen) aiming at the investigation and promotion of **global civil society** including education, sustainability, global ethics, migration and the rights of minorities. 2003/2004 "manager of the year" (BDA), 2005 "Economic Book of the Year" (Financial Times Germany) for "Wert und Werte" (Value and Values - Ethics for Managers), Munich 2005, 2nd edition 2007, Spanisch Translation 2006; "Die Wirtschaft ist für den Menschen da" (Ostfildern 2013, Spanish Translation: Economía para el Ser Humano, Bogotà 2016).

LUIS HERNANDO DE LARRAMENDI MARTÍNEZ

Luis Hernando de Larramendi Martínez is a Spanish Lawyer. He is at present Executive President of the charitable-cultural Foundation Ignacio Larramendi, President of ASE-Acción Empresarial, Association of Catholic Business leaders dependent on the Spanish Bishop Conference, and active member of UNIAPAC international. Mr de Larramendi is Vocal of the Board of Trustees of the Casa Ducal de Medinaceli Foundation, member of the Board of SECOT, Seniors for technical cooperation, and the Forum of Spanish Renowned Brands, and the Council of the Spanish Help Section to the Church in Need (ACN). He is also member of various governing bodies of the MAPFRE group, and Second Vice President of the MAPFRE Foundation.

PIERRE LECOCQ

Pierre Lecocq has an extensive international experience in the automotive industry in a variety of engineering and senior management positions in the USA and in France. After starting his carreer in the USA, he was responsible for Alcatel industrial battery global activity and then joined Valeo as CEO of the Friction Materials and Engine Cooling Branches, both world leaders in their fields. From 2002 to 2015, he served as President & CEO of Inergy Automotive Systems, an automotive component manufacturer. With sales of 3 billion Euros, Inergy is the world leader in its field with 40 factories worldwide employing 7000 people. Since 2015, he manages a family holding company investing in scaling up start-ups in France and USA. Pierre serves also as Vice-Chairman and Treasurer of Fondation Apprentis d'Auteuil, committed for 150 years in France and with its international partners, to support, educate, train 50,000 vulnerable young people and families worldwide every year. Pierre Lecocq graduated as Mechanical Engineer from ENSAM, Paris, France, and completed a Master in Macroeconomics from Paris University and an MBA from Harvard University. Since 1984, he is an active member of the French Christian Executive Association, "Les EDC"

(Les Entrepreneurs et Dirigeants Chrétiens) which he headed as National President from 2002 to 2006. He served from 2009 to 2013 as International President of UNIAPAC (International Association of Christian Executive Associations), present in 40 countries. He is President of Uniapac Foundation created in 2010.

BURKHARD LEFFERS

After apprenticeship with Commerzbank AG, Münster/ Westf. Branch, he studied economics, finance and law at the universities of Regensburg and Mannheim. In 1975 he rejoined Commerzbank in Frankfurt, worked as investment banker in its inteernational coporate finance and syndication department, where he was responsable for investment banking services for Canada and all of Latin-America. Later he became responsable for all investment banking client relationships worldwide. In 1997 he moved to Paris to head the Commerzbank operations in France, from there he was promoted to member oft he board of Commerzbank in Frankfurt with the responsiblility for all corporate banking business in Southern Germany. After leaving the bank in 2006 he became managing director for Germany of SFM Structured Finance Management Limited, London, a financial services firm, creating and managing special purpose companies. He retired at the age of 68 in 2016. In addition to his professional activities he devoted his time to the BKU – Bund Kahtolischer Unternehmer e. V. (association of Catholic entrepreneurs in Germany), where he headed the Frankfurt section for nearly 10 years, was deputy chairman for the national association for four years he served as president of Uniapac Europe. Presently, he devotes most of his time to social activities in his city of Bad Homburg, training young people from Afghanistan and the Middle East in their apprenticeships, caring about elderly people with mental diseases et al. next to playing again actively the violoncello. He is widowed since 10 years and father of three sons, and grandfather of 5 grand children.

MARTIN MAIER

Dr Martin Maier SJ was born in 1960 in Messkirch, south-west Germany. He joined the Jesuits in 1979 and studied philosophy, theology and music in Munich, Paris, Innsbruck and San Salvador. His doctoral thesis in theology was entitled *"Theology of the Crucified People. The Outline of a Theology of Liberation in Ignacio Ellacuría and Jon Sobrino"*, originally published in Innsbruck in 1993. From 1995 to 2009 he was a member of the editorial team of the review *Stimmen der Zeit*, and from 1998 to 2009 managing editor. From 2009 to 2014 he was rector of the Berchmanskolleg

in Munich. Since 2014 he has been Secretary for European Affairs at Jesuit European Social Centre in Brussels. He is regularly visiting professor at the Central American University in San Salvador and the Centre Sèvres in Paris. His publications include Pedro Arrupe – Zeuge und Prophet ("Pedro Arrupe – Witness and Prophet"), Würzburg 2007, published in Spanish as Pedro Arrupe, testigo y profeta (Ed. Sal Terrae 2008). With Gianni La Bella he edited the collection Pedro Arrupe – Generaloberer der Gesellschaft Jesu. Neue biographische Perspektiven ("Pedro Arrupe – Superior General of the Society of Jesus. New biographical Perspectives", Freiburg 2008). He is also author of Oscar Romero – Kämpfer für Glaube und Gerechtigkeit ("Oscar Romero – Fighter for Faith and Justice", Freiburg 2010), published in Spanish as Oscar Romero – Mística y lucha por la justicia (Barcelona 2005); Der Mensch ist gut, nur die Leute sind schlecht. Mit Karl Valentin Sinn und Wahnsinn des Lebens entschlüsseln ("Human Beings are Good, only People are Bad. Unlocking the Meaning and Madness of Life with Karl Valentin", Freiburg 2012). With Matthew Ashley and Rodolfo Cardenal he is editor of La civilización de la pobreza. El legado de Ignacio Ellacuría para el mundo de hoy ("The Civilisation of Poverty. The legacy of Ignacio Ellacuría for Today's World", San Salvador 2015) and he is the author of Oscar Romero – Prophet einer Kirche der Armen ("Oscar Romero – Prophet of a Church of the Poor", Freiburg 2015), published in French as Oscar Romero. Prophète d'une Église des pauvres (Paris 2016).

NICOLAS MARISCAL TORROELLA

He has a Civil Engineering and MSc in Construction, Stanford University, US. He is Chairman of Marhnos. Vice President of Corporate Social Responsibility in The Mexican Chamber of the Construction Industry, where was one of the pioneers in promoting CSR among the industry in México. He is also board member of Aserta, Aura Solar, Inter American Dialogue, Inter American Foundation, Junior Achievement, National Support Center for Disasters and Outbreaks (CENACED) and the Private Sector Alliance for Disaster Resilient Societies (ARISE). He is member of the Strategic French-Mexican Council, the US-México CEO Dialogue, the Group of 50, Chief Executives Organization, the Latin American Business Council (CEAL), Social Union of Business Leaders in Mexico (USEM), Javier Barros Sierra Foundation, Emerging Markets Forum, the Partnership Against Corruption Initiative - PACI (a World Economic Forum Initiative) and he belongs to the Productive Projects Committee in the Sertull Foundation (the Servitje's Family Foundation).

SIGRID MARZ

Ms. Marz is a Senior Client Partner in our Brussels office and a member of our Global Technology Markets. She has a strong track record in advising clients on CEO and C-suite assignments, for Benelux-based companies as well as global technology corporations. Ms. Marz has also considerable experience in advising clients on how to align a company's talent strategy and capabilities with the overall strategy and culture. In addition, she applies her wealth of knowledge in the field of government and not-for-profit organizations as well consults in corporate affairs. Ms. Marz has more than 15 years of experience in senior executive search, most recently working out of her own boutique firm with high level clients on senior level coaching, development and executive search assignments. Prior to this she worked for a leading Search firm where she specialised in the recruitment for regional vice presidents, managing directors, country management teams, CTOs, CIOs, European Public Affairs and CSR leaders. Ms. Marz holds a Master (M.Sc.) from the London School of Economics, and two Bachelor degrees in European Business Administration and Theology respectively.

ROLANDO MEDEIROS

Rolando Medeiros is a Chilean business leader with senior executive experience in Latina America (Argentina, Chile, Colombia, Peru), USA and China and in several business sectors (metallurgical and industrial manufacture, oil and gas, energy and power generation and distribution, among others). He is CEO of Elecmetal S.A., an international holding company headquartered in Chile, serves as Chairman of the Board of the US Delaware corporations ME Global Inc., of Fundición Talleres Ltda. in Chile and of ME Elecmetal (China) Co. Ltd. and seats in several domestic and international Boards of Directors. He participates in business associations (Consulting Board of the Industrial Association of Chile, SOFOFA), Non Profit Organizations (Board of Directors of FALP devoted to the prevention, diagnosis and treatment of cancer) and academic institutions (Consulting Board of the Labor Relations Cathedra of the Pontifical Catholic University of Chile). He is President of UNIAPAC and Chairman of the Board of UNIAPAC Foundation. He was educated at the University of Chile and undertook postgraduate studies in quantum chemistry and physics (Uppsala University, Sweden), business administration (University of Chile) and philosophy (Alberto Hurtado University in Chile).

> PHILIPPE MINE

Philippe Mine, born on 1956, is married and has 5 children. He is a medical biologist, and director of the laboratory of analysis of medical biology Mine, family business of 45 people in northern France. Member of the French association Les EDC, he is vice President of Uniapac Europe and Uniapac elegate for Uniapac Africa present now in 14 countries and founded 8 years ago. He is implied in numerous cultural associations, and trade union.

HENRY SAINT BRIS

Founder and President of ANSA. Independent Board member and Senior Advisor for large corporations and private equity funds. Former Chief Strategy Officer for the SUEZ group and member of the Strategic Committee, and Group's Marketing and Institutional Relations SVP, pioneering Circular Economy initiatives with the European Commission, the World Economic Forum (Advisory Board Member) or the Ellen MacArthur Foundation. Founder of Ernst & Young Environnement in Paris in 1992. Diploma from IEP Paris and Paris IX Dauphine, post graduate degree in Environment Management and Engineering from Ecole des Mines de Paris, AMP at Harvard Business School. Board member of US based Environmental Research and Education Foundation (EREF), regular lecturer on the subjects of resources, environment and the Circular Economy, including at Harvard and Sciences Po.

JUAN MANUEL SINDE

Born in Bilbao in 1950. He is an industrial engineer and has practically developed his professional life in various management positions at Laboral Kutxa, a financial entity of the Mondragón Corporation, for which he has held responsibilities in the Permanent Commission, Mondragón Inversiones and Mondragón Foundation. He has been a member of the Board of Directors of several companies representing the aforementioned financial institution. He is currently President of the Arizmendiarrieta Foundation and Secretary of the Postulator Commission of the canonization process of the promoter priest of the Mondragón Experience.

▷ AGNES SCHRÉDER

Agnès Schréder, Belgian, has made her carrier mostly as a lawyer and is currently member of the baord and company secretary of Schreder SA as well as Chairman of an holding company Prefahay SA. Schréder SA is an international company offering public and industrial sustainable lighting solutions. Mrs. Schréder is a specialist in corporate law, international trade law and intellectual property. Between 1976 and 2000, she worked as a lawyer in Belgium at verviers's Bar, then at the German speaking Bar of Eupen and finaly in Brussels. Mrs. Schréder has been an administrator in different subsidiaries of the Schréder group and between as from 2000 and 2016, she acted as Chief Legal Officer of the same group. Mrs Schréder contributes also to philanthropic activities such as the creation of a physical reeducation centre for disabled children in India within the framework of Rotary International.

RODRIGO WHITELAW

Rodrigo Whitelaw is the General Delegate of the UNIAPAC Foundation. Mr. Whitelaw holds a Bachelor degree in Economics and Business Administration and a PhD in Political and Social Sciences from the Catholic University of Louvain. Specialist in Innovation-based socioeconomic development, his areas of expertise are the spatial dimension of the innovation process, the analysis of Global Value Chains and cluster competitiveness at a global level. In 2009, he has published his PhD thesis entitled *"Mechanisms of cooperation in industrial clusters: the cases of the tile industry in Spain and the salmon farming in Chile.*" He has worked in the financial, academic and public sectors in Europe and Latin America. His research interests are in corporate social responsibility, business ethics and corporate governance.

ETIENNE WIBAUX

After studying Betriebswirtschaft at the University of Köln (Germany), he got a Master Degree at the CPA in France. He joined the family-owned textile company Textiles : SUBRENAT SAS in 1966 and became President in 1978 until today. Throughout his professional life, he engages in educational, social, economic and financial life. President of the Jeanne d'Arc School (Mouvaux), then Administrator of the school of engineering ICAM of Lille, he is now Administrator of the "Higher School of Journalism" in Villeneuve d'Ascq. He will lead the Association named "Christian Life" in the North, then become President of the E.D.C. In France (1994) and then of UNIAPAC International (2003). He will be a member of the GPA Entrepreneurs Commission in MEDEF, will chair SIGEFI Nord, SIPAREX Group (Private Equity), will become Vice President of the Union of Textile Industries and President of the French Institute "Textile Habillement" (2003). Today he is in charge of transmitting the family business to his son and his team of associates. He and his family have created the Cassiopée Foundation, serving the poorest in the world, and recognized Public Utility in 2011. In May 2003, he received the Medal of the Légion d'Honneur awarded by the Ministry of Economy and Finance.



OPENING WORDS



BY ROLANDO MEDEIROS, Chairman of Uniapac International

elcome everybody for a very intense meeting. You have the agenda in front of you. We have four distinct panels that we are sure are going to be very insightful, and they will help us to have open discussions. The main purpose of this meeting is to have keynote speakers that are promoting a debate; challenging us in order to try to come up with some specific actions that will help us in addressing this challenging goal of trying to contend the increasing inequality trend that we see all over the world.

Although income inequality over the past half century has declined substantially at the global level, meaning between nations, it has increased significantly within nations. As long as everybody has equal access to certain essential opportunities such high-quality education, other public goods, etc. some inequality is not only inevitable but is also desirable. However, there is growing consensus that the current widening of income inequality is becoming the defining challenge of our time. That growth for the rich will not trickle down to everyone else, as Pope Francis very clearly indicated is his Evangelii Gaudium¹ exhortation and also in Laudato si' 2 encyclical letter. That increasing inequality in many places can erode social cohesion, lead to political polarization, and ultimately lower economic growth.

Beyond income inequality, inequality of opportunity is also detrimental to growth and well-being. Inequality of opportunity can be particularly damaging when it locks in privilege and exclusion, which undermines intergenerational social mobility. Analysis of well-being inequalities show that gaps in people's achievements and opportunities extend right across the **eleven dimensions of well-being**: income and wealth, jobs and earnings, housing, health status, work-life balance, education and skills, social connections, civic engagement and governance, environmental quality, personal security, and subjective well-being. Those eleven dimensions exceeded significant gaps in terms of inequality of opportunity.

In the context of widening worldwide inequalities, both in the distribution of income and social outcomes that matter for people's well-being, how can equity be turned into a driver of economic performance? That is a significant challenge in the world. Undoubtedly, economic growth is one of the answers to this question, but it is not enough. What we are seeing in the world is that even if absolute poverty has almost halved over the last 30 years, the level of poverty is still extremely high. More than 800 million people are below the level of a dignified quality of life. This is no longer acceptable.

What about inequality and business? Beyond their contribution to economic growth and wealth creation, how are businesses addressing this trend of widening inequality, and how are they fighting against poverty? How are businesses contributing toward a more inclusive, solidary and sustainable growth? Not too much, according to some recent studies, which indicate that excessive focus on efficiency can produce very negative effects. Industrial consolidation is increasingly common in the developed world. In more and more industries, profits are concentrated in a handful of companies. This tends to correlate with low levels of competition, high consumer prices, and high profit margins. When the focus is exclusively in short-term efficiency, some players are given an advantage that often proves to be quite durable over time. As a result, those players gain market share, they also gain market power, which makes it easier for them to gain value for their own interests by extracting rather than creating wealth.

Furthermore, within companies in many places executive compensation continues to rise sharply while workforce wages have stagnated, struggling to keep up with inflation. Thus, the issue of pay ratios has become the latest front in a worldwide debate about inequality and the widening gap between the top 1 % and everyone else.

However, a regulatory crackdown on high pay ratios can also hurt the very people it is trying to help. The imposition of a maximum pay ratio, for instance, might see companies outsourcing the work of their

^{1.} Evangelii Gaudium: Apostolic Exhortation on the Proclamation of the Gospel in Today's World (2013)

^{2.} Laudato si': On Care for Our Common Home (2015)

lowest-paid employees purely to make their figures look better. It may also induce companies to introduce compensations for their executives linked to the performance of the corporation, such as payments of stock-options, thus circumventing the rule.

Finally, there is growing evidence that the practice of rewarding chief and other executives for boosting the share price (and consequently their own compensation) makes them too short-term in their focus; the way they are paid is thus at odds with the long-term success of the company. The goal of efficiency ceases to be the long-term maximization of overall societal value. Instead, efficiency starts to be seen as that which delivers the greatest immediate value to the dominant player.

How is all this related to business as a noble vocation? Business is still too often perceived as a part of the problem rather than as a part of the solution. While there is certainly abuse, there is often a great deal of nobility in business that needs to be portrayed and extensively promoted worldwide in order to become role models for business to truly serve the Common Good.

To assume these relevant social responsibilities a more humane corporate culture needs to be built in their organizations and engrained in the attitudes and behaviors of their members so that they see themselves as active participants in a community where they can flourish by contributing to a long-term business project. I think this concept of a long-term project is key to deal with the issue of inequality.

To build these organizational cultures business leaders need to see themselves as critical social change agents. Leaders who underpin their entrepreneurial mission on key values: respect for the dignity of human beings, responsible freedom and equity, amongst many others. The *responsible* part of it is the most important element. At the end, leaders who are willing to transform their business endeavors into a noble vocation.

UNIAPAC has the conviction that business is a vocation, and a noble vocation, provided that those engaged in it see themselves challenged by a greater meaning in life. This will enable them truly to serve the common good by striving to increase the goods of this world and to make them more accessible to all.

Business serving the common good is what follows when long-term value is created for customers, employees, shareholders, and society. Consequently, for businesses to serve the common good an emphasis on properly ordering a set of practical principles is required. These practical principles are, in simple and concise terms, the "3Gs" for the service of the Common Good: **Good goods**, **Good work**, and **Good wealth**.

When businesses properly order these three goods, they serve as the economic engine of a society and play an indispensable role in generating material prosperity for wider numbers of people. When they disorder any of these goods, businesses fail to mitigate poverty as well as they could and more specifically, exclude others from prosperity. If business is to contribute to reverse the trend towards unfair inequality and to truly struggle against poverty, it has to achieve all three of these goods: Good goods, Good work, and Good wealth.

Thank you [*applause*]. Michel, I think it is your turn to introduce us to this very challenging subject.



INTRODUCTION



BY MICHEL CAMDESSUS, Former Managing Director of the International Monetary Fund and Honorary Governor of the Banque de France.

irst, thank you [Rolando], you have been extremely good! Extremely good. I will say it three times, extremely good!

Welcome all. I must tell you that I admire the initiative of UNIAPAC to discuss one of the defining challenges of our time. A defining challenge which is truly a timebomb! Even worse is the fact that all leaders of the world, on the government side and on the enterprise side, have preferred to ignore it and not to see the elephant in the china shop.

I have been personally involved in many G7 summits for twenty or thirty years, and this word, fighting inequalities, has never been there with a slight degree of emphasis. I see something providential in the fact that in this very moment you in UNIAPAC have decided to start discussing that and to see what should be done, and what are the responsibilities of business in this field. At this very moment, to the surprise of his colleagues, the president of this country going to the UN for a general assembly four months after being elected, told in his big speech to the general assembly, Friends, we have done plenty of good things over the last 30 years fighting poverty, reducing debt, launching the sustainable development goals, and so on. But we have just ignored two key issues. One is climate, and second is inequalities in the world. He said that, and a year after last September he went back to the UN and then he said, I will chair the so-called G7 this year (2019) and reducing inequalities in the world will be the overarching item of that summit. He said that knowing of course pretty well that never has the G7 has been so divided I think on the fact of the meeting but not very much in whatever possible agenda. Nevertheless, he was very clear in saying that in his own view it was time to see the elephant in the china shop.

I don't like to say this publicly, but I can confess to you that he has asked me to help him in putting on the table the issue, as you [Rolando] have done so well, to his colleagues, and then to discuss how to try to define a few deliverables; a few points on which agreement could be found and progress could be initiated.

As you [Rolando] have said everything relevant to this issue, I will limit myself to comment briefly for all of you this chart, which will tell you a lot about the magnitude



of the problem, the urgency of addressing it, and of the depth of the changes needed. Please do not repeat this, but this is chart that the Heads [of State] will have on their tables, and of others in Brazil. Please don't quote me. If you quote me, I will say that it is not true [*laughter*].

Very simply, you have the first part from 1980 to 2015, which are the very facts as they are now identified. The second part of the chart you have a few scenarios, elaborated by those who have worked more intensely on that issue.

Let's start by the beginning in 1980, 35 years ago. Then you can see already by the vertical line there, a very shameful situation at that time. The global top 1 % had a share of the global income distributed of about 16-17 %, so the 1 % had 16-17 %. Then you have the bottom 50 %, and they have 8 % of the global income distributed – namely, half of what the 1 % had.

I can tell you that I attended a G7 (which was a G5 at the time) in 1990, and this was not an issue to be discussed. Even by the most open people, those were seen there as socialists. Those who were seen there as socialists had two issues in mind, and you will certainly remember, reducing poverty and reducing debt. The shameful debt as it was said, and this was intensifying starting in 1982 when Mexico went down the 15th of August. Then using debt was the issue and plenty of meetings and plenty of things were done. Fine.

Let's look then to 2015, where we are more or less. We had significant progress in reducing poverty in the world, thanks in particular to China, of course. If we reached the so-called number one objective of the millennium, it was thanks God to China. The Chinese are human beings, hallelujah. And debt was significantly reduced and forgiven in many cases, very good. But, lamentable enough, in spite of this progress the situation in terms of inequality has continued deteriorating, and significantly the global top 1 % went up from 16 % to 20 %. Of course, there were ups and downs, particularly due to the crisis in 2007-2008. But in spite of all of that, the global 1 % goes up 20 % and the bottom 50 % goes slightly up but stagnates below 10 %. One could discuss what was behind this increase of the shares of the top 1 %: you had the phenomenon of financialization, technological advances, and the fact that the "winner takes all". All these phenomena leading to the explosion of primary remunerations basically, in the framework of enterprises. Here you know better than I the numbers, I give you only two or three.

First, in 1980, the multiplier between the lowest remuneration in enterprises (globally speaking) was 30. The CEO was making in general around 30 times more than the guy at the base. Now, in this very country, in the CAC 40³ enterprises, the average multiplier is 300 % from the minimal legal wage. If you look to the United States, the multiplier is 400 %, not from the bottom wage, but from the *median* of the distribution. So, you have during this period when we were concentrating so much on fighting poverty, you have this huge multiplier inside of the primary remuneration which of course trickles down and applies to all those in the top 10 % ranks. If you take the 10 % increase, it makes up 45 % of the global distribution.

I don't want to give you more numbers, this is a reality which you know plenty well. Behind that there are many things we are familiar with. We see the global situation in Asia improving well and in particular for the upper-middle class, but you see problems persisting and deteriorating in Africa, and globally speaking you see a very dramatic intergenerational poverty developing.

More and more people in the world cannot have the hope to see their own situation, and the situation of their children and siblings improving. I believe that this is the worst thing, the worst blow to human dignity one can imagine. This system is multiplying infrahuman conditions for the poorest at the bottom, and the risk of such a situation going down the generational lines. Needless to tell you that this is intolerable in terms of ethics and in terms of human dignity. It is also extremely worrying in terms of social cohesion, and in terms of prospects for our democracy.

When you see what has taken place during these 35 years you see that the top 1 % has taken 27 % of the increase of resources. And, of the bottom 50 %, only 13 % have the share of what was the 1 %. This situation has a corrosive impact on the trust of the citizens, international policies, and their social representatives. France is a country very prone to revolutions more than to reforms, lamentable enough, and the so-called yellow vests, *gilets jaunes*, have expressed basic disagreement in front of something they see as the situation of growing inequality. At this time this country has a system of redistribution in the fiscal side which is one of the most intense in the world. So, one can imagine looking at the future that all these effects on social cohesion, not to mention human dignity and ethics, is extremely dangerous.

^{3.} CAC 40 (Cotation Assistée en Continu) is a benchmark French stock market index.

Now let's look at the future. Let's see where we are heading. You have a few scenarios. One, I prefer not to show you, which would reproduce the situation to come if the US model were generalizing. Then you go to nowhere in fact because sometime soon you will have a revolution !

Let's look at the scenario, **business as usual**. We continue the red and yellow lines, then you see the situation continuing deteriorating. Possibility that this scenario is slightly pessimistic, and you have economists in the world considering that the line could be going a little bit below the other one.

Then you have the green lines, which make the hypothesis that all the world's countries adopt the redistribution policies prevailing in Europe, on average. Of course, it's nicer. The two lines try to join, but for the two lines to cross and then for inequality to really, concretely start being reduced, you need to be there in 2085. Not many of us will be there. Of course, in the meantime something dramatic would have taken place in the world, because this is just totally unacceptable, intolerable. You would have turbulences here or there and it's possible in several places at the same time and then as a bushfire it could generalize wealth, with the risk of the social fabric and political fabric of democracy to disappear. This is the only thing that economists can tell you and there is a consensus of the economists of the world on this chart.

But, as it is intolerable, what can we do? I can tell you what we will try to convince the G7 to do. We will preach additional efforts in favor of bottom 10 % of the world so the ODA (Official Development Assistance), all the schemes we have already, could give more means to the multilateral institutions. A little bit more of the same, but no more, particularly as the G7 which does not agree on many things. We could of course in each of our countries adopt taxation on income and wealth and try to introduce more progressivity and fight tax evasion. We could also end inefficient and unproductive expenditures in order to have more money to distribute to the poorest. You know

all these instruments and of course the G7 will certainly tell us that they will do a lot of that. You know, better than I, that the responsibilities of the leaders of the G7 have their limits. And they lie! In particular where those responsibilities of the political leaders stop, and your own responsibilities as business leaders start.

I believe that this picture could only be changed, as it should. Try to introduce in the business community the very deep changes which should improve progressively the primary distribution of income in the world. This is tremendously difficult issue, I know that. This could imply, and would imply to my judgment, a change in the definition itself of the responsibilities of the enterprises. We should possibly think that Mr. Milton Friedman, who was certainly a good brain but was not a man very concerned about the ethic vision of the world, that you can limit the responsibilities of the enterprise to make profits, that the enterprise has to have a vision much broader. This is something we are familiar with, it means that my dear friends, consider that your responsibility is certainly as important at least as those seven gentlemen who have decided to meet in the Basque country, a very nice place to have good reflection of the future of the world. As I had the privilege to stay in Bilbao, the Basque is universal or it's not. Mr. Sinde you know that pretty well.

So, I stop here, and thank you for your patience with me [applause].

ROLANDO MEDEIROS

Thank you very much, Michel. Very insightful reflections and an excellent introduction with some shocking projections of what may go on if we don't make significant and drastic changes in the way we are behaving today. Let's continue with the agenda. Panel I, we have the presentation by Juan Manuel Sinde, **Ethical Transformations for a Sustainable Future : The experience of the Mondragon Cooperative Corporation**. Juan Manuel, the floor is yours.



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PANEL I

Ethical Transformations for a Sustainable Future : The experience of the Mondragon Cooperative Corporation

BY JUAN MANUEL SINDE

JUAN MANUEL SINDE

Thank you very much for inviting me. My English is limited, but in any case, I hope that you will understand me. Well as I said, I was working 35 years in the Mondragon group. Mondragon is the area in the Basque country that has the highest income per capita. Besides that, it has the narrowest gap between the 10% richest and the 10% poorest. Why do we have that situation there? Perhaps because Mondragon has a very special and famous cooperative experience that I will explain further. After that I will try to explain the key factors of that success, the values in which they are rooted, and finish with the future; what are we thinking about the future in order to take the advantage of our experience in order to apply to other different companies.

This movement was created by a Basque priest called Jose Maria Arizmendiarrieta sixty years ago. We are the first economic group in the Basque country and tenth in Spain. We are not speaking about fantasies; we are speaking about the reality that has 80,000 people employed. Half of them are shareholders as well, with 12 million euros in 2017. We have invested 450 million euros and a yearly budget of about 25 million euros for social actions. This is a reality.

We have 266 companies. Out of them almost 100 are cooperatives. I must stress here that we had 82 cooperatives forty years ago. So, in the first twenty years we created 82 cooperatives and the last forty years we increased the number of cooperatives only by 16. We are conscious that the cooperative model is not the only model that we have to use in order to be competitive in the future. I distinguish two kinds of reasons for this success, one that can be explained at the cooperative level and one that can be explained at the corporate level.

Key factors for success at the cooperative level:

- Workers Commitment
- Quality Based Strategy
- Profits Reinvested
- Advantages in Taxes
- Support of Laboral Kutxa we had permission

to create a bank, so now we have a bank in the group where we put most of the money from the cooperatives.

Workers commitment, why is this our main competitive advantage? We experience three kinds of reasons. One, cultural values. All people have equal human dignity. In the cooperatives all the shareholders are workers. But not all workers are shareholders, half are not, but they are treated the same. The shared project needs are more important than any individual or group. The needs of the company to be sustainable in the future is the most important value in the cooperative. Teamwork is very important because without taking into account that teamwork is very important it is impossible to understand that the range of salaries goes from 1-to-6, not from 1-to-300. So, 1-to-6 at the cooperative level and 1-to-10 at the corporative level. When high-flyers come to work in the cooperative, they usually leave the cooperative to find another company where they can make more money. Second, economic reasons. Workers invest 16 euros per capita in the cooperative and there is a profit-sharing scheme. Third, managerial reasons. There is a very important open information policy. We ask the people that have been working for other companies who come to the cooperative, what is the main difference you have in experience from your last job? Transparency and a narrow range of salaries. 1-to-6 at the cooperative level and 1-to-10 corporate level.



Quality based strategy. Probably most of you remember that according to Michael Porter there are only two strategic options that you can distinguish. Michael

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Porter used to say that most of the companies were stuck in the middle without being able to choose if they want to distinguish by cost or to distinguish by quality. There was some years ago some research that was made by PIMS (Profit Impact of Market Strategies) and according to this research this is the basic option most related to the return on equity. Perceived quality is the statistic option that is most suitable to take advantage of workers commitment because, in the service sector for instance, the satisfaction of customers is very correlated to the satisfaction of people that deal with customers. We think that because of our system, people are more satisfied in their work and in the company. That's why we think that we can be successful with a quality based strategy.

Profits are reinvested. About 50% of profits are distributed to the people, but they can't take the money, they can only increase the stock investment in the company and only take an interest of 4% to 4.5% over stock. We used to have a very important difference in taxes, now it's not so important but even now we've got 10% less in profits but we have an equivalent obligation fund with 10% of profits to an education fund. It's not the same, paying taxes or taking this money to invest yourself in order to promote research centers, cooperative university, community nonprofit organizations and so on. At the corporate level first one is solidarity funds. Through the cooperative, 10% of the profits go to the solidarity fund and caja laboral gets 30% of the profits. Because of that, some companies that are now very successful, for instance one that is earning 80 million euros per year, that would have disappeared without that solidarity fund that was able to maintain the company during bad times. And, of course, the reallocation of members. It's clear that not all the companies, not all the sectors of activity have the same evolution. During bad times for one, they send workers to another, which permits the balance and number of members.

Second one, we've got a corporate management model that is quite useful for small and medium-sized companies with the culture of open information between cooperatives. Support of corporate management teams is very hard to manage a cooperative because you have to get the approval of people that sometimes you have to force. The managers who are in a bad moment sacked by people, are taken in the corporation and the corporation takes the obligation of finding another job for them. Because we are the most important economic group in the Basque country, we are able to do this, and important as well is the support of the *caja laboral*. What are the values in which they [Mondragon] are rooted? Well I said that this experiment was created

by a priest, so the values are the values of the Catholic Church. The first value is the respect for human beings. The priest will believe that that value comes from the fact that all are the son of God. We've got a lot of people who are not believers and are not Catholics, but they believe in this value; they believe that all people are equal. Second value, as I said, the common project is more important than the interest of the individual stakeholders. The third value is that the goal of the company is not to obtain the highest short-term profits but to get a balance to satisfy the members of different stakeholder groups. Fourth, promote employees' involvement in management, earnings and ownership. Fifth, apply criteria of internal solidarity across all stakeholders. Lastly, be involved in the problems of the surrounding community. Of course, this is easier in small areas than in Madrid or Paris. In our case it is possible.

As I said, we have created 82 companies in the first twenty years, but in the last forty years we have only increased the number by 16, so we know that the cooperative model is not the only model that we have to use in order to synthesize the competitiveness of companies and the development of people who are working in them. We have to find another solution. So we met a group of people with experience in the cooperative, junior representatives, and managers representatives in order to define a new company model. We've got a definition that I will explain afterwards that was approved unanimously by the Basque and Navarre parliaments. So from your left to your right, all the parliamentary groups of the Basque country, and I can say that they have different ideologies there, and in Navarre there are seven different groups from right to left that are divided into groups. The groups that are more focused on the Basque identity and the groups that are more focused on the Spanish identity. In total seven different groups approved this non-legal initiative. Some people say that this was a miracle.

There are four pillars, but I will explain each pillar with the policies that are related to it because the pillars are more generic. It implies first create a climate of trust to a policy of **information transparency**. This, information transparency, is the key of the keys; a culture of internal communication based on a systematic, truthful, and stable information communication. I want to distinguish between information and communication because some companies have a system in order to inform, but we thought about if the workers understand or not the information. So, it's very important to confirm that the workers understand what you are saying. The key of the change of the company model is this information point. Second, implement the participative management

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and organizational model. Perhaps this is something generic, so I go to the third point. Enlist the training program and the training compromise commitment to offer to workers at least an average of forty hours per worker per year. Forty hours In Europe is something usual, not in Spain. In Spain the average is twenty hours per worker. As the research has said, the range of salaries has a correlation with the cohesion of the group. If people think that a small group of managers have taken most of the value they create, they don't work as hard as if they believe that the value will be redistributed. According to our experience, and we've got 80,000 people, and we have that range of salaries in companies from 1-to-6. High flyers don't accept it and leave. Fourth, introduce regular assessment and continuous improvement to measure and improve the employee satisfaction. Very important as well because sometimes you realize that employee satisfaction is not related only to pay. Sometimes the salary is not enough to be satisfied, so you have to investigate, you have to assess, and continuously measure employee satisfaction in order to improve customer satisfaction. Prioritizing internal promotion, something that must be considered as well because when people think that there is a position that is especially interesting for them and you hire someone from outside, they are not as happy. Ensure equal pay between men and women and seek formulas that favor the reconciliation of work and family life.

The second pillar is **draw up a common project**. How? First of all, you have to develop balanced incentives in order to improve at the same time shareholders ROE and employees' income. Why is this possible? People say it's impossible because they classify managers, shareholders with more because the workers get less. Invest at least 50% of annual earnings in research. I mean do not distribute more than 50% of the profits in dividends or something like that. Be careful of spend. Every year in activities, on research, development and innovation; at least the standard of the sector.

Third pillar is **engage employees in management, earnings and ownership**. First introduce participative management tools. Something very useful and very difficult to apply, but we know in our experience that this is a good measure: incorporate one or more employees in the world of the directors. In any case, I wouldn't start right here, it's sometime to be applied in the second or third step. Employees to be shareholders with even dedicating part of the profit to it. Consider the development of a mediation committee to resolve internal conflicts. I would stress that the participation in capital is something very important, but better to pursue as a second or third step. The fourth pillar is **involvement in the social issues in the community**. Something very logical but not always put into practice is to develop a policy of tax compliance, avoiding fraud and tax evasion; not using tax havens at all. Take part in the discussion of the social issues of the community, for example the worries over use of artificial intelligence. Cooperate with the corresponding pubic bodies in order to solve the problems of that kind of people. Allocate 1% to 3% of the company's earnings to resolve social issues even though it's not compulsory. Encourage *intrapreneurship* and an in-house culture that stimulates business vocations.

We have met all those requirements. I would say that the managers who were involved with the process were pioneers, but all the managers and union representatives accepted this recommendation, with some exceptions. One union wouldn't accept something because they said that it could limit their syndical action. We got all those recommendations passed in the parliaments.

To finish and use the words of José María Arizmendiarrieta to explain the past success: *"The cooperation in the powerful lever that multiplies the efficiency of our efforts."* Normal people working together; normal people working in teams can do something very important.

Perhaps to explain the future success, another quote of the father: *"No complaints but action."* Thank you *[applause].*

▷ ROLANDO MEDEIROS

Juan Manuel, thank you very much for sharing with us a very practical example of how we through business can contribute to reverse the trend of inequality. Thank you very much.

Nicolás Mariscal will now facilitate an open discussion about Juan Manuel's presentation. The floor is yours, Nicolás.

PANEL I Discussion

MODERATED BY NICOLÁS MARISCAL

NICOLÁS MARISCAL

— Thank you very much for inviting me. I just want to thank also Michel, because for me he is a great leader. Before I say something about Michel, I would like to tell you what I just heard from all of you when you introduced yourselves. I see a lot of people who have lasted for many years in their companies. How could that be? Because I think

you share all these values here, and that's the only reason that you're in this table and sharing all these things, so otherwise you wouldn't be here and it's just incredible. Going back to Michel. He is a great deal, and everyone knows Michel around the world, and who doesn't, they're not involved in the business world. I just received a note from my son-in-law who is the national symphony orchestra conductor. He asked me a question, *"How do you see Michel? Is he optimistic or pessimistic in whatever he's planning?"* I don't know if you [Michel] can also tell us a little bit about that later.

I also want to thank Rodrigo for sharing with me all this information. I did my job in preparing for this meeting. I want to congratulate also here, Rolando, for his wonderful note that gives us a lot of insight. I don't know if you have read all of it, but it was just wonderful. I think it's very, very important. If you haven't, do it. I did and it really helped me very much.

Now talking to Juan Manuel, you couldn't be in a better place. This is a great example, your group cooperative, and what you just mentioned to us right now that you're also looking to do some changes with what's going on.

I've been going to the World Economic Forum for twentyone years. Most of the things [Juan Manuel] has said here regarding companies in order to be in business is very impressive. There's one thing I would just like to mention which you put at the last slide, and that is to be agile. That means you have to be moving all the time, trying to find things, otherwise if you don't change, you'll be out of business so I'm glad that you put that you've got to be in motion all the time.

Going to Mondragon, it's really impressive to see a corporation that has been working for so many years and is still doing so well and looking for changes to be $10^{\rm th}$ in Spain and $1^{\rm st}$ in the Basque. That's very impressive.

I'm very much involved in Mexico with corporate social responsibility in my industry, which is the construction industry. I invited your former representative in Mexico, I don't know if [Juan Manuel] knows her, and I talked with her and I asked her one question. In our industry in Mexico we have more than 11,000 construction companies. I asked her one question about the Mondragon corporation, *"How do you retain people at the highest level, if the difference in salaries is so* narrow?" Her answer was, "People who belong to Mondragon are not there for money. That is not the main driver. It's all about shared values, and about creating more opportunities of employment. They are committed to one another."

That's exactly what you [Juan Manuel] just explained to us. In essence, people are looking not only for money, they are looking for something else. I'm very happy to hear this and what you just explained to us is fantastic. You have 250 cooperatives. One of the things that I would like to ask you is about to close. It doesn't make more sense in the market, the people from the cooperative have the chance to be relocated in another job within the corporation. How is that possible? That's something that really interests me. I think that you do a great job in promoting, entrepreneurship, invention, training and building out so you have a lot of good relationships with universities in many places where vou're working. Also, we need each other to keep growing. that's what you've been saying. I also spoke with some other people who have worked with you and they gave me a lot of insights. There are a lot of questions and you're still keeping the founder's ideas. How could that be? I would like to open it here to the floor and have some reactions before I go a little bit further – I have some more points here to mention but I would like to hear all your comments.

BURKHARD LEFFERS

— Thank you very much. I have one question. With 80,000 employees, comparing with other companies having the same number of employees, there must be a level of internationalization. Yes or no? And how do you manage the maintenance of values on an international level, when you have other companies of affiliations in very different cultural zones where other rules apply? If your company really is to that extent an international one, which I would presume given 80,000 employees, how do you manage ?

PIERRE LECOCQ

— Nicolás you mentioned this, but one of the key concerns when you are the CEO of a company, or at a high-management level, is what you called *agility*. Agility on the market, but also the ability when winds are getting bad to adjust a company, because it's a survival mode. From what I understand, members of the cooperative cannot be laid off. But what I also understand is that in each of your cooperatives, you are allowed by law to hire 25 % of employees that will not be members of the cooperative. I understand that in case of difficulty they are the ones that will be laid off. So, to a certain extent, just to be a little provocative, it seems that you have two categories of employees. Those who are cooperative members and who benefit from everything, and a sort of secondary group of employees that basically would take the heat if something goes bad. How do you get that motivated, and how do you get that working?

ULRICH HEMEL

— This question is much in line with what you are saying. I happen to be the project leader for the turnaround for Carl-Zeiss⁴, a foundation company in Germany founded by a person who said that the distinction between the lowest workers income and their highest CEO-level income must not be more than 1-to-10, and they keep it until today even in Germany. They have exactly the same problem, because they had people hired on the statutes of this original foundation statute, in the end they had 16,000 people worldwide, and they had other workers who did not receive the benefits of the statute. Then they made other subsidiaries (this is maybe a little bit of a change in the value of mindset) where they said, ok, these are subsidiaries, just normal profit companies. This of course was more difficult, and you will not have this.

The main challenge I think is, how do you get talent? There are two extractions. You have the few people who really have managerial talent, and out of these you have the few people who are ready to invest into this value mindset. So probably you have a scarcity of good management talent. This is something I would really like to know. How you deal with high-talent management and with first-class and secondclass employees, so to say?

NICOLÁS MARISCAL

— So, you've got a lot of questions here ! [laughter]

JUAN MANUEL SINDE

— To answer the first one, to be honest I'm not sure if we are dealing with values successfully in our companies abroad. I know that we have some problems in some of them because we have a high turnover. For instance, in China we did some research in order to compare the satisfaction of Chinese people in our companies to the satisfaction of Chinese people in other companies. The results were quite optimistic for us. Probably, Chinese people are not as happy as Basque people in the cooperatives because they are not owners or shareholders, but according to our research they are happier than their colleagues in other companies in China.

In my opinion, the most important way of implementing the culture is by the action of managers. Probably all of us have heard that your actions speak more loudly than your words. It's not something related to discussion, but to action. In my opinion the conviction that all people have the same dignity is basic in order to implement a culture of dealing with people in a different way. For instance, why do we get talent? Because

4 https://www.carl-zeiss-stiftung.de/english/index.html

according to our culture, people in our companies have more opportunities to have professional challenges without being directed by hierarchy. I have a relationship with people that are colleagues of my sons or son-in-law who are now 40-years-old, and I realized that a lot of companies in the Basque country have a management model very hierarchical. In cooperatives, our management system has more freedom for people, more opportunities to make mistakes without being sacked. People that are in the cooperatives get less money, but perhaps they have more opportunities to put in practice their knowledge and competences. People who are very interested in money, they leave.

Actually, we had a criterion of 1-to-3 only in the range of salaries. To be honest, a lot of people get some professional experience and afterwards leave the cooperative. So, we changed from 1-to-3 to 1-to-6. With a range of salaries from 1-to-6 it's now enough to maintain the people because of the culture, because of the management style, because of the way we are dealing with the problems of the companies.

We've got a problem because only half of the people are shareholders, and the other half are not. Besides that, the members of the company who are shareholders have the safety not to be sacked. So, if the cooperative has some problems, the corporation will take the obligation of finding another job in another cooperative. It is not the same for other kinds of workers. Now we are thinking about how to implement professional schemes for people that are not shareholders of the companies. I will say as well that the management culture has to see with the data that juniors are not present in the cooperatives to defend the interests of the people who are not shareholders. We have to think about how to implement our values with people who are not members of the company; with people that are usual workers but with a limited period of time to be with us.

LUIS DE LARRAMENDI

— First, I wanted to congratulate Juan Manuel Sinde, because really Mondragon is really very special in the business world in Spain. There is something unique in the principles of Mondragon. It continues to evolve, and they are implementing this model of business that the government of Navarre and the government of the Basque country have adopted as a model, as an ideal model and I think is a good experience. I don't know if it can be reproduced everywhere, because as Juan Manuel knows, Mondragon is a town of 20,000 people. I have a lot of family there, and in my family, there are two kinds of people in Mondragon : the *cooperativists* and the *capitalists*.

Even though we admire always the spirit of Arizmendiarrieta and how he could create such an incredible number of companies, cooperatives, and workers around the world. I really think there is something unique, difficult to repeat, but inspiring to take the principles and adopt them for other companies. I would love for Mondragon to survive for many centuries to come.

ETIENNE WIBAUX

— I would like to make a connection between the words of Michel and these words. What I feel is stressed here is the commitment of the people, the consciousness of the people, the freedom of the people and is a value that could solve also the problem of Michel. As you know Michel was asked by a very famous astronomist, *"We want to save the planet, Michel, what can you propose ?" And he said, "There is not one solution, there are 8 billion solutions."*

So, education, teaching as we heard and as we see in the microcredit industry, we need six months of coaching to educate the people in order that they commit to their action. Second, as we say to our children, how do you commit to our values. They said ok we commit but then they said we want to achieve to give 25 % of our wealth to poor people, do you agree. And they agreed with our foundation. This takes a lot of time in order to shape consciousness through education and commitment. Recently we went with Philippe on a solidarity cruise and he could see how with 300,000 Euros, we can help 20 % of the poorest 100,000 people in the Delta. It means 150 Euros per person to get them out of poverty. It's a very small amount ! When I see the microcredit average that we spend is about 80 Euros per person, per year... these are very small amounts when we see the big wealth from which you spoke, Michel. It's possible today to solve this problem of poverty. It's a question in my opinion of commitment, of education, of going in the situation to understand what happened there. It's too theoretical. Is it not too theoretical. We have to work together Michel. The population and the governments.

NICOLÁS MARISCAL

— This idea of commitment I think is very important. One idea it would be great if you could share with us, what can we do in business in order to get this commitment? Everybody would just like to follow this case of Mondragon; this is a fantastic case. Going again with Michel, something that worries us in Mexico today, and I'm meeting with my president next Friday and with the US government, is immigration issue. When you were talking, Michel, about all these issues the biggest problem that we have in most of our countries, and I think here in Europe too, is immigration. I think that is because of a lack of employment. But you created a lot employment here with Mondragon, could you tell us a little bit about it?

JUAN MANUEL SINDE

 Well I think that something that is quite important is the criteria of not distributing the profits but investing most of the profits in the company. If you have money and you have people interested in developing the company, ideas arise. And there are periods that fade, but there are periods that are successful as well. Perhaps the criteria of not distributing the profits but they are invested, then it is very important to in order to have new ventures.

SÉRGIO CAVALIERI

— A very simple question. What kind of products do you make in the cooperatives? Is it agriculture or do you have other kinds of business?

JUAN MANUEL SINDE

— One important company is a distribution network, with about 30,000 employees. A very important sector for us is the sector linked to cars. We are making car parts, like plastics. We are also the most important machine utility industry in Spain. Besides that, really everything – electronics, furniture – everything.

SIGRID MARZ

- I have a question to the group. I was wondering if the time hasn't come to advocate funnel neutrality for solidarity. What do I mean by that? There's always been a challenge between if it should be the State that should be responsible for solidarity or private business or highwealth individuals, or the Church. When listening to [Juan Manuel's] presentation I was wondering if we moved, in the 21st century, to funnel neutrality; meaning if the capital today rises with high-wealth individuals, how can we get in contact with these high-wealth individuals to stimulate their desire for solidarity. Or, if it's with business (because business means profit), how do we stimulate the desire of business for solidarity? On the other hand, if it's with the State, I would argue that the State is not necessarily in better shape to orchestrate solidarity than business. There are weaknesses on both sides. How can we be neutral in our demand when we try to stimulate for solidarity in terms of where it should come from? I find maybe a big question mark today would be if we question the fact that wealth is in the hands of a few. We always get into revolutionary-type scenarios which are not close to Christian thinking. If we accept that high wealth is created with very few and we feel that a fundamental human desire is solidarity, maybe if each segment does its job it's a much more peaceful demand than going for, I don't know, major distribution projects which may fail, and have failed in the past when we've had the revolutions in the 20th century.

NICOLÁS MARISCAL

— Michel, you've got a lot of questions, would you mind answering these?

MICHEL CAMDESSUS

— Let me try to answer Sigrid's question. First of all, we must be mindful and try to share this view universally: this problem is not a problem of the poor against the rich, governments in front of civil society. Here, the real fabric of the world family is at stake. This problem cannot be addressed by one or the other. We must act in such a way that everybody, every group in the human society in other countries be invited to see that the present state of affairs, whatever our efforts to fight poverty to our efforts to improve health, education and so on, will not be really solved if we don't recognize that this problem of inequality is a cancer of the human society.

Of course, we will continue as you have said pretty well, Rolando, that we will continue being a world with inequalities. Possibly it's a positive thing because it creates emulation and all of that, but the problem is the real magnitude of the problem. Here we must open our eyes to a problem that will have a lot to develop hidden by our good efforts in several segments. We have mobilized the world to fight poverty, we have mobilized the world to accept the concept of forgiving debt. What a difficult thing to do ! Here we must open the eyes of everyone to the fact that those who decide the distribution of incomes in the world, in particular the private sector, that there are limits not to cross. Why? Because even those who make the most important part of the share are threatened by the situation they are just creating. This is the reality we must help them to see. It is self-destructive. There is a moment, and this is well-documented by sociologists, when the top takes too much then the productivity of the enterprise diminishes. And, of course, beyond the productivity of the single enterprise is the overall fabric around which is endangered. This is why even if governments cannot by far solve by themselves the problem, they must open the eyes of people around that, be careful you are just shooting yourself in the foot. It is very difficult. We have preferred not to see this problem but now you see the situation. This can make the whole capitalist or political system blow.

NICOLÁS MARISCAL

— Well, we're running out of time, so I just want to make one last comment here and thank you, everybody. I was at the World Economic Forum, as I just said, and they gave me an impressive figure talking about employment. Which is 40 % of jobs are going to disappear. And why is that ? Due to artificial intelligence. I don't know if you're taking care of that, Juan Manuel, or if you would also like to say something, but that is something to keep in mind. What's going on around the world these days. It was established that the best way to take care of people is investing in training, abilities and so forth, so I think Mondragon is doing great in that sense training and educating people. And, the commitment of 10 % of your profits in education that's also very important. What else can we do in business regarding the challenges ?

One last comment related to Rolando. The only thing we have to do is work toward the common good and the 3Gs that were mentioned repeatedly: Good goods, Good work, and Good wealth. We must plead to God to help us to accomplish this for His glory, and He is going to give us the wisdom to do so. He is the "Big G" at the center of it all *[laughter]*. Thank you, thank you very much *[applause]*.

MICHEL CAMDESSUS

- May I make a second point that I forgot to mention when answering Sigrid? It is the following: behind all of that we have an anthropological problem. I am not at all a specialist of these things, but we must observe now looking at the very reality, that [Milton] Friedman was wrong. Profit is not the only motivation in the human life. You are giving us the demonstration that you don't need to pay your CEO 400 times more than the basic worker to be very profitable in an 80,000 people group. I believe this is basic, and I say that because discussing with governments (and here we have these discussions about the future of the enterprise in France) we see that permanently, people from the business tell to the government be careful, the best brains and the best genius will go to China if we don't give them 420 times the worker's salary. This is damned wrong ! We must insist we cannot accept that profit is the only motivating factor.

Reforming the Enterprise

BY OLIVIER FAVEREAU

▷ ROLANDO MEDEIROS

Let's move on to our second panel of the day: **Reforming the Enterprise**. We have Olivier Favereau with us.

I think that the title of [Olivier's] presentation is very challenging because reforming has many, many meanings and is all encompassing. In that sense I think that by selecting the title of your presentation, you're telling us already a lot. Thank you for being with us, and after we will continue having roundtable discussions. Olivier, thank you, and welcome.

OLIVIER FAVEREAU

I renew my thanks for the invitation.

This will be the plan of my talk. I will show you that since the beginning, there has been a very big problem at the heart of the most standard firm. This problem became clear with influence of the Economic School at Chicago, which promotes financialization and the shareholder value in spite of all its defects. It reveals a permanent problem, and when we become conscious of this structural problem it helps us to understand what was going on in our world since the Second World War. If there is a problem then we may hope that there is a solution, and indeed, there is no hope to find a solution if we are not clear on the problem. I will be as clear as possible on the content of the problem. I will link the solution with something well-known in a large part of Europe, which is called **codetermination**. I will explain why it is a good idea, and, not only as an idea of Europe, but also an idea on Europe. It is a very practical, pragmatic solution. It is also a very efficient solution.

Then, I will meet the subtitle of my talk: to counter increasing inequality and restore business as a noble vocation. I will show you that it is (and I'm not so optimistic) one of the rare means to counter increasing inequality, and in the same way restore business as a noble vocation. The beautiful part of the title of this meeting.

So, the problem. This is what I had to teach during many years, now I am *emeritus*, when I teach economics or finance in my university. It was the same in all of the business schools of the world. I will call this **conventional wisdom**, an expression of [John Kenneth] Galbraith's, about corporate governance since the 1970s or 1980s. Unfortunately, I think it's still dominant now. To summarize it, the shareholders are the owners of the firm or corporation. The top managers are the agents, in French *les mandataires*, of the shareholders. In English terminology they are the principal. The agency relationship is the basic model of the firm, so shareholder primacy has a double legitimacy: political, because it's founded on the property rights of the shareholders; and economic. This is what is taught even nowadays everywhere in the world as a residual claimant.

I think Michel Camdessus has quoted a famous paper by Milton Friedman, the title of which is an unfortunately beautiful summary of all this philosophy: the social responsibility of business is to increase its profits. It's not in an academic journal, it's in the New York Times Magazine as soon as 1970. This package of ideas is the scientific or intellectual justification of the whole movement of financialization up to now. The point is that this conventional wisdom is wrong. As wrong as you may hope. Because, if you are a student of the first year of an academic course on droit des sociétés, business law, you learn that of course shareholders cannot own the corporation nor the firm. The top managers are not the agents of the shareholders. The agency relationship is not the basic model of the firm, and shareholder value has no legitimacy.

I owe this idea not to economists nor to finance experts, but to lawyers. A French one, Jean-Philippe Robé, who is a lawyer in a *cabinet des avocats* [firm] in Paris. You can find other lawyers in England. Paddy Ireland whose paper is called *The Myth of Shareholder Ownership*⁵. Or our American colleagues, Margaret Blair and Lynn Stout, in this very famous paper, *A Team Production Theory of Corporate Law*⁶ in the Virginia Law Review. It's interesting to see that all three authors wrote their theses in the same year, 1999.

Well, why is it completely wrong? Your first firm, business, or enterprise is not a legal object; it is not a legal category. Law has a very great merit: it's precise. You cannot own something that is not clearly defined in law. Of course, I speak about a firm, enterprise, business, or whatever. What is clear in law is a corporation is a legal person created by the first shareholders. Maybe the question becomes, could the shareholders be the owners of the corporation? We have to think a little. It's a legal *person*. Could you be the owner of a person?

⁵ Ireland, Paddy. "Company Law and the Myth of Shareholder Ownership." The Modern Law Review Vol. 62, No. 1 (1999)

⁶ Blair, Margaret M. and Stout, Lynn A. *"A Team Production Theory of Corporate Law."* Virginia Law Review, Vol. 85, No. 2 (1999)

If it is a physical person, the ownership is slavery. If it is a legal public person, like the State, ownership would be totalitarianism. It is not possible to be defined in either common law or civil law, everywhere in the world, ownership of a legal private person.

[Laurent] has evoked his grandchildren. I also have some have some grandchildren. I only have four daughters, you have five, congratulations [laughter]. I think that my grandchildren will speak of the present time, some years from now, as the period where so many serious people thought that they could be the owners of an enterprise. That is the point. I learned it from my colleagues in law, either American, English, German, or French. I'm sorry to say that there are no objections to this point. It becomes a very deep question for us if shareholders do not own the company or corporation. There is a terrible question in front of us but very exciting. Who owns the company? There is a great void that suggests that enterprises and business firms, one of the most fundamental institutions of our world, is not appropriately seized and understood within the language of property. The language of property, of ownership is not appropriate to think seriously about firms.

I must say that I dwell on the collective work, as I have said in the introduction, which was led by a group of forty researchers for ten years at the Collège des Bernandins. Scholars from management, law, economics, sociology, practitioners, and not only academics.

To be brief I will say about this graph of financialization it's clear that something happened in 1970s and the following decade up to now. You see it is the growth of the assets of which the banks are owned by asset. Just to remind us that we are still living in a world dominated by finance. And we will see the consequence of the conception of the firm.

I put on this all the stakeholders who are implied in the working of the standard firm: managers, CEO, shareholders, creditors, customers, workers, filials and so on. If I want to have a good theory of the firm, we should have a theory of the interrelations between all these stakeholders. The word is deceptive, we can call this enterprise, but if you prefer firm, it can be firm. It is this whole huge set including all these stakeholders. But there is something more common, more convenient, more useful when everybody speaks of his firm. He speaks of the place where he is working, doing something material. These are the people who do the essential of the job. Then, we have something else which is extraordinarily precise which is the legal person of the company or the corporation. You see I made straight lines to say who is a member of a company. You can see with an absolute precision who is member of the company at each moment in time. It's simply people who own shares of this corporation or company.

Then you see the problem. In a sense it is a political problem. This huge set of stakeholders is governed by small subset of this huge set, which is the corporation or company with its governing set. And you see it's only part, even if it governs the remainder, it's only a part of the set and the frontier of this set is not determined. What is determined is clear cut in the frontier of this. Remember that workers are not members of the company or corporation except if they own shares. Then they belong to the company or corporation not as workers but as shareholders.

For me it was a discovery. This is the same chart. Probably like me you think that if they are not members of the company, workers belong to the firm. If you look at the history of manpower management techniques and the work of historians on this question, there was a period not so long ago where workers did not belong to the firm. Not only to the corporation. If you think on the period between 1880 until the First World War. indeed, there was no labor contract and the workers were recruited by a foreman, who was a very important man besides the managers and owners of the assets. The owners and managers tell the foreman, this is our program of production for the next period this is your budget and then you recruit as you like, and you make them do the job. Those historians⁷⁸ record that at this time, workers had no impression to work for the firm but rather to the individual person of the foreman. So, at this time workers could not belong to the firm. What changed around the First World War was the fact that when every industrial country invented the labor contract, and the labor contract mixed with the contrat société, the idea of the legal person, the combination drives to the conclusion that the employer is no longer the foreman, but the legal person of the society. Our provisory conclusion is that there is a big political problem within the most standard firm within the last third of the 19th century because of this gap between the subset which governs the whole set. We are always wondering which is a good frontier, who could be integrated, who should remain outside.

This is always the same chart. If we think about the years, what we call in French *Les Trente Glorieuses*, the years 1945 to the first oil crisis. For the historians things are rather clear. There was a great rule and as a macroeconomist you could easily check in the data of this period. The rate of growth of the real wage

⁷ Jacoby, Sanford. "Employing Bureaucracy." Columbia University Press (2004)

Marsden, David. "A Theory of Employment Systems." Oxford University Press (1999)

was equal to the rate of growth of labor productivity, which means that the structure of the national income was rather stable. Sometimes increasing, sometimes decreasing. For the economists and historians who think on this period, the meaning of this fact is there was a kind of alliance agreement between the management on one side and the workers represented through their trade unions against the finance. Especially against shareholders who were not at this time in a very pleasant state.

What we have seen with [Milton] Friedman in the decades 1970s is the reaction against these phases. The reaction was a switch from the alliance between managers and workers to another alliance between managers and the financial world. And stock-options are the best instance of this move in alliance. Friedman or Williamson said very often, *"We have to align the incentives of the manager on those of the shareholders."* Stock options are the best illustration.

For this, I have no time. This is a technical point in economic theory.

So, this is the problem. We have experienced two kinds of alliance: one with management and workers; and since the 1970s another alliance between the managers and finance.

There is something we have not tried until now, which should be called the **pluralistic firm** that is not an alliance between two of the constituent parties, but three: management, labor, and capital. How could it be translated in law? In general philosophy it's an alliance between three and not two. We should call it in a philosophical or political way the pluralistic firm. This is the first case where it's really a pluralistic system which governs the firm. You could tell me, well, that would be the ideal but there is such a distance between ideal and the actual world.

Now this is the good news: it exists. Partially, approximately it exists under a very precise name, and its legal name is **codetermination**. What is it? It is this kind of pragmatic idea. Let workers, or the representative of the workers, enter the board even if they did not found or participate in the creation of the firm. The point is this idea.

In Europe a majority of counties follow another governance scheme which is called legally codetermination. What is interesting is that the change, in the history and the geography of Europe. Because we discover that through three historical waves, this kind of governance was introduced pragmatically without much noise and without any general theory to found it. The first wave just after the second world war was Germany and then Austria and afterwards Netherlands. The second wave was in the 1970s, and I think it was a consequence following the revolts of May 1968, or you may have another reason. It is all the Nordic countries which enter this scheme and after falling of the Berlin Wall, a third wave came with a majority of the Eastern countries. Just some information, in fact you have in present day in Europe, and it concerns more than half of the European countries.

I can simplify the presentation : two systems for private firms. Here you also have information on public firms. But I am interested especially of course in private firms. Either you have a very high percentage of board level employee representatives, let us say half as is the case of Germany, but the minimum size of the firm which is applied is rather high, 1,000 to 2,000 people. Or, you have another system where the percentage is very systematically one-third. Nearly all other countries. But then the minimum size to which is applied is extremely low. In some Nordic countries [codetermination] becomes as soon as the firm has 25 employees.

As I am now short of time, I will draw some conclusions on this overview. I will use now the subtitle of my talk and I will discuss with you four arguments which are a very important lever to fight against increasing inequality, and a very efficient means to restoring business as a noble vocation. So, my four arguments on why the generalization of codetermination, first in Europe and maybe elsewhere, could be an efficient means to decrease inequality.

First, because codetermination is exactly the inverse of financialization. There are now many scientific studies which show that there is a direct causal link between financialization and inequality. There is a very good paper by my colleague Olivier Godechot at Sciences Po⁹.

Now I will be a little pessimistic. Finance has gained. You know the sentence by Warren Buffett, *"There is class warfare, but it is my class, the rich class which is making war, and we are winning!"* Even in France we have experienced attempts to regulate finance. There are some results but as you know the power of finance is nearly as high as ten years ago. If you give more power to workers within the boards within all the firms, as it is beginning in Europe, well this could be a technique to at least circumvent the power of finance. Indeed in a liberal way. Just make this thought experiment. If a country wants to be in the Eurozone you have many principles to respect, but one more is the board in each of your business firms is divided equally between representatives of shareholders and

⁹ Godechot, Olivier. "Financialization Is Marketization ! A Study of the Respective Impacts of Various Dimensions of Financialization on the Increase in Global Inequality". Sociological Science, Vol. 3 (2016)

representatives of labor. Make this thought experiment and it's obvious that the whole of the European project will be engaged in different ways.

Second, all the countries in Europe where there is a significant form of codeterminations, have less income inequality – think of the Nordic countries and Germany.

Third, neutralizing the perverse effects of redistribution. Maybe I reserve this point which is more technical and would imply that I speak more precisely on France. I will run to the fourth argument.

There are already countries in Europe which practice codetermination. What are the results? I would mention two recent econometric studies - very sophisticated. In the case of Germany first, the big law was in 1976 where the minimum size was lowered to have a 50-50 divide in the board. So, for the economic missions this is the best context you could hope for to make strong, serious comparisons between before and after. The result indeed was very surprising for the author of the studies. The German firms who shifted from onethird codetermination to one-half codetermination were more innovative. Whereas some liberal common sense would suggest codetermination, the presence of workers on the board, would be an obstacle to some kind of innovation. There was more innovation in the sense that ten years after the 1976 law they had many more patents. You see the idea is that if at least codetermination could regulate the firms, one part of the inequality could be regulated. It is the part of the inequality which comes from attractive force of the CEO, which then go down to the other levels of the graph. Then I will conclude on this last point. Why with pluralistic firms could we have hope to restore business as a noble vocation? Maybe my first argument is the best one. If a CEO is in front of his board of only shareholders, then what will his criteria of success be? It will be financial criteria. Indeed, managers will be automatically agents of the shareholders. Now imagine a CEO that is front of half representatives of labor and half representatives of capital. Then his function changes. Because he has to create the common world between capital and labor. The responsibility changed its level.

The second point is the fact that every 10 years, at least in France, you have suggestions – even from the management side – that we in France should adopt this. Indeed, it's being discussed as reforming the business law in France will be voted next month.

The third point is that codetermination is strictly conformed to the social doctrine of the Catholic Church. I refer you to the encyclical letter, *Quadragesimo anno*[®] paragraph 72 where it is said that workers and employees are called to participate in one way or another to the property, the ownership of the firm, its management (that's codetermination) and also the profit which a firm earns.

Last point, is the fact that we can imagine an opening of corporate governance on the question of ecological transition. Now, if we start from codetermination, quite easily. It will be a part of the new [French] law which will be voted next month with the idea of *société à mission* or benefit corporation in English. It's the idea that there will be an instance with respect to which the board should be responsible for the impact on the environment.

Thank you for your attention, sorry I have been a little long [*applause*].

10 Quadragesimo anno: On Reconstruction of the Social Order (1931)

PANEL II Discussion moderated by michel camdessus

MICHEL CAMDESSUS

— Well thank you very much. We have a lot of food for thought and for debate. I presume that all of you were mindful that the shareholders were not the exclusive owners of the companies, but there are not that many people knowing that. At least in my country. So [Olivier] has made a formidable work at the Collège des Bernardins with this team of forty people working for ten years on this issue. They started to work for three years and then another three years and now I'm sure you will continue certainly.

OLIVIER FAVEREAU

— Yes, exactly.

MICHEL CAMDESSUS

— So, this is a product of an in-depth and patient work, and it is starting to produce some effects very modest, indeed, in France. The issue of reforming the enterprise is there and a law is being presented to parliament, extremely timid indeed. But at least you have opened the way.

Now, you have plenty of questions, I will not add my own ones. The question is how to go from the Great Deformation, as you called it, to possibly not immediately to the ecodetermination, but at least to a form of codetermination which could have very positive effects. Not only for the unity of Europe, for the awakening of Europe but also worldwide as one of the safest avenues in the big business of reducing inequalities. Here the experience shows that when you go into this direction of more participation of workers in the management of the company, then inequalities are being reduced, and the economy made more effective and efficient.

I was particularly impressed by what you were saying about innovation. The more your workers are participating the better the innovation. Of course, this is one single example and you hope you will be able to show that it is a broader observation but it's worth to have in mind.

So, thank you Olivier, and now the floor is open ! We will start by Nicolás and then we will go that way around the table.

NICOLÁS MARISCAL

— Thank you for your presentation, really, and all the research you [Olivier] have done. I really think this is a tremendous work that we need to share with the world because this is news as we have never heard before what you are doing. I've been educated in the US, but I don't know how much in the US people know these things.

You mentioned in a statement when you started your talk, that really gave me some thought. You mentioned that we're dominated by finance. I want to share with you all something that Michel introduced me to, because I'm working very much with someone who just came out with a book that's called Can Finance Save the World ?¹¹ Why do I say this ? This is a man that was the CFO of Société Générale, Crédit d'Agricole, Bertrand Badré, and he just finished being the former manager of the World Bank. I just want to hear about all this because he answers the question, and it's very much related what we've been talking about.

PIERRE LECOCQ

— I find your question about the ownership of the company quite intriguing and interesting. Maybe one point in your

drawings, I've seen that for the legal part of the company, you put together board and CEO. In most of our companies in France, and unfortunately I think in many other companies in other countries like the US, the two aspects are separated less and less, and we combine the role of the chairman of the board and the of the CEO. Which means that as a CEO, a chairman of the board is what? The board represents the shareholder and defends the interest of the shareholders and the chairman of the board obviously chairs this group of directors. Now as a CEO, you run the company every day. If you combine the two as often it is the case, you are as a CEO much more the chairman of the board than the CEO so you defend much more the financial interests of your shareholders than the actual ongoing interest of the company. I've been running a global company for twenty years where I was the CEO, but I had a chairman of the board. We very often had intriguing and interesting discussions to find the right equilibrium. And I could measure as a CEO the tremendous impact we have on the behavior, not only on the people we have in the company, but on the behavior on your board and on the shareholders. I'll be very interested if in your study you would compare the spread of salaries, for example, and your overall indicator of inequalities between companies where the chairman of the board and the CEO are combined, and with companies where it's separated. I'm deeply convinced that when those two functions are separated, the spread is much lower and probably the involvement and the respect of the company much stronger. I think it would be worthwhile to look at that. It would be a very simple decision to take, to impose, and I don't see why it cannot be done - to impose that in any company the role of the board and the role of the CEO be fully separated. It brings a real equilibrium. As CEO then you feel much more responsible for the company and your employees than you do when you combine both. Particularly on the high salary. When we look at the very shocking salary of some of our leaders very often they are both chairmen of the board and CEOs.

ROLANDO MEDEIROS

— There are places in the world where the two functions are separated by law. Germany is one case, Chile is another case, and so on. That tends to be a solution that is compromising the model of what you presented. When you separate the CEO role from the board of directors I think that the role of the CEO is totally changed, because the role of the CEO is to basically balance the conflicting interests of all the stakeholders and by doing that he is really fulfilling his responsibilities. That's a comment that I want to add to what Pierre was saying.

MICHEL CAMDESSUS

— What a burden on the shoulders of this guy! But ok, it's a fact of life. Etienne?

¹¹ Badré, Bertrand. "Can Finance Save the World? Regaining Power Over Money to Serve the Common Good". (2018)

ETIENNE WIBAUX

— Regarding the urgency of your cause, Michel, and regarding this new culture you are showing here, is it not necessary now to go further in order to bring to everybody the consciousness of this new model? We speak for a long time about solidarity, about social teaching and all that, but the inequality is so huge. As we said, we have seen salary of \$15 per month, and we are speaking from solidarity regarding the minimum salary in France which is 100 times more. It's incredible. We need a change in the general culture. How can we go further than that?

ULRICH HEMEL

— I have been working on a company with codetermination because we went from 5,000 to 10,000 employees. At that time, I had been the CEO and so I have direct experience. First of all, I have to congratulate [Olivier], because I think it's a good thing that you say we have the Great Reformation, and we have good effects and that this is measurable. Nevertheless, let me also put some water into the wine because not everything is perfect, to be honest.

I'm very much in favor of local climate alliances but I do not really think that the ecological transition is so strongly supported. We have at least the experience where you really have a problem – carbon industry or mining or energy. Very often, especially the workers, they understand that this is a transition which costs jobs. So of course, this is not very supportive in that sense. Inequality, does it really help? Yes and no. We have the law on transparency of managerial salaries, and you also have the compliance index in Germany where you say, *comply or explain*. A lot of people then there are explaining. We also have a lot of criticism. So, ok, they complied. But what was the effect? The effect was that vou are a very good CEO, and you earn 300,000 Euros. I'm a mediocre CEO, and I earn 500,000 Euros. Of course, I think I earn it, and you think I don't. But what really happened was that nobody earned less, there was a huge rise not to the bottom but up, so the real effect was increasing inequality. not decreasing, unfortunately. Nevertheless, I'm not at all against this, but I also know that there are a lot of detours. Even in Germany where the concept is quite general, what do we observe? The big, big companies they create the SE which is societas Europaea, which is the European society. Why? Because they don't have so much codetermination. That's their motivation. Talk to the general managers and that's what they say.

Then I have been working in the private equity industry, what do they do? They do everything in order to have ways of putting limited to steering committees or whatever, so they try to evade it. So, it's not easy. I agree with your findings. Of course, I'm in a German context. I must also say that as a CEO very often I found more understanding in company decisions in the workers counsel, because we had six and six, and the casting vote is the chairman of the board. So you have 50 %, but you have a casting vote. Generally speaking they are quite reasonable because they understand the company, and do something which [Juan Manuel] also put into for Mondragon; they have a very pragmatic view on the company.

Overall my picture is positive but not without some water in the wine *[laughter]*.

MICHEL CAMDESSUS

---- Thank you very much for a very nuanced view. Who's next?

LAURENT BATAILLE

— My father would have explained the same. But today I think my experience in my company is that we are more together in the company and not against. This takes in as an action, as a fundamental, that workers are against finance. For sure we spent twenty to thirty years of hyper-financialization of the economy. I feel that in this presentation we were there, and now we are 180 degrees there in terms of management. For me the true inequality is not inside the companies. The true inequality is linked to the unemployment. People that are outside the companies. My feeling is that the true inequality is not being able to belong to the community that is the company. Maybe we have to think about how to be more inclusive rather than to have the wealth built by the companies.

PIERRE DESCHAMPS

— I know pretty well the presentation of Olivier for a special reason *[laughter]*. But I have disagreement regarding the Great Deformation. I think it would be necessary to distinguish large companies, especially large companies who have shares quoted on the stock market, that means unknown shareholders, and distinguish from the medium companies, especially family companies where the shareholders are often managers. The distinction between shareholders and managers is not the same in large companies and medium or small companies.

SÉRGIO CAVALIERI

— Just a few comments. First, I think there was also a distortion in the board responsibilities because they are not there to defend the shareholders. They have the personal responsibility, at least in my country, to defend the company. If they do not do that they cannot be replaced, they have their own opinion they should defend the company. Maybe there is a distortion in the function of the board. The equilibrium I think has a coincidence with codetermination, because if you bring labor to the board then if they are going to defend the shareholders, it won't change anything. So they have to defend the company; they have to defend the whole system. I talked about this in Lisbon in the last UNIAPAC Congress.

In the case the stakeholders of the company are the whole society. That's why in your drawing, this is not a closed line - it's undetermined. The whole society is the stakeholder of the company, so the company doesn't have to take care only of the shareholder. That's 20th century thought. I don't know why this codetermination (I think I heard of this in the 1990s) and then in Latin America and in the US, I haven't heard of bringing laborers to the Board. We bring external independent members, but not laborers. At least in the Americas, I don't know about here in Europe, But vou're saying that by law, you're supposed to have laborers from your company in your board, but in Latin America this is something maybe Laurent was talking about. Maybe today we have a much better relationship with the laborers. Maybe they feel that they have a good situation. Anyway, I still think that the compensations are very high for some companies. Some companies still have a very high difference in compensation and the lowest income, and this is something that has to do with the companies.

To finalize, most of the money is in the companies. If we want to bring inequality down, it has to do with the companies. We have the money and we have the power to do that. It's not in the government, it's not in NGOs, it's in the companies. I think we have our responsibility to deal with that. I don't have the answer *[laughter]* but the ball is in our field.

MICHEL CAMDESSUS

--- Well, once you have said that you have a responsibility...

OLIVIER FAVEREAU

 Well, thank you all for these questions, remarks, observations and criticisms – I like this. Indeed, with our group at Bernardins it's pleasant to see how quickly discussions come to very practical things. On a practical level, I quite agree. As my presentation was already too long. I had to concentrate on one type of firm and not on small family-type firms, or even medium-sized. There are two great schemes in Europe: the monist one, conseil d'administration, and the dualist one, conseil de surveillance et directoire. My friends and colleagues from law told me that that does not make a very big difference. at least at the level of the questions I was meeting with. Probably in the actual working of a specific company, yes, it makes some changes. Our point is to make a better equilibrium between capital and labor within the board. Either *conseil de surveillance* or *conseil d'administration*.

I did not give you my best argument in favor of codetermination, only at the end of my talk can I give this argument. In the 20th century it should be obvious that a firm is the affair of capital. Of course you need money to run a firm, but it's also the affair of labor. If you are one without the other it does not work. I was very pleased last night when preparing the last slide to see in *Quadragesimo anno* that Pope Pius XI said that it is fundamental not to separate capital from labor and not to separate labor from capital. In a sense it's obvious. I would like to go beyond this point, which for you may seem not too obvious, I will remind you of two things :

1 The discussion on codetermination was widespread in the European economic community in the 1970s. We have all forgotten that all the countries, founders of the European Union, even Italy especially, discussed on the opportunity and the necessity of homogenizing business law between all the members of the European Union. There is a famous project of fifth directive on what should be the minimum requirements to the business firms within the European Union and the point which was discussed was we have to impose codetermination on the level of one-third of the board. This was the system of the Netherlands. The discussion keeps on through all the 1970s and it was finally and definitively rejected in 1983. Meanwhile Britain enters the economic community and there were also many other problems. But you see in 1983 in England : Margaret Thatcher: in the States: Ronald Reagan, we have switched from one period to another. The fact that the European way of thinking about another pillar in the European political construction besides competition was a cooperative pillar. It was very original within the firms. Unfortunately, it has been forgotten and even if I speak as a psychoanalyst, refoulé.

2 Last point is the fact that nowadays, more than half of the European countries have at least one-third of their board and so I would say that (and I hear the objections) but the problem is in your side. Why did you stick to the old standard board whereas half of the countries practice codetermination ? If I look at these kind of countries, they are the most efficient ones in the European competition : the Nordic countries, Germany, and Austria.

Well, the ball *est dans l'autre camp aussi*. To conclude, we have many discussions at the Collège des Bernardins with managers, politicians, the government and so on, and what is striking is that now, and for us it's already a result. Now they are still against codetermination, but they have to explain *why* they are against it. This was not the case ten years ago. The ideas are moving, and when the ideas are moving, maybe it's better not to be too late in the movement. Thank you.

MICHEL CAMDESSUS

— Thank you very much, Olivier. Thanks to you we will not be too late in the thinking *[laughter]*. Well I believe I will not add anything to what you have concluded, so it's time for lunch.

PANEL III Starting from the World of the Poor BY MARTIN MAIER

\triangleright MARTIN MAIER, SJ

Good afternoon to everybody. Thank you for being with you and thank you for giving me the opportunity to talk as a theologian. I am not an entrepreneur and I am not a business executive. I am a Jesuit who did a doctorate in theology. I am also especially happy to be with Monsieur Michel Camdessus. I prepared a handout, two pages, thirteen points. This is by chance and I will follow more or less in my exposition this handout. I am aware as Michel Camdessus said that it's not an easy time after a meal, we have to fight against the afternoon demons *[laughter]*, but I will try to do so.

I was asked to talk under the theme, **Starting from the World of the Poor**, and this makes much sense because as I say very generally in my first point, in the Jewish-Christian tradition particular attention is given to the poor. This preference is rooted theologically and spiritually and not only socially and ethically. And that's what I want to develop a little bit. But, being faithful to Thomas Aquinas who says in one of his writings that it's important at the beginning of a research to clarify the concepts, I want to make a little clarification of concepts in my second point.

What do we understand when we talk about poverty? I suggest fundamentally three meanings in the understanding of poverty. I inspire myself by important meeting of the Latin American bishops which took place fifty years ago in Medellín, Colombia. They made this triple distinction in the understanding of poverty. They said the first understanding of poverty is negative, in the sense that the conditions for life in dignity are lacking the absence and privation of what is necessary to live with dignity. You could call this form of poverty also misery, and misery must be fought, must be eradicated, and must be overcome. There is nothing positive in misery. The second sense is positive, and this comes from the Gospel when Jesus in the beatitudes, he says at the beginning, blessed are the poor. He is not speaking of misery but he is speaking of poverty as spiritual openness to God and as one of the evangelical counsels of perfection. And I make a third distinction in the understanding of poverty. Poverty as solidarity with the poor and as a participation in their struggle for justice. This poverty is freely chosen. For example, the vow of poverty in religious life is an expression of this understanding of poverty as solidarity.

The foundation of the preferential option for the poor, and this is another way to put starting from the world of the poor. By the way again something which entered into the social doctrine of the Church from Latin America,

the foundation of the preferential option for the poor is equality of dignity for all human beings. We have touched this question already several times this morning in the exposition of Juan Manuel Sinde, and Michel Camdessus was also referring to human dignity that extreme inequality is a blow to human dignity. Human dignity in a Christian understanding is rooted in the creation of human beings in the image and likeness of God. In the Hebrew Bible, God appears in the beginning of the history of the people of Israel as a liberator of His oppressed people in Egypt, and as the defender of widows and orphans, the poor, the marginalized in Israel's society. Isaiah, one of the great prophets, demands in the name of God: "Learn to do right; see that justice is done, help those who are oppressed, give orphans their rights and defend widows." He speaks as a prophet in the name of God.

Jeremiah establishes an intimate link between the wisdom of God and the praxis of justice: "He gave the poor a fair trial, and all went well with him. That is what it means to know the Lord." Finding, knowing God means practicing justice for the Old Testament prophets. This preference is not exclusive but inclusive. Precisely because every human being is important to God, he shows that he is a God who stands with those whose dignity and life are under threat. This is theological foundation of the option for the poor in the Old Testament.

My fourth point goes to Jesus Christ in Christian faith. God shows his preference for the poor also in His incarnation in Jesus Christ. The movement of the incarnation is from above downwards, from the glory of God to the limitations and poverty of humans – in the paulinian theology, that means the theology of Saint Paul developed in his letters, appears for this the Greek term, kenosis. This means literally, emptying oneself. This is what happens in the incarnation, that God is emptying Himself, from His glory and His power and He enters in the limits of space and time. He does this out of Misericordia; out of love, because He wants to save humankind. The fundamental event in this saving project, this morning it also came up, is the question, can finance save the world? I don't think so. The savior is God and the event of salvation in its most important moment is the incarnation of God in Jesus Christ.

This also linked with the option for the poor. The option for the poor also characterized Jesus' earthly life. He did not live in palaces. He was at home amongst simple people. He was a carpenter. The poor people hold the first place in His *beatitudes* – what I said already. In another major text of the New Testament, the parable of the final judgment, he identifies with the most needy: "What you did to those of my little brothers, to me you did it." This enters again in the theology of Saint Paul. Paul sees the quintessence of Christian faith in God's preference for revealing himself in the least and the weakest in the world. "God purposely chose what the world considers nonsense in order to shame the wise; and he chose what the world considers weak in order to shame the powerful." In other words, the option for the poor runs through the Bible like a red cord.

So far this has been my biblical development, and I continue now more theologically. The option for the poor is at the heart of Pope Francis' wish to renew the Church. Three days after being elected Pope, in front of a crowd of journalists, he said, "How much I wish a poor Church for the poor." This is the program of his pontificate. About a year after being elected he published a first major programmatic document for his pontificate called Evangelii gaudium; The Joy of the Gospel. I refer several times now to Evangelii gaudium, and in this document, which is not an encyclical it's an apostolic exhortation, Francis refers to his predecessor Benedict XVI, and this is also to be noted that Francis is in a continuity with his predecessor. He refers to Benedict XVI who in his opening speech to the Latin American bishops' conference in Aparecida, Brazil in 2007, gave a wonderful theological and Christological foundation for the option for the poor. Taking up in a very dense way what I have been trying to develop before, this option "is implicit in our Christian faith in a God who became poor for us (incarnation; kenosis), so as to enrich us with his poverty." And Pope Francis goes on: "This is why I want a poor Church for the poor. We have to state, without mincing our words, that there is an inseparable bond between our faith and the poor."

This is not only theory but practice, this is experience. Pope Francis expresses it in the following way, Jesus felt the joy he links with the poor, He "rejoiced in the Holy Spirit and praised the Father for revealing himself to the poor and the little ones." In the Gospel of Luke. And Pope Francis continues very personally, that his experience as bishop and archbishop in Argentina, "I can say that the most beautiful and natural expressions of joy which I have seen in my life were in poor people who had little to hold on to."

The preferential option for the poor, and I underline this again, is not exclusive but aims at human dignity for all. Pope Francis explains this also in *Evangelii Gaudium: "The Pope loves everyone, rich and poor alike, but he is obliged in the name of Christ to remind all that the rich must help, respect and promote the poor."* In other words, he calls the rich to conversion. Pope Francis is in *Evangelii Gaudium* also very explicit about the structural dimension of inequality. This is a longer quote :

The need to resolve the structural causes of poverty cannot be delayed, not only for the pragmatic reason of its urgency for the good order of society, but because society needs to be cured of a sickness which is weakening and frustrating it, and which can only lead to new crises. Welfare projects, which meet certain urgent needs, should be considered merely temporary responses. As long as the problems of the poor are not radically resolved by rejecting the absolute autonomy of markets and financial speculation and by attacking the structural causes of inequality, no solution will be found for the world's problems or, for that matter, to any problems. Inequality is the root of social ills.

Very poignant statement of the Pope, and I want to relate it to another quotation of a great bishop from Brazil, Dom Hélder Câmara. He put more or less what Pope Francis says here in the following way, he said, "When I give bread to the hungry, everybody is fine with me; the wonderful holy bishop," and then he goes on and he says, "but, when I ask why are there so many hungry people, why? Very quickly I am accused of being a communist."

If you put the question which tackle the structures, you run into conflict. I have worked quite a lot about another great Latin American bishop who was canonized recently by Pope Francis: Archbishop Óscar Romero. He made this step from works of mercy to tackle the structures and he was assassinated celebrating the holy eucharist in 1980.

My next point goes to another important theme of the **Catholic Social Teaching** (CST). The question of private property is under social mortgage. Again, from Pope Francis:

Solidarity is a spontaneous reaction by those who recognize that the social function of property and the universal destination of goods are realities which come before private property. The private ownership of goods is justified by the need to protect and increase them, so that they can better serve the common good; for this reason, solidarity must be lived as the decision to restore to the poor what belongs to them. These convictions and habits of solidarity, when they are put into practice, open the way to other structural transformations and make them possible. Changing structures without generating new convictions and attitudes will only ensure that those same structures will become, sooner or later, corrupt, oppressive and ineffectual.

In my last points I try to develop a vision of how a different world order, a different model of civilization could be, and I am very much inspired without quoting it directly, by the encyclical *Laudato si*, the care for our common home of Pope Francis. I think this is a major document in this pontificate because Pope Francis links the question of ecology with the question of justice.

He makes clear that today the challenge of ecology cannot be separated from the challenge of justice. Global warming is a question of justice because those who most contribute are the rich countries of the North and those who most suffer from the consequences already today are the poor countries of the South.

Pope Francis calls in *Laudato si'* for a "*bold cultural revolution*". I connect this also with what Olivier Favereau said at the end of his exposition, that we have to go from codetermination to ecodetermination. Revolutions begin in the mind, in thinking differently. What is needed is a fundamental change of conscious and values related to a new way of understanding quality of life and the environment, and the integration of ecological factors in the idea of wellbeing and progress. That's what Pope Francis calls a bold cultural revolution. I am convinced, and this is also my personal experience because I was for a time a parish priest in a poor countryside parish in El Salvador.

We can learn from the poor that a more frugal standard of life does not mean less happiness. Happiness after all cannot be measured by gross domestic product or individual product! Moral philosopher Marta Nussbaum calls for world citizens, citizens who have the capacity to understand themselves as part a human family. The ideal of humanity as a family, as part of the human family that extends beyond local and regional borders. I remember the motto by the German Catholic charity Misereor some years ago for its fasting campaign, *"It is better to live well than to have a lot."*

Finances will not save the world. I can relate this also to one of my favorite gospel quotations where Jesus says, *"What does it help a man if he wins the whole world but loses his soul."* To overcome the global crisis a new model of civilization is needed. This model was inspired by Father Pedro Arrupe, former general superior of the Society of Jesus by Pope Francis, and by Father Ignacio Ellacuría, a Basque Jesuit who was a philosopher and a theologian and who was assassinated thirty years ago in El Salvador. I call this model a **civilization of shared frugality**.

That means on the one hand that resources and wealth must be divided more equitably and on the other hand

that this will inevitably require restrictions in the lifestyle of the people in rich countries. Its decisive criteria of this new model of civilization have to be universality, justice, and sustainability. The economies of the rich countries of the north are not universalizable because of reasons having to do with the environment, global warming, and because of limits of natural resources. The experts are clear on this, the whole humanity would adopt the lifestyle of the richest fifth of humanity, we would need about seven planets. According to the German philosopher Kant in his moral philosophy, whatever is not universalizable cannot be defended ethically either. To put it in other words, the lifestyle of the rich part of humanity is not moral under this perspective of Kant.

On a global scale, justice means that all human beings have the same right to natural resources and to energy, and that ecological consequences are distributed equitably or at least in a more or less similar way. Sustainability means administering resources in such a way that the foundations of action are not destroyed and that the rights and interests of future generations are borne in mind. It is a German-Jewish philosopher Hans Jonas who wrote a major book, *The Principle of Responsibility* or *Das Prinzip Verantwortung*, where he develops this idea that we today have a responsibility also with future generations. In my work in Brussels I once made the proposition that why not sitting at the table where important issues are negotiated are people who represent future generations?

My last point: the implementation of such a civilization of shared frugality is a gigantic challenge. For it a new social contract between business, science, politics and civil society is needed. The interlocking of the problems requires interdisciplinary efforts. Here also the religious communities with their motivation and action potential are in great demand. Justice and preservation of creation are also questions of faith. We tackled this morning also the issue if we should be pessimistic or optimistic. In France an interesting proposal was made to foster a catastrophisme éclairé or enlightened catastrophism. My final point is that I think the situation we live today is too serious that we could afford to be pessimistic. Thank you very much *[applause]*.

From the world of the poor to the world of fraternity BY SIGRID MARZ

This morning we saw that:

THE ECONOMY. Sustainable economic models do exist – for example, the social market economy, which stands in contrast with the neo-liberal economic model.

THE ENTERPRISE. We also know micro-economic models that are sustainable and equitable: cooperatives.

For the purpose of our debate, I suggest that we recognise that such models exist, and that we should refrain from
thinking that they should or could be replicated in their original shape or form. Different countries may find variations that are applicable in a given historical growth context.

Today, we are confronted with **ONE FACT**: in a world where inequalities are increasing, the gap between the rich and the poor continues to widen. For our debate, after lunch I suggest that we look at the following questions: How can we find love for our neighbour as business leaders? Help the poor meet the poor at eye level? Where and how can we see the poor in business leaders? I would like to ask you the following questions:

- In a recent speech on human fraternity (February 3-5, 2019), Pope Francis called upon the wealthy to share. By inviting the wealthy to go and search for their own poverty, what does that really imply? Will that help business leaders to find their heart? Business leaders may experience some form of poverty. They may be materially wealthy, but often alone in their responsibility, their daily pressure and their work load. When not understood, do they tend to keep their profits to themselves, or share them to receive human thanks and praise?
- 2 Business leaders, it seems to me, are confronted with **their own poverty**, when they are alone in their responsibility, which may lead them to pray, or more intuitively, find their poverty while looking after the human beings that God has given to them (Adrienne von Speyr). Finding their neighbour in their family, employees, suppliers or maybe one day even in competitors, is a journey for business leaders. At one point, they may choose to leave the notion of competition, and replace it with collegiality and fraternity: neither America first, nor Google first, but God first (Ingolf Dalferth), leading to collaboration and great sportsmanship, in whatever shape or form.

3 Or else we can ask ourselves, how do we become the good leaders that the Gospel shows us?

What is our action, in a society where growing anger is being expressed by populist votes during elections at national and/or European levels? Can we compare business leaders to the blind and the deaf? They are considered by civil society as "winners." Which language do we need to talk as business leaders, when confronted with that anger? Which dialogue do we need to seek with politicians and civil society?

PANEL III Discussion moderated by sigrid marz

SIGRID MARZ

— Thanks, Father Maier. What I would like to suggest is that I hand immediately over to the group because he only has half an hour, so I'll open the floor immediately to your questions to give you the benefit of his presence here.

ULRICH HEMEL

— I think we have to see a variety of issues, and the first issue is language. This is a very important example of how we want to bridge language and we want to bridge issues, and we do not always succeed to bridge the issues. This is one of the things I also observe in the declarations of the Vatican, of the Church studies, where we all want the same but we use quite different language. Sometimes finding the bridge for the language, for doing things correctly, is not that easy.

The second thing is, and this is a minor detail, I think that finance can well be part of the solution. I understand that finance is not all, but nobody says that. We have so much difference, so much evolution now in the financial markets in the last ten years. Even if not everybody observes it, we have concepts like ESG (Environment, Social, and Governance) investing and SRI (Socially Responsible Investing). We have the difference between traditional investment classes and impact investing and philanthropic investing. We know very well that not everything can be philanthropic, not everything can be classic, not everything can be impact, but there is a lot of development because we are people all living in one world. Here I wish to build a better bridge between the worlds. And I also wish that our protagonists in the Catholic Church understand much better that economy, companies, and even finance can be part of the solution. We started this with Muhammad Yunas a bit.

Before we had the simple idea: you have a risk and you have a return. This is understandable, yeah? Now today we have different targets. We have risk, return and *impact*. A lot of people, a lot of family offices, and a lot of traditional investors have a portfolio of investments. They dedicate what do you do with classic investments, what do you do with liquid or illiquid investments, where do we have a best in class approach, and where do we have a best in progress approach. Finance has developed enormously, and the gap is understanding what has changed and gaining a perception that even finance, not only economy, can be part of the solution. This is part of the metrics and part of the language where I simply wish to change style.

HENRY SAINT BRIS

- Quick comment on this. I think you're right to point that finance is really entering the game. If I would summarize, in the 1990s it was the time of politics on sustainability. so the European Commission, which is the best think tank on the environment worldwide, drafted these directives and they started to formalize the directions. Then the 2000s were the times of corporations. Corporations started to leave the greenwashing and the window-dressing of the 1980s and 1990s and starting to get interested in the product and the strategy and how ecology would impact their strategy. For example, Unilever looked at their shampoo bottle. Not only as the chemical in the shampoo and the plastic in the bottle but in the twenty minutes we spend in the shower pulling fossil fuels to clean our hair. Therefore, changing the product for easily rinseable shampoos and so forth. The 2010s is the time of finance. You [Ulrich] mentioned ESG, ISR, impact, in the listed world, and I see it now in the private equity world, which is not the area where you would think there would be the most heartfelt people. Very large private equity funds like Macquarie are really turning to their LPs to their different angles adopting local policies and with more deeper strategies in the companies.

As you mentioned, we can't afford to be pessimistic, but we also cannot afford to have finance play games and gimmicks with questionnaires for another ten years because climate change is knocking at the window. My question here is how can we, with the language or with whatever vision and clear directions, make sure that finance *has* an impact, quickly? I think this would be good news for all of us.

ETIENNE WIBAUX

— Could you say one word more on Óscar Romero? What is the most essential of what he has done?

MARTIN MAIER, SJ

— Maybe I try to take up the questions, thank you very much. I agree, of course finance can and must be part of the solution. That's why we are here. Recently, the diocese of Cardinal [Peter] Turkson published a document on financial and economic issues. I think this is a valuable contribution also for questions we have been tackling right now. I agree. And this is for me a dilemma. On the one hand there is urgency. One of my friends is the German climate economist, Ottmar Edenhofer. He says we have not more than fifteen years to change and to cut the emissions, and he makes proposals to tax carbon. On the other hand you have the impression politicians don't act, don't take decisions. I found very interesting an article I read on the two temporalities in politics in the French magazine, *Esprit*, in 2011. The author spoke about short-term temporality which takes into account the next elections, and long-term temporality which takes into account the global challenges : demography and climate change. I don't know if you guess who the author of this article is, but his name is Emmanuel Macron. For me, it's something very encouraging to have a French president who at the same time has also a gift of political philosophy. He is aware of this. For me, the dilemma is how to bring together these two temporalities. I have the question ; I don't have simple solutions. To take up again an optimistic perspective, the German poet and philosopher [Friedrich] Hölderlin said this wonderful sentence, *"where there is danger, the saving power also grows."*

This is also linked with my belief. This brings me to Etienne's question on Óscar Romero. The most important for me about Óscar Romero was his belief that change is possible. He changed on a personal level. For a long time of his life he was a more conservative, cautious man who didn't want the Church involved in social and political questions. When the first priest in El Salvador was assassinated for his commitment for justice out of faith, he went through a fundamental change with 59 years, and some speak even of a conversion, and he became a prophet. He showed by his personal life that change is possible and he was claiming also for changes in politics and in the social system and I would say this is for me what is the most important about Óscar Romero. If you allow me a short advertisement, I wrote a book on Romeo which is also translated into French: Oscar Romero, Prophète d'une Eglise des pauvres.

PIERRE LECOCQ

- I'd like to come back to what Pope Francis said, and that you're taking here in your paper, which is that we will inevitably require restriction in the lifestyle of people in rich countries. That's for me a twofold issue. One, it won't work. If we think that we can solve the problem of the world by asking those who have to have less, they won't accept it. Let's face it, how many of us around this table are really ready to change deeply their lifestyle? Second. I think that's the easy way which kind of de-responsibilizes a lot of people. It's a bit the issue we have in France today - no it's not an issue, we just need to take the money from the rich and it's going to solve all the issues of retirement and everything else... like the *gilets jaunes*. So how can we get out of that, what I think nonsense, of saying it's a constant pie; what has to be given to another has to be taken from others? I really think today there may be other avenues. Technology evolution is certainly a field in which when correctly invested and supported can probably bring a lot of solutions. It's more I think a state of mind. I never seen in mankind any solution based on taking from one to give to the other.

SIGRID MARZ

— Maybe I can add a little bit of something to your question Pierre. I was wondering if the heart of whatever we've heard was not in the theological and spiritual dimension. Meaning if we stay connected to our material wellbeing, do we not miss out on a spiritual wellbeing by not being connected to the poor? Is it up to us to find which link we will choose to be connected? I noted down two words. On the one hand it's a *perfection* to know what it means to be poor, and whatever poverty that means, but also maybe in the Bible, the poor were presented also as our *protection*. If we think of the witch and Lazarus. If there had been a link between Lazarus and the rich when he was trying to go to heaven, then maybe Lazarus would have asked God to a bit more gentle and let him enter?

PIERRE LECOCQ

— You're right, don't misunderstand what I've said. On an individual choice, you can make this choice and it's based on your spiritual evolution and the choice you make, but considering the challenge we have in the world and the difficult decision that have to be taken, putting throughout the world the fact that it will be solved, because those who have would have to have less so those who do not have will have more, I think won't work. That's the difference. As an individual through a personal spiritual path you can achieve a point where you want to live a life which is less expensive ; to be simple. But on a global basis, I think that's different.

MARTIN MAIER, SJ

— Maybe I take up what you said. I was at a panel in Brussels with an official from the European Commission on inequality and one thing I kept in mind from what he said, which is that to every complex problem there is a simple, fast, and wrong solution *[laughter]*. That comes to your point. I don't have the solution; I don't have a simple solution. What I have is a direction, an orientation, a vision. I am aware the former German Chancellor Helmut Schmidt said people with visions should go see a doctor *[laughter]*. But, the Bible at the same time says that people without vision live in darkness.

One thing I am quite convinced is about positive motivations. For me, Laudato si', the encyclical of Pope Francis, is an example of positive motivation. If you read Laudato si' at the end you don't have bad feelings. You don't have the feeling this man wants to take something away from me. No! it's an invitation to share, yes, but with the motivation that if you share you will win ! This is for me a little bit the golden rule of the European Union. Jean Monnet said in 1950 when they signed the Schuman Declaration, that we did not come together to look for our own advantages, but to search for our common advantage in the advantage of all. This is another way also to speak about the principle of the common good in the social doctrine of the Church. The European Union for me with all its problems and crises, and it's going through an existential crisis actually, on the whole is a big success story in this sense. That politicians came together and started a project where they gave up a part of their sovereignty, of their power, but they created something which on the whole gave more

advantages to all. Project of reconciliation, peace, solidarity, and I think in this way should the search for new civilization, a new system, go. I am confident that Europe could play an important role globally.

For me the last very great European in Brussels was Jacques Delors. He was given an honorary doctorate in the Institut Catholique here in Paris and gave a remarkable speech in 2005, so at a time when ecology was not a burning issue as it is today, he said in French *on pourrait relancer la grande Europe sur l'écologie*; you could restart the European project on the challenge of ecology. I think he was right; he was prophetically right. This is today a question that is really burning, and I think that the European Union has the financial, technological and other means to be frontrunner and to be a model also in this. To come back to Jean Monnet, he said Europe could be a contribution for a better world and this is my hope; this is my belief.

To take up your reference, Sigrid, to the gospel, the poor as protectors — yes. Even more, the poor as judges. Saint Ignatius in a letter said we shall be judged by the poor, and so it's even more.

OLIVIER FAVEREAU

— If I may return to the theological foundation of the preferential option for the poor. I have been really disturbed by a sentence by Belgian priest and theological genius Maurice Zundel who said that the great sadness of the poor is that nobody wants their friendship. My question is, don't you think that apart from all the material questions that are of course necessary, don't you think that something we should call *convivalité*, like the term was coined by Ivan Illich, *convivalité* is indeed a component and maybe even a very important component of the common good?

MARTIN MAIER, SJ

— Thank you very much. Just to be sure that I understood you correctly, the quotation of Maurice Zundel was the sadness of the poor...?

OLIVIER FAVEREAU

— La grande tristesse des pauvres c'est que personne n'a besoin de leur amitié.

MARTIN MAIER, SJ

— I understand what Maurice Zundel meant, but I would not agree. Because I would go back to what I quoted from Pope Francis, I can say that the most beautiful and natural expressions of joy which I have seen in my life were in poor people who had little to hold on to.

MICHEL CAMDESSUS

— There is no contradiction between the two statements. As you certainly agree on the fact that to be unable to have friends is another tremendous blow to your own dignity.

ROLANDO MEDEIROS

- It's also the definition of poverty.

MARTIN MAIER, SJ

— Maybe if you try to take the perspective of the poor this can be a real experience. I remember another sentence which goes in this direction in another description of what is poverty: poor are those which nobody is listening to. I think there is truth in this. At the same time, we can create also meeting opportunities and have a living contact, and that's part of my life experience. I am close to a former French member of the European Parliament; I would even say we are friends, Sylvie Goulard. She was the driving force in the European Parliament of the intergroup on extreme poverty and human rights. She organized once a year a day in the parliament and she invited also poor people who spoke in the European Parliament. This was a major moment in the sense of bridging and of creating living contact. And this is also the beginning of what I would say a friendship.

Again, Saint Ignatius from Loyola, the founder of the Jesuit order, he put it in one of his letters the sentence, the poor make us friends. Friendship with the poor makes us friends with the eternal king.

NICOLÁS MARISCAL

— Father, when you're talking about the option for the poor really hits me very strong. I was just commenting to you because I was educated with Jesuits. That idea of the option for the poor, at least what happened in my country — they closed the schools ! And the school where I went to, who is now involved in leading people in Mexico, for example, they are no longer the Jesuits. Why is this ? Because they decided the option for the poor during the time of Father Arrupe and really hits me very strong because we needed good leaders in our country and especially the Jesuits. I really am very worried about this idea of closing schools and the future of the Jesuit community worldwide, I don't know if that happens all over, but the option for the poor really hits me too strong. I don't know if you have any comments on that.

MARTIN MAIER, SJ

— Well I am aware that it was a painful moment in Mexico. I think it was in 1969, when the Colegio Patria, the great Jesuit college in Mexico City, your school, was closed. It was a difficult decision but also very meaningful decision because the Jesuits at that time assumed the preferential option for the poor and they decided to give up the Colegio Patria and to get more involved in the poor neighborhoods and with the indigenous people in Mexico in Chapas. Not an easy decision but I think at that time it was a signal. We didn't close all our schools and universities in Latin America. We have the Iberoamericana and I think this is still an important place to form future generations of young Mexicans. But, yes, it was a painful decision but meaningful at the same time. I can't say more then, yes, it marked an important moment in also a process of change and evolution of my own order.

SIGRID MARZ

— We have to protect Father Maier a little bit because it's 3 o'clock. Do you have time for another question, or do you need to leave?

ROLANDO MEDEIROS

— I do have just one question about what Father Maier was saying. It's that really this preferential option for the poor is not necessarily a preferential option for the material poverty. You started your dissertation by describing conceptually three different types of poverty. So it goes beyond the material poverty and I think that perhaps your complaint is that the focus has been on too much on material poverty and not on the other definitions of poverty which obviously we as business leaders are lacking really a significant level of guidance in our daily responsibilities and in our ability to transform business into a noble vocation. I interpret your complaint more on that sense than on this preferential option for the poor.

MARTIN MAIER, SJ

— Maybe I can finish something which is meaningful for me again from Archbishop Romero. Romero was once asked by a journalist who came from Europe to El Salvador : what can we do for El Salvador ? What can we do for the suffering people in your country ? The answer of Romero was surprising at that moment. He didn't ask for money and didn't ask for structural changes. He went deeper. He said a very simple answer : don't forget that we are human beings. I think this also brings us together here. This is another way to express the fundamental principle of human dignity and human person in the social doctrine of the Church.

I'm very sorry that I have to run away. I will tell you why. I am the Superior of European Jesuit Community in Brussels and at the beginning of the year we fix our community meetings and I insist very much as Superior that everyone has to be present. So, I cannot skip it! Forgive me and I thank you very much again for receiving me, for listening, and for all these very thoughtful contributions and questions which are food for thought which I take with me in the Thalys in the coming days. Thank you *[applause]*.

SIGRID MARZ

— Can I just say a little closing comment? There was just one thought and Father don't hesitate leaving. There was one sentence I was reading in the recent declaration on human brotherhood that Pope Francis signed together with representatives of the Muslim world recently in February. It was on fraternity, and he specially pinpointed again to the fact that we all have the responsibility to deal with issues of poverty; *all* humanity. Then he made a little side sentence saying *the rich* especially. And I would say that that ties very much into God loves all human beings, and there's a specific preference for the poor — much really spiritually. I think it touches the fundamental element of fraternity. Like if we all think about this brotherhood of human beings, then everything becomes an opportunity as opposed to a problem.

Economy for the Human Being. Sense and Soul of Capital

BY ULRICH HEMEL

▷ PIERRE LECOCQ

It's my pleasure to introduce our last panel, which is going to conclude the day, the presentation of professor Ulrich Hemel. Let me rapidly present a little bit of how much we are privileged to have Ulrich with us. First of all, as all UNIAPAC, let me tell you [Ulrich] how happy we are to see you there and through you to see the big guy who was against being involved at UNIAPAC. It's a real show of friendship and it's very dear to our hearts.

Ulrich is not only a very seasoned businessman, having founded and developed your company in Germany, that earned him if I'm correct the title of Manager of the Year in Germany in 2004, but also a doctor in Catholic theology and licensed from the social economic science from pontifical Gregorian university in Rome. You are indeed the Chairman of the BKU [Bund Katholischer Unternehmer] but also of the Institute of Social Strategy in Berlin, and of the Research Institute of Philosophy in Hanover. You wrote two books, the latest one in 2017, Securing a Future for Family Business¹², and one five years before which is directly linked to your presence here this afternoon, Economy and Human Dignity: The Sense and Purpose of Capital¹³. So, you are very much welcome to come with this subject which is at the heart of what we've been discussing today. Thank you very much.

▷ ULRICH HEMEL

Thank you very much, Pierre. Well, the title of the presentation was simply put by Rodrigo. He looked at one of the latest titles. I've written a couple of books, some more because I really have a dual career because I'm a professor of religious education theory and also of business ethics. I invented a branch which is called economic anthropology – we'll come back to this. The title of the book, because I will start by that, has been really what Father Maier said before, which is we are human beings. The German title is *Die Wirtschaft ist für den Menschen da* and the Spanish title is *Economía para el ser humano*, published by Siglo del Hombre in Bogota in 2016. The idea was simply that to reflect what I did due to my experience both with human beings in

financial institutions and in large corporations. What does money make with people? I made it in a very simple way. I said there is a lucid, a brilliant side of capital which gives you security and shaping power and the possibility of doing things. Of course there's also a dark side of power, which is abuse, which is spiritual poverty, and many other things. Then there's the abusers in all of that. Sometimes you even have an ethical desensibilization if you belong to certain groups. In the end, the term of capital here means both. It means the financial notion, but also the relationship notion, which really comes back to what Father Maier says.

Thank you very much, Pierre, that you presented my person because what I will say now can be understood I think more easily if you understand these pillars. Because when I did my BAC in Germany, I decided I want to change the world. But the world is big, so ok, I will limit my forces to changing the Catholic Church [laughter], which is also big enough! I'm still in that process, but I think I changed more than the Catholic Church. In doing so, I decided that if you want to nail something to a wall you need a hammer; you need some bricks and some tools. This is why started philosophy, due to my interest in theology, due to my purpose and social and economic sciences due to the projects I had and I continue to have. Afterwards I didn't find work there, so I had to study education as well, so this gives me a certain range. This explains to you that in the end I thought, how can we combine things? It's even important that we combine things. I understand that we are here with a connection to inequality, but I think we should not simply talk about inequality because inequality is part of our human dignity. I am simply not the same as you are and are not that same as I am, but you have your dignity and I have my dignity. What we are talking about is the *excessive inequality*. We have to understand really what excessive inequality is.

Ten years ago, I established a think tank called Institute of Social Strategy with the simple idea to explore the global civil society. What is that? As you have seen from the little notes which I have given into here, in this half an hour I will try to make a change in your inner cinema; with your inner pictures.

What is civil society? Even Father Maier said, we have the firms and the civil society and the politicians of

Hemel, Ulrich and Link, Harald. "Zukunftssicherung f
ür Familienunternehmen." Kohlhammer Verlag (2017).

Hemel, Ulrich. "Die Wirtschaft ist f
ür den Menschen da: Vom Sinn und der Seele des Kapitals." Patmos Verlag (2014).

the state. Most people have an inner architecture, a mental architecture, within us, and most people have a sort of dry angle in their architecture which means: "Here we have the State, and here we have the civil society, and here we have business." As human beings are sometimes very simple, they argue: "Aha! The State protects (at least here in Europe, not maybe in the Congo, there is a different story) the civil society. They are engaged, they are committed, they are always the good ones." In that sense, the part of the evil is part of the economy, which is not what we feel, but something which is really a part of the perception of many people. If I want to change that I have to have a new notion. So, we explored a new notion of civil society, and I will explain that to you.

We think that civil society, and also global civil society, is everything which is not State, nor organized crime. Now people laugh at that, especially my German fellow people. They laugh about this because they cannot imagine the importance of organized crime, but I know it is important for many things. I studied that a lot; I have been studying in Italy and my wife is from Colombia, so I know a lot about these things. I think the concept should rather be like a flag. You have a flag, normally you have three stripes. For the Belgians it's easy, you know you have three stripes. So, I have one stripe which is the State. So how big is the State? Is it taking two-thirds of the flag? Only one-third? How big is the notion of the State? In Germany you have 50 % of the gross national product which is dedicated to the State. Quite a lot. In other countries it's different. Then, how big is the part of the organized crime? It should be very small, but look at countries, and I'm sorry to say but Venezuela, there is a lot of organized crime. There is also a lot of organized crime in Russia and in other countries. Of course, we have to discuss what is organized crime? We have to go further for the definitions. Anyway, it means, and this is the second step that we did, if we talk about this in the middle you have civil society. You have some funny boundaries; you have money laundering and these things which is organized crime in the habit of economy and so on. The civil society in this definition is much broader than before because you have sports, you have religion, you have churches and you have the economy as part of the civil society which is quite important. This means, that again, we can change completely our mindset, our inner cinema, in what we consider to be the task of the company, and of the entrepreneur, and this is why we are here.

For example, in many companies especially in big countries, you have a nice department for compliance. The bigger the bank, the bigger the compliance department, this is normal today. But this is hindsight, yeah? Looking back? You have in some companies, especially in banks and pharmaceutical companies, you have CSR: Corporate Social Responsibility. This is a confusing term, ladies and gentlemen, because what is the responsibility of a company? I think a lot of things but not only CSR, because if we take this definition of the company being an actor of civil society, it must be a responsible actor. We all have taken part in the traffic for coming here today. As a driver, or whatever role you have, but you have to obey to the laws. This is something which really fundamentally changes the role of companies in here. This is why I opt for a new perspective in how we should see the economy.

This was the book, but I say: "We should think that the traditional creeds of economy are really not enough. Not enough for our Christian values, not enough for understanding economy." I put these creeds in a very simple way. For example, I said economy nearly always is money-based economy; no economy without money. This is what we think. Ladies and gentlemen, it is not what the truth is. It is simple. It is like if you are drunk and you have lost your car keys in the night and you have here a light, you will look for the car keys over there. But somebody will ask you, but where did you lose it? Oh over there. Yes, but why are you looking here? Because we have the light. What it the sense of this? The sense is that we have metrics and these metrics are sometimes misleading. Why is it so? The basic creed that economy is money-based is simply not true.

Some of you may have a garden. Some of you may have apple trees in the garden. If you eat an apple from your own apple tree this of course does not directly contribute to the gross national product. This is very clear. This example seems to be simple, but if you really look to history, even history in Europe and in other countries, in the last decades we see a strong development which is shifting monetary and nonmonetary boundaries. For example, elderly care. Most of your grandparents if they had grandparents, they took care of their grandparents. I don't know how many of you and your families take care of your grandparents. We have a new big industry of elderly homes. I have been the president of a group of elderly home residences which is now been bought by Korian, which is a very big French company, so I know about how this works. I know about the metrics; I know the economy. So, what has been part of the family before, so a nonmonetary economic activity, now mostly is part of an economic activity. This is an invisible shift within our society.

Look at children. A person four years old today is in a kindergarten, normally. Fifty years ago, not

normally. There is really a shift between economic and noneconomic activities. Very often we simply concentrate on the economic part of that and we forget the other interactions. Why is it important? It's important due to our topic, the inequality and the poor, because a lot of things when we talk about the poor are about nonmonetary — but nevertheless economic — activities. We know we have now highly reduced the number of persons living with two dollars per day, now about 780 million people with that. Now we can discuss about economic exchanges or about purchasing power, but this is a little bit different. We can change this. But we should not base everything only on a BSP, because BSP is a little bit different and we know this. There's a lot of discussion in economy about that, but the effect of what I told you right now is something what we call in leadership: moving targets.

What is part of the BSP? Simply it's a moving target. Because either you ignore the boundary between economic, monetary and nonmonetary transactions, or you do it and then in your basket of goods and services today you will have the elderly care in the residences and the childcare and other things, and cooking a meal at home for example will not appear. But if you go to the restaurant it appears. So, we have moving targets. Or you must really say we should understand the shift towards the monetization of good and services. However, there are human activities which are economic in nature but not monetarized. I know this is a challenge. Monetarized because sometimes we have purposeful activities done in the context of work instead of friendship, leisure or other private activities. The limits of a money-based view of economy are even more striking where money does not refer to the concept of quality of life.

For example, you are a couple and you have a child. Everybody has 3,000 Euros in household income. 3,000 and 3,000 is 6,000 Euros. The two have a child and then they hire a nanny, which costs 2,000, so you have a gross national product contribution of 8,000 Euros. Very nice. In the end, let's take this as a thought experiment, the father or mother decides to stay at home. Then you can't afford the nanny anymore. Which means the family income goes back to 3,000. Maybe they have a higher quality of life but of course a very much lower contribution to the national product. When I married to my wife in Medellin, Bogota there was a nice festivity. She told me only the very narrow family, so it was 120 people, but ok. We had bodyguards around which was important at that time in that city. Does that really contribute to happiness and to the gross national product? I would prefer to have less stress on excessive inequality and maybe in that sense maybe less contribution to the gross national product from private security companies. This means that very often the GNP is not a very good measure for life quality at all. We have more and more metrics using life quality and happiness indices. How can we combine it?

The first thing of course is changing our creeds. I would propose then instead of saying economy is moneybased, we should say economy includes monetary and nonmonetary interactions which can be measured by financial and nonfinancial indicators, which can be GNP, life indices, and others. This is a first step, but the other steps are in companies. You have started this already this morning when you mentioned Milton Friedman. Still today we have a lot of managers believing that the purpose of business in making money. The business of business is business, we know this dictum. Generally speaking, it is correct that large international companies tend to optimize or maximize their EBTA or profit. And the larger the company, the clearer we shall find this kind of organizational logic where every interaction is good that helps to increase profit. But this is only one thing. The reason behind it is connected more to the size of an organization than to the inherent logic of business. Large organizations tend to follow their organization purpose first. Military organizations follow a military logic, business corporations follow a profitbased logic. Persons filling an important role in such organizations will be determined by their function, less by their personal preferences. In other words, the bigger the organization, the higher the tension between person, individual human dignity, and function. This is a matter of size. It's a very interesting point also for further research.

After Milton Friedman's sentence about the business of business being business, a lot has been discussed concerning the roles of companies in society. We have a lot of books now on purpose; in other words, the search for sense and meaning or sensemaking in companies has been highlighted even more. We have an economic rationale; this is talent management, but this cannot be all. In other words, financials reported is not enough anymore. Companies deliberately or forced by law have to present social reports, environmental reports, good governance reports and others all bridged by the new, fun, nice term of integrated reporting. Even in the seemingly cold world of finance we talk today of impact investing, G criteria (this means environmental, social, good governance). The term of responsible finance by now comprises efforts of combining the objective of financial return with other types of objectives. This means, and this is an interesting part where I want to lead you, this means we experience a more and more hybrid conception of purpose.

One of the backgrounds for this development is the growing gap between companies and society. If people consider companies as the enemy of civil society, there will be a counter-reaction after some time. Because company employees do not like to be seen as the evil enemy of a society where they nevertheless have to work and live. This is why then I established the definition of companies as *responsible actors of the civil society*.

In the end this leads me to a reformulation of the second creed. The first traditional creed, I put this on the paper I gave to you, was that the purpose of business is making money. But I would say the purpose of business is a complex social contribution which is much larger. A complex social contribution which can be expressed by financial and nonfinancial objectives. These objectives will be articulated within a given target structure such as EBTA and financial indices, social and personal values. I want to tell you how I came to that.

Last year I published a book about the future of family business and in doing so I understood that a family business is the best evidence for this kind of consideration. I have never met a person running a family business, without all the engagement, commitment of family, and so on, even with the struggles and everything. What you have in mind then is yes, I have to give good financial results, but first of all I have to bring the family company to the next generation. So, you think of another horizon in your action. And this is something you do instinctively, really, with a strong drive on that. Sometimes you are a little bit risk averse. You say I will not take the risk which might result in the end of a family business which has such and such history. What does it mean? It means that in the context of a family business, nearly automatically, you have a mixed target structure. Mixed target structure means you have a target structure of family values and business or financial values. There will be a sort of balance between that, so you have to find the balance between it. This is why I say normally we should expect from each and every company that it is a responsible actor. This means that it balances targets. Only financial targets are not enough. I'm going to go deeper. I know it's the afternoon and we are still digesting, but I think we have to go deeper even on what I call economic anthropology.

In the end, and this is the third traditional tenet, where we say with few emotional exceptions, individual preferences best can be expressed by rational choice and the *homo oeconomicus*. This is the Adam Smith discussion and we had a lot of discussion on that after the economic crisis. Then we had a big peak of behavioral economics and now we have what I say is a house with some balconies and some funny additions, but really it is the *homo oeconomicus* sort of mitigated by some emotions and some other things. This is not enough ladies and gentlemen; we are Christians and we have Christian values. It is something which strikes me because we all know, since Aristotle, everybody says *zoon politikon*: the human is a political being. True! But no one applies it to the economy in that sense. What does it mean?

I tried to evaluate that really from the standpoint of Christian anthropology and I find we can do much more on that. Because if we do that, then we do it as Christian entrepreneurs, as UNIAPAC. All of you as entrepreneurs will have another picture; another inner cinema of what we are doing. One more step back, in four weeks another granddaughter of mine will be born. If you see a baby, the baby is vulnerable. This is very clear; this is easy to understand. If you see old age people, they are very vulnerable as well. They cannot take care of themselves. We all know, even if you are President of the United States, 47 years old, bang-bang two bullets and you are dead. We know about our vulnerability – this is part of our human life.

On the other side, we also know about our creativity, we know how to share, we have a sense of self efficiency, we have a sense of sense and purpose in life. If you are in a family (I'm from a big family of five children) of course you have discussions, and you have a strong sense of belonging. This is my family: my brother I really don't like him at all because he did that and that, but if you criticize my brother, no! I will be very strong before him. We have a sense of belonging, what does it mean? We are human beings. We are vulnerable and we have creativity. We have a strong sense of belonging which is emotional bonding which we need, but we have also a strong sense of difference. I know I am different from my brother; I am different from my sister. I say economic anthropology because this leads you to finding that human beings really have both, and they create social institutions, especially competitions and corporations. Now we are in the field of economy. But you are also in the field of sport, of culture, of music. And not every corporation is good, see the mafia. Not every competition is bad, see at least soccer and the economy in the end.

What is the deduction out of that? The human being must find the balance. This is what I say in each economic action, even in life, the balance between on the one side *homo oeconomicus* which means the rational choice, self-motivated egoist person who we are because we have our self-interest; and the other one, the *homo cooperativus* is the person looking for sense and social belonging.

This balance is interesting to find. And you can transfer that to groups; you can transfer it to companies. We have seen it for Mondragon. And you transfer it even to societies. You can find societies where the balance is on the sense of vulnerability, which means to say social protection. You can have an excessive abundance of social legislation. I'm from Germany, you find the German Democratic Republic, which in the end did not have any capital stock for investing because they spent everything on social security. If you have other states, this is the European picture of the United States which is not completely correct, we say we foster creativity, but this means not a lot of protection for the socially poor.

What does it mean? It means that we have a completely new picture of what is the economy which is the homo oeconomicus and homo cooperativus; the idea of a balance. This means also that we do need a political process; we do need boundaries also for the companies. Within these boundaries we can act. This is let me say the third point of the balance, that individual preferences in economic transactions are the mirror of the balancing action within individuals because they constantly balance out their personal benefit and their social behavior. The personal benefit is the rational choice very well reflected in all the literature. The social context refers to social expectations and emotionally belonging to a reference group. This is interesting because it means that we as Christian entrepreneurs can do much more than we did because we have a conceptual framework.

I love the social doctrine of the Church, but I find the effect which we have now in these times in the world is simply too little. People simply do not listen enough. I defend personality, solidarity, subsidiarity but it is not enough for going ahead. Let me go on this point, because I think in the end, we need to come back to our topic and say what is the consequence out of that? First of all, the idea of a value-based economy, which means that the term of value has two meanings. Value is economic value, but value is all driven by real values. This means that we have to see that globalization, which is a nice word, really has three levels. One is the globalization of goods and services. One is the globalization of communication and information in which you can see in your smartphone. One is the globalization of norms and values.

If we have a transparency initiative of the Vatican Bank, this means a real strong global career of value of transparency. The Catholic Church in 2,000 years has learned the value of discretion, because we have the confession and the secret of confession and this is very important as well. But we can see there are global values in that. We live in a global civil society, but this

means we also need global minimum standards. And these minimum standards are fairness, transparency, and good governance. They also refer to the 17 SDGs (Sustainable Development Goals) which are formulated. I think here we can also promote something which is connected to your [Olivier's] proposal this morning. You talked about the codetermination. We like to talk about the social market economy because we see the social market economy as an economy where you have a boundary of values and a boundary of behavior also for companies. This in the end is a project for a stronger social cohesion; for less inequality and in that sense, social market economy is a peace project. This is for me a utopia for Europe; to see the social market economy as something specific in the digital age as a peace project because it fosters social cohesion much more than only the profit-driven or testosterone-driven behavior of some of us.

Let us go further. We have the role of entrepreneurs which also changes because as responsible actors of civil societies, we must do much more than optimizing. What does it mean? It means that we have to find the balance between free markets and rules of conduct. We have to reinforce, we have to reconsider the role of the State, because the State has to find out how to guarantee the balance between personal values and social values. In the end the sense and the purpose of capital is enabling freedom and empowering capabilities. This is something where I refer to talent management or talent development in a biblical or social or even in a global perspective.

This means in the end that economy for human being is something where we can start anew. We can start from the innovation continent of Europe because I think Europe is really an innovation continent. It also means that we have to really reshape our intellectual tools both for the notion of economy, comprising of monetary and nonmonetary items, comprising of life quality indices, having a new role of companies as actors of civil society, define responsibility and finding out — and I think this is really good for us Christians finding out a mixed target system of companies which are thriving not only for the best EBTA but for the best mix between EBTA and ecologically and socially good behavior. Of course, this has to be discussed because you must find your portfolio. There's a lot of discussion on that but this is what I propose as a new approach to Christian Social Doctrine and to our common thinking. Thank you very much [applause].

PANEL IV Discussion

MODERATED BY PIERRE LECOCQ

PIERRE LECOCQ

— Thank you very much, Ulrich. I think you address very many interesting points that would require probably a lot more time to dig into it because they bring a lot of value.

Let me maybe just stop on one point which I found intriguing. Your definition of civil society being what's remained in the space between State and organized crime. That's I think an interesting definition and it's the first time I think I've heard at UNIAPAC the words "organized crime" as a matter of fact. If we put in organized crime, what here we would call the shadow economy, including corruption and nepotism, then we see that only business which is in the part of civil society can also own this shadow economy, because business can indeed be part of the so-called organized crime through its role in corruption and nepotism in certain countries. Vice-versa, the State in those same countries can also be very much involved into corruption, nepotism and the social crime so it's something where we have to push on both sides as businessmen.

ULRICH HEMEL

- I completely agree, but of course here we also have to see the complexity of definitions. I give you my famous test which is very simple. You should now take luggage and put inside a bible, a porno magazine and a firearm. Then the test is very simple, you go to the customs in Switzerland, in the United States, and in Saudi Arabia *[laughter]*. In Saudi Arabia they would say well the bible is not so good, and the porno as well... you can discuss that. The point is, what is legal and what is not legal is a part of a big social discussion. We need this big social discussion, and we need to understand that very often we need to have a sense of our dignity, a sense of fluid boundaries. For example, the shadow economy for me is part of sometimes, non-financially rewarded behavior, which is different framing. I think we must change our framing. I have students in education, I tell them in Germany six years ago there was not even one wife in a German marriage who suffered violence. Not even one ! The students look at me and I say, no it didn't exist! They look at me again, and I say ok, of course, in the terms of those times you had wives who were not willing to fulfill their wifely duties. Sorry to say! This is framing. Today we say, no, this is violence. But at that time, they had completely different framing. What I want to show you with this example is that the importance of framing is really big and what I try to do with you together is let us try and work on the framing, because if we have the wrong framing, if we have the wrong coping. If we have the wrong framing, we have the wrong solution. This is something which is really in line with the discussions we have done all

day long because we need a new view on economy. And who, if not we as Christians, can propose that? I'm quite sure that most of the poor understand the concept of quality of life, and they know very well that only part of their economic activities are part of the monetarized economy. Now, in other terms the shadow economy. But what is right? At least let us consider both of them.

PIERRE LECOCQ

--- Ok, let us open the floor to the table. Laurent?

LAURENT BATAILLE

— I like very much your example about the family. I think us, in our business, if we defend the family, we will be stronger. This is what I try to do, to try to take some action to support the family in our company. I spoke about that in the EDC, the French association¹⁴, I think it's a very strong leverage, so I like that very much what you said about families.

ULRICH HEMEL

— Thank you very much. If we put this to language, it really helps. If you say, do we have half family values, half profit values? Or is it 80 % and 20 %? And so on. You can discuss it.

LAURENT BATAILLE

— The beauty with families is that it's very universal. Being mother, father, sons, or daughters is very, very universal. That's something which may help to push the good.

ETIENNE WIBAUX

— What is very interesting is the new definition of the role of State in your presentation. In the past it was very easy, and now it is very complex, and also for the companies !

ULRICH HEMEL

— Well, the life is complex. This is not a bad thing, you know. We should explain things as easy as possible but not easier. I think if you look at the State, what I have found out in this research, is that we have different notions of State. We have stable democracies like, more or less, in Germany and in France. We have fragile states, failing states, and we have states simply in the hands of kleptocrats. I've been Kazakhstan last year, and this is very intriguing. You go to the new capital called Astana, it will be changed now to the name of Nur-Sultan, because this benign dictator. You have a big building there which is like an apple tree, you go up and then you have the big golden hand of the dictator.

¹⁴ https://www.assoedc.com/

People queue up, and after two hours you can put your hand into the hand of the dictator's, and people take a photo, some soldiers. Very good now, and then you're happy! Just as an example. It is not the idea of state that we do have, for sure. So where is the boundary between organized crime and state. What can we do with a civil society and what is our role in civil society? We have something even today like a global civil society. We have climate change. We have talked about the ecological challenge. We have migration. We have the globalization also in values. We have a lot of things. We have the financial economy which is going around the world. We have the digitalization. These are all phenomena of a global civil society where we don't even have the tools to understand it. I try to find notions and tools for tackling new problems because new problems sometimes simply need new instruments.

PIERRE LECOCQ

— Your point about the boundary and the framing is very good. In your example you're taking about this country because the state is basically the organized crime, there's no more room for the civil society.

ULRICH HEMEL

- If you want metrics, you can have metrics. For example, if you have a corruption index you know you cannot ask, are you corrupt? [laughter] it will not be like this. What people do if you have metrics is say, I gave you an example for that. They have the corruption perception index, so it can here say the organized crime perception index. But you need perception indices. But this is possible, it is not impossible. If you have also States which do not exist, look at Libya, look at Somalia, so we have a different notion of state. By the way, for the corruption, this is my personal translation of what we say is the original sin. This is the intrinsic tendency: the intrinsic bias towards corruption is my personal translation of original sin. And I can prove that to you because there is a very nice experiment which has been done which is called the ultimatum game. You take ten euros and then you say look at your neighbor, which is not very difficult, and then you make a proposal of how to distribute that. You can distribute five and five, or four and six, or three and seven, and so on. The game is like that, and if your neighbor says yes, then the money will be paid out to you. If your neighbor says no, nobody will get any money. What do you think is the most significant answer to this question? How would you distribute that? Or, how would you think people answer the distribution? What do you think?

You say five and five, which is correct, but of course, it was not like that unfortunately. Ten and zero is not a good solution because then if I get zero and you get ten, I will say no, and you don't even get the ten. One and nine is probably the most close, but one and nine would also be the answer to be expected by economic theory. Because the rational choice will tell you, you offer me one and you get nine for you. Now I should say yes because if I say no, I have zero. So, the rational choice would be yes. The most frequent answer was six and four. This means a little bit of corruption is ok, but it should not be too much *[laughter]*. This was an experiment with hundreds of people, so it's not just my invention. I think we should think of reframing and think of our role as Christian entrepreneurs and also change the language of how we act and see that if we are actors in a civil society. Because in our CSR I always ask what is the percentage of your turnover is going into CSR ? And I have never received a good answer. The only good answer for me would be 100 %. But then it's not the normal concept of CSR. So we need something else, we have to reflect anew, and this is what I wanted to offer to you.

ROLANDO MEDEIROS

— Just one comment ; a remark that you made, that is very insightful is what is our definition of civil society. And you asked the academia about the definition of civil society. I am totally sure that all of them will agree that business is not included, and at the same time, if business is not considered to be part of the civil society, how can the society ask business to be socially responsible? There is a huge contradiction between that consensus and what you brought to us today in this very clear picture using the flag as the way of treating business is that part, and the economy is part of civil society. We do have a role to play in society. The consequence of our action in the civil society is the social responsibility. That social responsibility is not an aim in itself but really the consequence of having done many other things that are basically ingrained in the concept of feeling really part of civil society.

SIGRID MARZ

— Maybe just a comment on how the term of civil society came about. I'm not sure if everybody knows. There were three pillars : trade unions, business, and the government and the rest of the population wasn't organized and therefore they felt they lost out. To some extent I think it was only a reaction of private individuals to get hurt. I think we ought to have to take a bit of responsibility ourselves maybe that we didn't listen enough to them initially.

ROLANDO MEDEIROS

— The condition was state, market, and civil society. Perhaps it's very important to define that. It was not *business*, it was market. Basically, by defining in that way and by allocating business into the market portion of this entity. What they are saying is ok, market is there to make money so it's changing the concept of the real purpose of business.

ULRICH HEMEL

— Yes, but this is exactly the point of framing. Why I said we need a new framing. Historically speaking the concept

of civil society started in the 1980s and in the 1970s when the term was first used as the opposition movement against the oppressive government in Eastern Europe. Poland solidarność John Powell II. There you find the first literature on civil society as part against the authoritarian state. Then it shifted to our Western, or democratic, societies and we have what they call engagement, NGO landscape which has very often a lack of legitimacy and democratic legitimization. I am not ready to accept that only NGOs are civil society. Every company is part of the civil society. We are responsible as persons, as institutions, as companies, and this is something I would really like to see, and also in a way a lack of UNIAPAC. Because it is easy to understand, and everybody has to define that for his or her own society. It's quite different in Mondragon and in other businesses. You have your history. A company also has a history, it has a starting point and then you have the power to develop from that starting point. Every company is also different. We have a task, a homework, to do and I would like to see this homework translated into language, into practical being; into our language, into our doing. This is the idea.

SÉRGIO CAVALIERI

— Just a comment. A company was asked to talk to young people, and a group in Brazil and certain parts of Brazil and they have a very liberal spirit, and a very liberal philosophy of doing business. They are very well successful and generally wealthy people. And I took all those concepts, mainly number seven. Then the problem is that they stop at the first part. The vision they have is that the company has to make a profit and have good salaries, have employees and pay them well, pay taxes, produce good products, and that's it. And it's very hard to convince them.

ULRICH HEMEL

- But you know the context, economy, makes it because it's also a matter of scarcity. If you look at the German labor market, now we have a lot in talent management. Why? Because we have a scarcity of good workforce. This is also another interesting experiment. I will show it you. For young people if you have this discussion I say, imagine you have finished your studies - this is just a thought experiment again – and you have two offers. One offer in this company, one offer in that company. Now you live here, which means five kilometers from this company, and five kilometers from that company. Then you compare the contract. 3,000 euros here, and 3,000 euros here. What do you do? You could throw a coin, but really human beings are intelligent so they seek for more information. What is the outcome? The outcome is this company has a very choleric boss and they are intrigant and a bad climate within the company, no one is interested if not for his own personal benefit. Then the other company has a very interesting and emphatic boss,

they have a good climate, they are interested in further education of their employees and so on. Where do you go? If you put it like this the question is very simple, but if you think about it in economic terms, and this is quite interesting, you find a rational choice approach to talent management within classical economic theory. It means if you take *ceteris paribus* conditions then a company having a better talent management is more interesting for good employees for talent than another company. Countries like Germany where you have now a lack of labor, but you have this same situation.

I've been working in Boston Consulting Group so of course we have been competing with Goldman Sachs and with McKinsey. We have been proud when we have been the most favorable employer and so on, so this is competition at the top end of the scale as well. This means that in the end it is even strategically worthwhile to think about your value strategy in a company and to find out how you can attract the best talent. Part of that is your Mondragon, yeah? You have a limit of one-to-six because this maybe is a little bit narrow in today's times, but you have a lot of attractive things because you give people security and promotion and education and so on. Typically, you will have a strong asset of middle managers, but you will be good as a supplier of talent for other companies which is ok. Which is good social contribution. But here you play a part of seemingly less profitability for this kind of structure. It simply means if you have a new framing you can make these decisions rational. You can show them in a portfolio. And I always like to see figures behind because this is easier.

So in that sense I understand your point, but this only works if all the people have the same mindsets. In the end the young people very well know what happens if they are sick. What is the responsibility; what is the behavior of the company? They need something, of what I would say the Mondragon part, that takes care of education, takes care of security. Where is the balance? This is a decision you can also explain to them. But where is the right balance? I think this is interesting because we can say every company is like an individual and different and has to find a way. A good company will reflect on the strategic way they put the balance.

SÉRGIO CAVALIERI

— Since we are a family business specialist, would you think that the family businesses are more willing to see business as a noble vocation than corporations ?

ULRICH HEMEL

— Yes, but I'll give you the reason for that. Families are simply used to a hybrid target system. They have never expressed that in that language, but you have as a family a mixed target system. You have to take care of what your father says. For example, I once bought a family business in one of my M & A activities and there was a tree in a very awkward position, but the tree has been planted by the grandfather who was the founder. He wanted in the contract that we did not remove the tree. I bought the company, but we should not remove the tree. I was flexible enough to understand that it was very important. Rationally speaking it saved a lot of money really. But this was part of the family values. Families are used to this kind of double values and big corporations are much stronger in the field of looking out at the boundary.

I give you a discourse. One month ago, I was with a former German federal healthcare minister, Hermann Gröhe. We have been sitting together and he told me, look, I have been discussing with people from the food industry, and I asked them to have green wrap the food light, and they simply refused. They said, look, we shall do everything which is legal, but not one millimeter more. This is typical for the thinking of large corporations but because they are large, not because they are bad. Because it is like that you also need a corridor of values which then must be expressed in norms. In the end, as a good company, I'm interested in a good regulation because the good regulation means that I'm not doing this due just to my values but also my competitor is forced to obey the rules, which I have an interest in. This means that again from that point, you must have an interest as a good company in a sensible regulation, not too much; not a maximum, but an optimum. This is also interesting and relatively new and something which we can propose as Christian entrepreneurs. We want to have good regulation because we don't want to have people taking benefits by just surfing around the border.

OLIVIER FAVEREAU

— I quite agree with your last point, but then I conclude that the most urgent reform would be to fight against the actual norms of the international accounting standards board, and that would be a huge enemy.

ULRICH HEMEL

— Well, you know, I understand your point, and I understand especially the accounting industry because I have been with the tax accountants and advisors many times. But I'm not quite sure. In the end, this is an industry as any other industry. They tend to adopt to the market. You also have ES 26,000. They make an industry also of consulting in what they call CSR behavior, ethical behavior. In the end they change along with society. They have to ! If they have to, they do. This is of course the boundary. If you regulate too much this is strongly against the economic liberty. We all are against that. It is not worthwhile. If we regulate not enough, you have too many people who surf around the minimum boundary, and then you have a sort of counter action within society which creates mistrust and difficult times.

Look at the finance industry. Just a very simple example. Look at the cost of regulation in the last ten years. It is huge! Look at simply the financial sanctions due to infractions of the law so the biggest banks have paid more than 300 billion dollars in the last ten years only for the financial infractions, and they pay every year. I know from one big bank they have more than 1,000 employees just in the compliance department. Would you need it if you were an ethical company? Probably not. Doesn't mean they are unethical, that's not what I want to say. What I want to say is that if the mistrust between society and industry or banks is too big, then you will have more and more relatively useless regulations. We have to have a new dialogue between society and companies on one side and society and state on the other side to have a good equilibrium in our flag. I don't want organized crime at all, but I know it exists. I do want a state, but not a too strong state nor a too weak state. This is the difference to the neoliberal dictums that say no state is nearly better than any form of state.

This is also part where we can be distinguished from others as UNIAPAC. We say we want to have a certain minimum regulation, not too much, but some minimum regulation for avoiding surfing on the minimum border. This is why I say we also need something like global minimum standards for ethical behaviors in companies. We have that in our value codex. We try to do that as individuals in our family companies, this is part of our DNA, this is very normal. I think we should be much more proactive and voice-taking in society in promoting these ideas, also as UNIAPAC.

PIERRE LECOCQ

— Ulrich, thank you very much. I think you've seen from the question and reaction of the group how interesting your presentation was. Thank you again *[applause]*.

Synthesis and Conclusion

ROLANDO MEDEIROS

Well, we are reaching the final point of this intense day. I think that the day has been very inspiring in all senses. I think that the only black spot of the day is that it was too short. We obviously had many questions to be raised, and many questions to be asked and many questions to be answered because all the different panels were very challenging in all senses.

To have this level of discussion, to have this roundtable that we are very openly asking questions or trying to learn more about the subject that is difficult, and so on, needs a very nice setting and a very good atmosphere. Obviously, the Bank of France is the perfect atmosphere, so again, Michel, thank you for hosting this meeting and for your hospitality. This has been great and is already part of the tradition of the UNIAPAC Foundation, so thank you again Michel.

Also, I think that in terms of the administrative matters in terms of the organization and so on it has been spotless. It doesn't mean that there is not very hard work behind it. Typically, when there is a mistake, it is immediately recognized by everybody. When you don't see mistakes it's not because there is not a significant effort behind it, so I think that Rodrigo and the staff needs really a very big applause for putting together this excellent think tank meeting [applause].

When we go through the different panels from the introduction that Michel started the discussions today...

▷ MICHEL CAMDESSUS

You started Rolando!

▷ ROLANDO MEDEIROS

Mine was just a concept note *[laughter]*. What we see is, Michel challenges us by saying that business as usual is no longer an option. I think that that could be a good summary of what he presented. That we need challenge those just out of school to overcome what Pope Francis has labeled as the globalization of indifference. I think that globalization of indifference is a very insightful concept that we need to fully understand in order to address the issue of increasing inequality.

Then, Juan Manuel Sinde showed us with a very real and practical way that an ethical transformation for a sustainable future is possible. And it's possible though workers' commitment, quality-based strategy, by reinvesting the profits of the company, and all of that underpinned on very important key values: respect for dignity of the human being and the common good. It is achievable. It is possible to do it and we have today a very practical demonstration that this is not just wishful thinking but is really a possibility.

Then, Olivier Favereau challenged us with a new perspective which requires the transformation of the enterprise following the agency theory which basically denies the concept that is so deeply ingrained in our way of looking at business: that the shareholders are not the owners of the business. I really think that is food for thought, as you were saying Michel, because behind that, no matter how you can address that very insightful concept, I think that if we dig a little bit deeper into the real meaning that that they'll show about what we were describing and discussing in the last part of the meeting about business as being part of the civil society.

Father Martin Maier provided us with insightful considerations starting from the world of the poor. To build what he described as the civilization of shared frugality. Again, shared frugality, which is also related to this concept of going against this globalization of indifference. The resources and the wealth need to be divided more equitably and for that this concept of shared frugality I think that is also a very insightful comment. The preferential option of the poor triggered discussions that are also important. I think that he started his dissertation by defining poverty in a broader sense and by keeping that in mind it's going to be much easier for us to embrace these preferential options for the poor.

Finally, Ulrich Hemel completes this intense day with the idea that economy is based on some misleading concepts. It's a money-based economy, but also a profit maximization bias that puts profit before the social cohesion, before integral development of the people, awareness about environment issues, *et cetera*. They need to reshape our mindsets to a mix of bottomline focus with one that also focuses on environment, and socially good behavior.

I think that when you combine all the different panels what was in the middle of them was really a common theme: the transformation of business into a noble vocation. In doing so, what is the starting point is the personal transformation of the business leader. Without a personal transformation of the business leader, there is no way that we can initiate this process of reforming the organizations, of implementing these practical ways of approaching the way we conduct business. We will not really opt for the poor as the basis of our decision-making. This personal transformation of the business leader is at the core of what we do in UNIAPAC. I think that our main goal is to transform ourselves first, and to help our partners and business leaders to really see themselves challenged by a greater meaning in life; to see their daily business activities as a calling, as a vocation; as doing it as a way of returning to society what they have received. Their business acumen, their skills, their education, as a God-gift that has to be returned to make this world better, more prosperous, and more just. In other words, to deal with this increasing trend towards inequality by transforming our business into a noble vocation. I think that in the end all the different panels were addressing a common vision: how can we transform business into a noble vocation, and this is our vision of the future. We as UNIAPAC have the vision of being recognized worldwide by our distinct promotion of business as a noble vocation and I think that this event has been a really very good example of the type of outcome that can be extracted from this vision in very practical and insightful ways.

Thank you very much for this very intense day, very insightful day, and beyond anything else we enjoyed not only this nice setup, but the company of friends. Thank you. I hope to have you again in a similar gathering. Thank you very much *[applause]*.



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BY ROLANDO MEDEIROS, Chairman of Uniapac International

Ithough income inequality over the past half century has declined substantially at the global level (between nations), it has increased within nations. In advanced economies, the gap between the rich and the poor is at its highest point in decades; in emerging markets and developing countries inequality trends have been more mixed, with some countries experiencing declining inequality, but pervasive inequities in access to education, health care, and finance remain.

INCREASING INEQUALITY

As long as everybody has equal access to certain essential opportunities such as high-quality education, other public goods and services, finance and entrepreneurship, some inequality is not only inevitable but also desirable. Notwithstanding, it is impossible to bring everyone into agreement on its ideal level; or, in other words, about what a fair distribution of income could be. However, there is growing consensus that the current widening of income inequality is becoming the defining challenge of our time. That growth for the rich will not trickle down to everyone else; that the increasing inequality in many places can erode social cohesion, lead to political polarization, and ultimately lower economic growth.

Beyond income inequality, inequality of opportunity is detrimental to growth and well-being. Inequality of opportunity can be particularly damaging when it locks in privilege and exclusion, which undermines intergenerational social mobility. Analysis of well-being inequalities show that gaps in people 's achievements and opportunities extend right across the 11 dimensions of well-being (income and wealth; jobs and earnings; housing; health status; work-life balance; education and skills; social connections; civic engagement and governance; environmental quality; personal security; and subjective well-being).

The objective of improving living standards and sharing the benefits of increased prosperity more evenly across social

groups is particularly relevant in high-income countries and emerging market economies, where income inequality has reached levels unprecedented in the post-war period. For instance, income inequality in OECD countries is at its highest level for the past half century and uncertainty and fears of social decline and exclusion have reached the middle classes in many societies.

So, in a context of widening worldwide inequalities – in the distribution of income and social outcomes that matter for people 's well-being — how to turn equity into a driver of economic performance? Undoubtedly, economic growth is an unreplaceable part of the answer; but it is not enough. Fast growth of GDP in several developing countries has helped to lift hundreds of millions of people out of acute poverty. However, in many countries fast growth has also widened income gaps between the better-off and those left behind with no jobs, or bad jobs.

Absolute poverty has fallen worldwide, but relative poverty has risen in many OECD countries and many emerging-market economies. At present, 11 % of the OECD population lives in relative poverty, with rates significantly higher in a number of the less affluent OECD countries and the United States. Elderly, widows, single parents with several children, children and youth are the most affected. By contrast, the number of people outside the OECD living in absolute poverty, on less than US\$1.25 per day, has halved since 1990 to an estimated 800 million. However, this is still an extremely and shameful absolute poverty high global rate, which is far higher in several developing countries.

INEQUALITY AND BUSINESS

Beyond their contribution to economic growth and wealth creation, how are businesses addressing this trend of widening inequality and how are they fighting against poverty ? How are businesses contributing toward a more inclusive, solidary and sustainable growth ?

Not too much, according to some recent studies, which indicate that excessive focus on efficiency can produce negative effects. This happens in less dynamic markets because the rewards arising from efficiency get more and more unequal as that efficiency improves, creating a high degree of specialization and conferring an ever-growing market power on the most-efficient competitors. The most efficient player inevitably becomes the most powerful one. As a result, the wealthiest firms are pulling away.

Furthermore, and therefore, industry consolidation is increasingly common in the developed world: In more and more industries, profits are concentrated in a handful of companies. For instance, a strong majority of industries in the United States has become more concentrated and many are now what economists consider "highly concentrated." This tends to correlate with low levels of competition, high consumer prices, and high profit margins.

The invisible hand of competition steers self-interested people to maximize value for all over the long term only in very dynamic markets. However, the process of competition itself works against this as long as the focus is exclusively on short-term efficiency, which gives some players an advantage that often proves quite durable. As those players gain market share, they also gain market power, which makes it easier for them to gain value for their own interests by extracting rather than creating it.

Within companies, in many places, executive remuneration continues to rise sharply during and after the financial crisis, while work-force wages have stagnated, struggling to keep up with inflation. Thus, the issue of pay ratios has become the latest front in a worldwide debate about inequality and the widening gap between the top 1 percent and everyone else. For instance, the CEO-to-worker compensation ration overpassed 300-to-1 in 2017 for the 350 largest firms in the US. This has triggered increasing pressures to force companies to disclose the ratio of the compensation of their chief executive officer and other executives to the median compensation of their employees or to that of the lowest paid.

However, on one hand, a regulatory crackdown on high pay ratios can also hurt the very people it is trying to help. The imposition of a maximum pay ratio, for example, might see companies outsourcing the work of their lowest-paid employees, purely to make their figures look better, or introducing compensations for their executives linked to the performance of the corporation, such as payments of stock-options, thus circumventing the rule. On the other hand, big pay gaps can undermine employee morale, leading to strikes, more sick days and higher staff turnover; so that truly addressing large pay disparities by corporate leaders could help their business perform more effectively.

Finally, there is growing evidence that the practice of rewarding chief and other executives for boosting the share price (and consequently their own compensation) makes them too short-term in their focus; the way they are paid is thus at odds with the long-term success of the company. Given that people operate substantially out of self-interest, the more efficient a system becomes, the greater the likelihood that efficient players will use it to their own advantage — and when that happens, the goal of efficiency ceases to be the long-term maximization of overall societal value. Instead, efficiency starts to be construed as that which delivers the greatest immediate value to the dominant player.

BUSINESS AS A NOBLE VOCATION

Business is still too often perceived as a part of the problem rather than as a part of the solution. While there is certainly abuse, there is often a great deal of nobility in business that needs to be portrayed and extensively promoted worldwide in order to become role models for business to truly serve the Common Good.

Nowadays the enterprise needs to play a much more active role to help tackle socio-economic trends, including the widening of inequality to unfair levels. It has to support the implementation of an agenda for smart, sustainable and inclusive growth, quality job creation, and a more inclusive economy with better labor markets, environmental awareness and an ethical deployment of technology. Businesses should be a key conduit in building trust with all the stakeholders through behaviors that unconditionally respect the human dignity, foster inclusiveness, and enhance intercultural understanding and a sense of belonging to a community in all type of social interactions.

However, to assume these relevant social responsibilities a more humane corporate culture needs to be built in their organizations and engrained in the attitudes and behaviors of their members so that they see themselves as active participants in a community where they can flourish by contributing to a long-term business project. A project aimed at the generation of wealth more accessible to all and more justly distributed among all the stakeholders for the betterment of the society as a whole.

To build these organizational cultures business leaders need to see themselves as critical social change agents. Leaders who understand that the purpose of a business firm is not simply to make a profit but, within a broader mission, is to be found in its very existence as a community which creates value, offer their talents, skills, and knowledge, their initiatives and innovative ideas, to help build and fulfill a purpose of common good. Leaders who underpin their entrepreneurial mission on key values: respect for human dignity, responsible freedom and equity amongst many others. Ultimately, leaders who are willing to transform their business endeavors into a noble vocation.

UNIAPAC has the conviction that business is a vocation, and a noble vocation, provided that those engaged in it see themselves challenged by a greater meaning in life; this will enable them truly to serve the common good by striving to increase the goods of this world and to make them more accessible to all. Business serving the common good is what follows when long-term value is created for customers, employees, shareholders, and society. Consequently, for businesses to serve the common good an emphasis on properly ordering a set of practical principles is required. Key amongst them are the principle of meeting the needs of the world with goods that are truly good and truly serve without forgetting, in a spirit of solidarity, the needs of the poor and the vulnerable; and the principle of sustainable creation of wealth and their just distribution among the various stakeholders.

These practical principles are, in simple and concise terms, the "3Gs" for the service of the Common Good: Good goods, Good work, and Good wealth:

1. Good Goods: Making goods that are truly good and services that truly serve.

- 2. Good Work: Organizing work for the employees to develop their gifts and talents and flourish with their contribution to the long-term business project.
- 3. Good Wealth: Creating sustainable wealth and distributing it justly, allocating it in a way that creates "right relationships" with those who have participated in the creation of such wealth.

When businesses properly order these three goods, they serve as the economic engine of a society and play an indispensable role in generating material prosperity for wider numbers of people. When they disorder any of these goods, businesses fail to mitigate poverty as well as they could and more specifically, exclude others from prosperity. If business is to contribute to reverse the trend towards unfair inequality and to truly struggle against poverty, it has to achieve all three of these goods.



REDUCING INEQUALITIES: FROM THE MONDRAGON EXPERIENCE TOWARDS A MORE ETHICAL INCLUSIVE-PARTICIPATORY COMPANY MODEL

BY JUAN MANUEL SINDE

President of the Arizmendiarrieta Foundation and Secretary of the Postulator Commission of the canonization process of the promoter priest of the Mondragón Experience

IMPORTANT REMARK FROM THE BEGINNING

- Mondragon area is the first one in the Basque Country in terms of income per capita.
- And the one that has the narrowest difference between the richest 10 % and the poorest 10 %.

FROM MONDRAGON TO AN INCLUSIVE-PARTICIPATORY COMPANY MODEL

- 1. What is Mondragon today
- 2. Key factors of success
- 3. The Values in which they are rooted
- 4. The application in non cooperative companies: the inclusive-participatory company model.

1ST ECONOMIC GROUP IN THE BASQUE COUNTRY AND 10TH IN SPAIN (2017)

(40.000 aprox. shareholders)

Total revenue	11.936 M.€
Investments	451 M.€
To social actions	25.1 M.€
Cooperatives	98 (82 in 1976)
Subsidiaries (limited co.)	143
Foundations	7
Pension fund	1
Corporates companies	17
Total	266

KEY FACTORS OF SUCCESS

> AT EACH COOP. LEVEL

WORKERS COMMITMENT Our main competitive advantage

• Cultural values All people equal human dignity (elect board of directors), shared project needs prevail over individual or group interests (common good first), teamwork and commitment with community.

Economic reasons

- Workers ownership (16.000 € invested each) and
- Profit sharing scheme (Pension Fund for the future).

Managerial reasons

Open information policy (high transparency) and narrow range of salaries (1 to 6).

QUALITY BASED STRATEGY (Perceived quality is key according to Pims, Harvard)



On the other hand

It is also the most suitable strategy to take advantage of workers commitment.

③ PROFITS REINVESTED

- Profits shared increase the stock of worker members.
- But they can't be taken until retirement.
- Only an interest of 4-4.5 % over stock and 10 % of profits for legalley compulsory fund of education go out o the coops.

4 ADVANTAGES IN TAXES

More important in the first years.

- Now 10 % less in tax on profits (equivalent to compulsory 10 % of profits to fund of education).
- But well used to promote research centers, coop. university, help community NPOs...

5 THE SUPPORT OF LABORAL KUTXA

> AT CORPORATIVE LEVEL

- 1. Solidarity funds and reallocation of members
- 2. Corporate management model
- 3. Sharing of best practices
- 4. Support to coop's management teams
- 5. Lobby public administrations
- 6. The support of caja laboral.

3 THE VALUES IN WHICH THEY ARE ROOTED

- Respect for human dignity for all.
- Pursuit of the common good, which involves Prioritising the collective project over the interests of individual stakeholders (employees, shareholders...).
- Accept that the most important goal is not to obtain the highest short-term profits but instead to get a balance to satisfy the members of different stakeholder groups.
- Promote employees' involvement in management, earnings and ownership.
- Apply criteria of internal solidarity across all stakeholders.
- Uphold policies of solidarity within the surrounding community.

4 THE INCLUSIVE-PARTICIPATORY COMPANY MODEL

- Non legal iniciative aproved unanimously by basque and navarre parliaments.
- Public policies recommended to bo th governments to impulse the model (taxes, best practices...)

> PILLARS and POLICIES

- Modify a company's management practices and culture, basing them on trust, transparency and cooperation for its competitiveness and sustainability.
- Draw up a common project among the company's employers, managers and employees,

Providing long-term benefits for all,

and in which priority is given to the sustaina-

bility of the collective project over and above any one of these specific groups.

- 3. Take steps to overcome the dynamics of confrontation between capital and labour by engaging employees in management, earnings and ownership.
- 4. Awareness of the social impact of business operations and involvement in some of the social issues in the community.

> MODIFY A COMPANY'S MANAGEMENT PRACTICES AND CULTURE

- a) Create a climate of trust through a policy of information transparency. The same information to shareholders and workers.
- b) Implement a participative management and organisational model.
- c) Programme and develop systematic training plans: 40h.per worker.
- d) Roll out wage policies that do create serious inequality and instead favour social cohesion:1:6 salaries ratio.
- e) Introduce regular assessment and continuous improvement systems for employee satisfaction and the fulfilment of their needs.
- f) Prioritise (although not exclusively) internal promotion for assigning duties of greater responsibility.
- g) Ensure equal pay between men and women.
- h) Seek formulas that favour the reconciliation of work and family life.

> DRAW UP A COMMON PROJECT

- a) Develop balanced incentives to improve shareholders ROE and employees income at the same time.
- b) Earmark at least 50 % of annual earnings for increasing the company's equity.
- c) Allocate a percentage of turnover to R&D&i activities that exceeds the industry average.

> ENGAGE EMPLOYEES IN MANAGEMENT, EARNINGS AND OWNERSHIP

- a) Introduce participative management systems, with suitable tools and procedures, including talks with employees' delegates over those critical decisions very important for the company.
- b) Incorporate one or more employee delegates in the company's decision-making and governing bodies.

- c) Pave the way for collective access to company's capital.
- d) Support from the company for employees to get ownership of its capital,
- e) Consider the development of a mediation committee for resolving internal conflicts.

> INVOLVEMENT IN SOME OF THE SOCIAL ISSUES IN THE COMMUNITY

- a) Develop a policy of tax compliance, avoiding fraud and tax evasion.
- b) Take part in the discussion, assessment and, as appropriate, implementation of corporate policies for the employment of less qualified workers that may be "excluded".
- c) Cooperate with the corresponding public bodies for the ongoing adjustment of occupational training, lifelong training and higher education to business needs.
- d) Allocate 1 %-3 % of the company's earnings to resolve social issues.
- e) Encourage intrapreneurship and an in-house culture that stimulates business vocations.

TO EXPLAIN THE PAST SUCCESS

"The cooperation is the powerful lever that multiplies the eficiency of our efforts" José María Arizmendiarrieta

TO EXPLAIN THE FUTURE SUCCESS

"No complaints but action"

José María Arizmendiarrieta

Thank you for your attention and good luck in your mission.



REFORMING THE ENTERPRISE... TO COUNTER INCREASING INEQUALITY AND RESTORE BUSINESS AS A NOBLE VOCATION

BY OLIVIER FAVEREAU University of Paris-Nanterre & Collège des Bernardins

	THE PROBLEM	2	3
	WITH THE BUSINESS FIRM	A PRAGMATIC SOLUTION	AND EFFICIENT
PLAN	 Present Permanent How it illuminates our history 	 Codetermination = BLER Works council A european idea – and an idea of Europe 	 to counter increasing inequality and restore business as a noble vocation

PROBLEM

The conventional wisdom about corporate governance since the decades 1970-1980

- The shareholders own the firm (the corporation)
 → the top-managers are the "agents" of the
 shareholders ("principal") → the agency rela tionship is the basic model of the capitalist firm →
 Shareholder value has a double legitimacy (poli tical: property right; economic: residual claimant).
- Friedman (1970)¹ but also Alchian & Demsetz (1972); Jensen & Meckling (1976).
- = intellectual component of financialization (1970 subprime crisis).

Friedman's blunder & the "myth of shareholder ownership"

- The shareholders do not own the corporation (only their shares) → the top-managers are not the "agents" of the shareholders ("principal") → the agency relationship is not the basic model of the capitalist firm → Shareholder value has no legitimacy.²
- Wrong ideas produced real effects, now theoretically intelligible: i.e. the "Great Deformation".

The context (or the result?) of the conventional wisdom

- 14 pays de 1870 à 2008.
- Monnaie: définition extensive (M3).
- **Crédits:** total des crédits bancaires aux ménages et sociétés non financières.
- Actifs: total à l'actif du bilan des banques (lato sensu).



Source : Schularick & Taylor, "Credit booms gone bust" AER, 2012, 1029-1061

- 1. Friedman (1970) "The social responsibility of business is to increase its profits", *The New-York Times magazine*, September, 11th, 1970.
- 2. J.P. Robé, L'entreprise et le droit, 1999; cf "The legal structure of the firm", Acc., Econ. & Law, jan. 2011; P. Ireland, "The myth etc.", Modern law review, 1999; M. Blair & L. Stout, "A team production theory of corporate law", Virginia Law review, 1999.



The "Great Deformation"

DURING THE FINANCE-LED "NEO-LIBERAL" ERA (1970-2010)

share-holders (P) \rightarrow top-managers (A)

top-managers (P) \rightarrow workers (A)

The firm is viewed as a chain of agency relationships

→ **Deformation 1:** loss of autonomy for managers.

2013

000

→ Deformation 2: transfer of risk to workers evaluated according to their individual performance.

SOLUTION

What we have not tried until now: FIRM/INTERNAL ENVT (H.Simon) ↔ Constituent Parties ? SOCIÉTÉ(CORPORATION, -COMPANY) The pluralistic firm re-holder Ì Managers (3 CONSTITUENT PARTIES) Creditors CEO worke (bonds) Board Banks Trade -Unions Filials Suppliers & Customers ۱ Subcontractors State Local public authorities Neighbourhood & Environment FIRM/ENTERPRISE/EXT.ENVT 13 ↔ How many stake-holders ? FIRM/INTERNAL ENVT (H.Simon) ↔ Constituent Parties ? CORPORATION/COMPANY, Its legal name is "codetermination"... share-holders Managers Creditors. CEO ١ (bonds) worker Board L Banks Trade-Unions Filials Suppliers & Customers ۱ Subcontractors State ۱ Local public authorities I Neighbourhood & Environment FIRM/ENTERPRISE/EXT.ENVT ↔ How many stake-holders ? 14 A european invention: The three historical waves First wave, after Second wave, after may 68 Third wave, after Berli * AT : reinforced in 1974 DK : reinforced in 1967 MT : date indicative SE : permanent since a 1976 law UK : suppression in 1979 (date) : date of adoption for public firms or privatized ones (1981) (1996) 5 (1937 / 1945) (1983) (1986 / 1994)

59

% of Board Level Employee Representation



ARGUMENTS

Why will the pluralistic firm put a brake on increasing unequality?

- 1. The only way to counter the lasting weight of financialisation:
 - The causal link between financialisation and unequality (Godechot, 2015).
 - Circumventing the power of finance rather than confronting it.
- 2. Observing less inequality in the countries with codetermination.
- 3. Neutralizing the perverse effects of redistribution.

Minimum size for codetermination

4. Positive impact on unemployment: the unexpected results of the most recent econometric studies.

Business firm as a source of inequality

CEOs make 271 times more than typical workers

CEO-to-worker compensation ratio, 1965–2016



Source : Economic Policy Institute 2016 study By Lawrence MISCHEL & Jessica SCHIEDER.

What about people under the CEO? The authors of the EPI study comment

"Some argue that exorbitant CEO compensation is merely a symbolic issue, with no consequences for the vast majority of workers. However, the escalation of CEO compensation, and of executive compensation more generally, has fueled the growth of top 1 percent incomes.

In a study of tax returns from 1979 to 2005, Bakija, Cole, and Heim (2010)⁵ established that the increases in income among the top 1 and 0.1 percent of households were disproportionately driven by households headed by someone who was:

- either a nonfinancial-sector "executive" (including managers and supervisors and hereafter referred to as nonfinance executives);
- or a financial-sector worker (executive or otherwise).
- → 44 % of the growth of the top 0.1 percent's income share and 36 % of the top 1 percent's income share accrued to households headed by a **nonfinance executive**;

→ Another 23 % for each group accrued to financial-sector households.

Together, **finance workers** and **nonfinance executives** accounted for 58 % of the expansion of income for the top 1 percent of households and 67 % of the income growth of the top 0.1 percent.

Relative to others in the top 1 percent:

- households headed by nonfinance executives had roughly average income growth,
- those headed by someone in the financial sector had above-average income growth,
- and the remaining households (nonexecutive, nonfinance) had slower-than-average income growth."

Why is the pluralistic firm a means for restoring business as a noble vocation?

- 1. Management's new vocation:
 - In charge of the 'common'between K and L; no longer agent of the share-holders
 - An extension and deepening of democratic requirement beneath the state level
- 2. The recurrent return of this suggestion in countries-without- codetermination, such as France.
- 3 The conformity to the social doctrine of the catholic church.
- 4. A lever for the ecological transition.

One day, codetermination will change into "ecodetermination"



5. "Job and Income Growth of Top Earners and the Causes of Changing Income Inequality: Evidence from U.S. Tax Return Data." Department of Economics Working Paper 2010-24, Williams College.

STARTING FROM THE WORLD OF THE POOR

BY MARTIN MAIER, Spiritual Advisor of UNIAPAC, Germany

- In the jewish-christian tradition particular attention is given to the poor. This preference is rooted theologically and spiritually and not only socially and ethically.
- Por a correct understanding of poverty conceptual clarifications and distinctions are needed. Fundamentally three meanings can be distinguished. The first is poverty in its negative sense as an absence or privation of that which is necessary to live with dignity poverty that must be eradicated and overcome. The second sense is positive: poverty as spiritual openness to God and as one of the evangelical counsels of perfection. The third is positive as well: poverty as solidarity with the poor and as a participation in their struggle for justice.
- 3 The foundation of the preferential option for the poor is equality of dignity for all human beings. This is rooted in the belief that every human being has been made in the image and likeness of God. In the Hebrew Bible, God appears as the liberator of his oppressed people in Egypt and as the defender of widows and orphans. Isaiah demands in the name of God: "Learn to do right; see that justice is done, help those who are oppressed, give orphans their rights and defend widows." (Is 1:17) Jeremiah establishes an intimate link between the wisdom of God and the praxis of justice: "He gave the poor a fair trial, and all went well with him. That is what it means to know the Lord." (Jer. 22:16). Finding God meant practising justice for the Old Testament prophets. This preference is not exclusive but inclusive. Precisely because every human being is important to God, he shows that he is a God who stands with those whose dignity and life are under threat.
- In christian faith God shows his preference for the poor also in his incarnation in Jesus Christ. The movement of the incarnation is from above downwards, from the glory of God to the limitations and poverty of humans – the paulinian kenosis.
- 5 The option for the poor characterised Jesus' earthly life. He did not live in palaces; he was at home amongst simple people. The poor hold the first place in his beatitudes. In the parable of the final judgement, he identifies with the most needy. Paul sees the

quintessence of Christian faith in God's preference for revealing himself in the least and the weakest in the world. "God purposely chose what the world considers nonsense in order to shame the wise; and he chose what the world considers weak in order to shame the powerful." (1 Cor 1:27)) In other words, the option for the poor runs through the Bible like a red cord.

- The option for the poor is at the heart of Pope Francis' wish to renew the Church. Francis refers to his predecessor Benedict XVI who, in his opening speech to the Latin American bishops' conference in Aparecida in 2007, gave a wonderful theological and christological foundation for the option for the poor: This option "is implicit in our Christian faith in a God who became poor for us, so as to enrich us with his poverty." And Pope Francis goes on: "This is why I want a poor Church for the poor. We have to state, without mincing our words, that there is an inseparable bond between our faith and the poor." (EG 198).
- For Pope Francis the joy of the Gospel is linked with the poor and the little ones: "Jesus felt it when he rejoiced in the Holy Spirit and praised the Father for revealing himself to the poor and the little ones (cf. Lk 10:21)." And he continues very personally: "I can say that the most beautiful and natural expressions of joy which I have seen in my life were in poor people who had little to hold on to." (EG 7).
- The preferential option for the poor is not exclusive but aims at human dignity for all: "The Pope loves everyone, rich and poor alike, but he is obliged in the name of Christ to remind all that the rich must help, respect and promote the poor." (EG 58)
- Pope Francis is very explicit about the structural dimension of inequality: "The need to resolve the structural causes of poverty cannot be delayed, not only for the pragmatic reason of its urgency for the good order of society, but because society needs to be cured of a sickness which is weakening and frustrating it, and which can only lead to new crises. Welfare projects, which meet certain urgent needs, should be considered merely temporary responses. As long as the problems of the poor are not radically resolved

by rejecting the absolute autonomy of markets and financial speculation and by attacking the structural causes of inequality, no solution will be found for the world's problems or, for that matter, to any problems. Inequality is the root of social ills." (EG 202).

- In the line of the tradition of Catholic Social Teaching Pope Francis underlines that private property is under social mortgage. "Solidarity is a spontaneous reaction by those who recognize that the social function of property and the universal destination of goods are realities which come before private property. The private ownership of goods is justified by the need to protect and increase them, so that they can better serve the common good; for this reason, solidarity must be live d as the decision to restore to the poor what belongs to them. These convictions and habits of solidarity, when they are put into practice, open the way to other structural transformations and make them possible. Changing structures without generating new convictions and attitudes will only ensure that those same structures will become, sooner or later, corrupt, oppressive and ineffectual." (EG 189).
- Revolutions begin in the mind, in thinking differently. What is needed is a fundamental change of conscience and values, related to a new way of understanding quality of life and the environment, and the integration of ecological factors into the idea of well-being and progress. Pope Francis speaks in Laudato si of the need of "a bold cultural revolution". We can learn from the poor that a more frugal standard of life need not mean less happiness. Happiness, after all, cannot be measured by gross domestic product or individual product, for that matter ! The moral philosopher, Martha Nussbaum calls for world

citizens, citizens who have the capacity to understand themselves as part a human family that extends beyond local and regional borders. "It is better to live well than to have a lot" was the motto used by Misereor some years ago for its fasting campaign.

- 12 To overcome the global crisis a new model of civilization is needed. I call this model a "civilization of shared frugality". That means on the one hand that resources and wealth must be divided more equitably and on the other hand that this will inevitably require restrictions in the lifestyle of the people in rich countries. Its decisive criteria have to be universality, justice, and sustainability. The economies of the rich nations of the north are not universalizable because of reasons having to do with the environment and because of limits of natural resources. Whatever is not universalizable cannot be defended ethically either, according to Kant's categorical imperative. On a global scale, justice means that all human beings have the same right to natural resources and to energy and that ecological consequences are distributed equitably or at least in a more or less similar way. Sustainability means administering resources in such a way that the foundations of action are not destroyed and that the rights and interests of future generations are borne in mind.
- The implementation of such a civilization of shared frugality is a gigantic challenge. For it a new social contract between business, science, politics and civil society is needed. The interlocking of the problems requires interdisciplinary efforts. Here also the religious communities with their motivation and action potential are in great demand. Justice and preservation of creation are also questions of faith.



ECONOMY FOR HUMAN BEINGS

BY ULRICH HEMEL, President of BKU, Germany

- Imagination and mental architecture: shaping our inner cinema
- 2 New paths for understanding the interrelation of economy and social life
- 3 Value-based economy as a target for global civil society
- The role of entrepreneurs and their comprehensive responsibility
- 6 An economy for human beings and the principle of humanity

Our idea of the economy often is based on some misleading concepts, among others the idea of a completely money-based economy and the idea of companies looking exclusively for profit at the expense of social cohesion, peace and a good environment. Different from that, we need a new perspective based on an integral approach to economic anthropology where we see both: the rational choice for the "homo oeconomicus" and the search for sense, purpose and belonging of human beings as a zoon politikon, as Aristotle puts it.

This means that we have to reshape the idea of economy, and we have to reshape the thriving role of entrepreneurs who are a vital part of human and social development including a keen interest in a comprehensive well-being of all: people, planet and company (or profit, as some put it). The Christian Social Doctrine can and should be developed further into a new picture of an economy at the service, not at the detriment of human beings including an ecological balance.





Fonds UNIAPAC 26 rue de l'Amiral Hamelin 75116 Paris (France)

www.uniapac.org

If you would like to learn more about our missions or support our initiatives, please contact Rodrigo Whitelaw, General Delegate, UNIAPAC Foundation

rodrigo.whitelaw@fondsuniapac.org

• +33 1 55 73 07 54 (office) or +33 6 67 56 87 73 (mobile)