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FINANCE AND PEOPLE AT WORK IN 2030

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L'Evangile, le Chrétien et l'Argent Editions du Cerf 2004.
Finance : Un regard chrétien Embrasure 2013. International Prize 2015 of Centesimus Annus pro Pontifice Foundation.
La finance peut-elle être au service de l'homme ? DDB 2015.
L'argent : maître ou serviteur (Mame 2019).

He is member of the Académie catholique (French Catholic Academy), of Entrepreneurs et dirigeants chrétiens (French Christian Businessmen). He is currently chairing the Association des économistes catholiques (French association of Catholic economists).

Professional activity

2017-2019 Chairman of the International Council of Securities Associations (ICSA).; 2002-2018 : CEO of AMAFI, Association Française des Marchés Financiers (French Financial Market Association) ; 2001-2014 Directeur Général Délégué (deputy CEO) of Fédération Bancaire Française – FBF (French Banking Federation).

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FINANCE AND PEOPLE AT WORK IN 2030

After Laudato Si and from the perspective of Sustainable Development Goals

This document will examine how finance has contributed to the changes in the relationship between the economy, people, and work from the perspective of the Sustainable Development Goals and after the release of Pope Francis' encyclical, and more widely in terms of the Catholic church's social doctrine. It will concentrate on the situation in developed countries and the possible role of market finance.

I DIAGNOSIS

Pope Francis' Analysis

Main Diagnosis: Systemic Exclusion

Pope Francis' assessment focuses on the issue of exclusion. As he points out in *Evangelii Gaudium*[1] 52 : "At the same time we have to remember that the majority of our contemporaries are barely living from day to day, with dire consequences…It is a struggle to live and, often, to live with precious little dignity." He continues by forcefully pointing in 53: today we also have to say "thou shalt not" to an economy of exclusion and inequality. Such an economy kills. How can it be that it is not a news item when an elderly homeless person dies of exposure, but it is news when the stock market loses two points? This is a case of exclusion. Can we continue to stand by when food is thrown away while people are starving? This is a case of inequality… As a consequence, masses of people find themselves excluded and marginalised: without work, without possibilities, without any means of escape…It is no longer simply about exploitation and oppression, but something new. Exclusion ultimately has to do with what it means to be a part of the society in which we live; those excluded are no longer society's underside or its fringes or its disenfranchised – they are no longer even a part of it" He then criticises "trickle-down" theories (54), "which assume that economic growth, encouraged by a free market, will inevitably succeed in bringing about greater justice and inclusiveness in the world. This opinion, which has never been confirmed by the facts, expresses a crude and naïve trust in the goodness of those wielding economic power and in the sacralised workings of the prevailing economic system."

According to Pope Francis, this is the result of choosing money over humanity. In 55, he states: "One cause of this situation is found in our relationship with money, since we calmly accept its dominion over ourselves and our societies." Consequently, while the earnings of a minority are growing exponentially, so too is the gap separating the

[1] Apostolic exhortation hereafter referred to as EG.

majority from the prosperity enjoyed by those happy few. This imbalance is the result of ideologies which defend the absolute autonomy of the marketplace and financial speculation. Consequently, they reject the right of states, charged with vigilance for the common good, to exercise any form of control (56).” And in 57: “Ethics has come to be viewed with a certain scornful derision. It is seen as counterproductive, too human, because it makes money and power relative. It is felt to be a threat since it condemns the manipulation and debasement of the person. In effect, ethics leads to a God who calls for a committed response which is outside the categories of the marketplace.”

So, one of the principle sources this attitude is moral. This point is developed in *Laudato Si*[2] 123: “The culture of relativism is the same disorder which drives one person to take advantage of another, to treat others as mere objects, imposing forced work on them or enslaving them to pay their debts…It is also the mindset of those who say: Let us allow the invisible forces of the market to regulate the economy, and consider their impact on society and nature as collateral damage. In the absence of objective truths or sound principles other than the satisfaction of our own desires and immediate needs, what limits can be placed on human trafficking, organised crime, the drug trade, commerce in blood diamonds and the fur of endangered species?”. But he adds an important point, which shows the limits of political action: “We should not think that political efforts or the force of law will be sufficient to prevent actions which affect the environment because, when the culture itself is corrupt and objective truth and universally valid principles are no longer upheld, then laws can only be seen as arbitrary impositions or obstacles to be avoided.”

A Dominant Paradigm

Laudato Si goes further. In 106: “The basic problem goes even deeper: it is the way that humanity has taken up technology and its development according to an *undifferentiated and one-dimensional paradigm*”. This issue is visible in “the scientific and experimental method, which in itself is already a technique of possession, mastery and transformation.” He continues “It can be said that many problems of today’s world stem from the tendency, at times unconscious, to make the method and aims of science and technology an epistemological paradigm which shapes the lives of individuals and the workings of society. (107)”. By worshipping profit, “The economy accepts every advance in technology with a view to profit, without concern for its potentially negative impact on human beings. Finance overwhelms the real economy…Some circles maintain that current economics and technology will solve all problems…They may not affirm such theories with words, but nonetheless support them with their deeds by showing no interest in more balanced levels of production, a better distribution of wealth, concern for the environment and the rights of future generations. Their behaviour shows that for them maximising profits is enough. Yet by itself the market cannot guarantee integral human development and social inclusion. (109)” Subsequently, (204) “The current global

[2] Laudato Si encyclical, hereafter referred to as LS.

situation engenders a feeling of instability and uncertainty, which in turn becomes 'a seedbed for collective selfishness' When people become self-centred and self-enclosed, their greed increases. The emptier a person's heart is, the more he or she needs things to buy, own and consume."

A Call for Drastic Change

Given this situation, the Pope calls for drastic action. In EG 202, he posits: "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." Therefore, (204) "We can no longer trust in the unseen forces and the invisible hand of the market. Growth in justice requires more than economic growth, while presupposing such growth: it requires decisions, programmes, mechanisms and processes specifically geared to a better distribution of income, the creation of sources of employment and an integral promotion of the poor which goes beyond a simple welfare mentality." Because: "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." (189) Yet "this means education, access to health care, and above all employment, for it is through free, creative, participatory, and mutually supportive work that human beings express and enhance the dignity of their lives. A just wage enables them to have adequate access to all the other goods which are destined for our common use. (192)"

One especially needs to think beyond financial calculations. That is why "It is not enough to balance, in the medium term, the protection of nature with financial gain, or the preservation of the environment with progress. Halfway measures simply delay the inevitable disaster. Put simply, it is a matter of redefining our notion of progress. A technological and economic development which does not leave in its wake a better world and an integrally higher quality of life cannot be considered progress." Even though "In this context, talk of sustainable growth usually becomes a way of distracting attention and offering excuses. It absorbs the language and values of ecology into the categories of finance and technocracy, and the social and environmental responsibility of businesses often gets reduced to a series of marketing and image-enhancing measures. (194)"

Here, the Pope underscores the importance of acting locally and at grassroots level. In 144, he states: "Society, through non-governmental organisations and intermediate groups, must put pressure on governments to develop more rigorous regulations, procedures and controls…" Because "A change in lifestyle could bring healthy pressure to bear on those who wield political, economic and social power. This is what consumer movements accomplish by boycotting certain products. They prove successful in changing the way businesses operate, forcing them to consider their environmental footprint and their patterns of production. When social pressure affects their earnings, businesses clearly have to find ways to produce differently." (206)

What Do Pope Francis' Warnings Tell Us?

Pope Francis' assessment leads him to highlight the severity of the changes underfoot by describing them as 'exclusionary'. He then goes further, identifying which is the main reason behind the direction, priorities, and functioning of the economic system that uses people as tools. This includes and goes beyond financialisation. The Pope condemns a system of collective values, and more profoundly, an anthropology and a conception of humankind. Either the changes we have just described happened spontaneously and we have done nothing to stop them or at least deal with them properly; or they were provoked by the priorities of stakeholders and society. Furthermore, he deems the actions that simply add a social or environmental chapter to the existing book to be insufficient. Economic action and priorities need to be completely rethought from A to Z. Finance has a major role in this overhaul, particularly because of the importance it gives to profit, through finance's measurement tools and its pressure on the market.

New Factors in Economics: Globalisation, Socio-political Divides, Financialisation, and Technology

It is important to clearly list the changes that are underway before delving into what can specifically be said or done about them. What will the future of work look like and what role can or should the private sector play in this process of change, especially in terms of leadership and entrepreneurship?

Fewer Jobs, and More Instability and Unemployment

Work as we know it is changing. In developed countries, the previous model of full-time and salaried jobs guaranteed for life is being seriously challenged but has not altogether disappeared. On one side, people move more and more over the course of their careers, because of the lesser reciprocal allegiance between companies and employees. On the other, independent contracting and self-employment are gaining traction. They are often confused with entrepreneurship but are quite different. For many people, the prevailing rhetoric of marketing oneself has reached its limits. Stress, uncertainty, and the risk of failure often lead to breakdowns. At the same time, an increasing percentage of the population is unemployed, either temporarily (young people) or in the long-term because of insufficient or ill-adapted training, age, or the inability to get a job soon after redundancy.

Also, increasing globalisation means that more than ever, the actual income of entire communities depends on them being a part of production and distribution chains over which they have little control. Those systems can sometimes turn against the people in those communities, which can be bad both for their social recognition and for the remuneration of their work. This is particularly true in developing countries, where the initial producer is paid little when compared to the product's end price.

At the same time, work, be it as an employee or independent worker, is still the main source of income for the vast majority of people; even more so if we factor in economic development in least developed countries. Overall, a significant portion of the world's population has been able to get out of poverty largely thanks to economic development. From that perspective, the very real insecurity of a part of the population pointed out by the Pope should be contrasted with an undeniable material progression. The contrast between insecurity and more opportunities is not as black and white as the Pope describes, even though he does point out an undeniable reality.

A growing divide within national communities

Plus, the continuous expansion of welfare since 1945 has stagnated in developed countries because the level of public expenses is now deemed too high. Thus, the disconnect between income and work has reached its limits. Furthermore, the sense of solidarity is waning within national communities, since the part of the population that has benefitted from globalisation rejects more tax increases (and often wants taxes to be reduced), as those people feel that they pay a much greater share than people who are lower on the income ladder. That said, for the vast majority of people, their real income is due to their membership in a national community; either because individual productivity is dependent on the environment in which people work, or because of social or fiscal distribution. Either way, globalisation applies a constant disruptive pressure on that reality.

Another recent related phenomenon is the inequality gap. This gap is considerable in most developed countries, and even more pronounced in countries like the US. In this case, jobs are still available, but the actual value of remuneration has dropped, at least in relative value.

The risk is to progressively create different paths of destiny for different groups within the same country. Divergent paths can be drawn geographically, according to region or even neighbourhood (as demonstrated by French demographer C. Guilluy). When that happens, a division appears within the population according to how people identify themselves (the divide can be drawn for instance according to national and local lines on the one hand, and international or European on the other), or according to their background, job or access to technology (digital divide). Divisions can be exacerbated in cases of significant migrations as migrants are a third factor and are felt to be in competition with local working classes. Consequently, there is a growing divide between the "elites" and most of the population. This causes a political break, as we see with the resurgence of "populism", but also a break in culture and language and sometimes a loss of influence from the elites.

Therefore, it is important to underscore the key role that one's political community (nation) is a primary forum for one's belonging and for expressions of solidarity. Its relative weakening is not a factor of social progress. Quite the contrary, because without national solidarity, most people are weak and defenceless against globalisation and other ongoing changes. From that perspective, open markets and free distribution of goods and capital -which are generally beneficial- cannot be an absolute imperative. Political decision-makers must take the social, political, and economic balance of their constituents into account, and regulate that balance.

Financialisation and a Materialistic Culture

Added to this is the concept of financialisation. This word covers three related but very different ideas: 1) excessive role of finance or of financial considerations in the decision-making process; 2) the excessive expansion of the financial sector; and 3) finance's one-track direction towards shorter and shorter-term gain (rated according to short-term stock market results). After taking these 3 factors into account, critics of financialisation feel that it is the main reason for the worsening situations discussed above (ex: divides, inequality, and vulnerability), and fuel the changes that cause them.

The fact is that in the last 35 years, finance, its share of national product (and its salaries compared to other sectors) has evolved much faster than most other economic activities. At the same time, the financial market has been applying more and more pressure, partly due to its very short-term vision. That said, there is no definitive evidence that finance is the only reason for the changes described above. Particularly, the anthropological context (particularly as described by Pope Francis) goes well beyond finance. Financialisation is often confused with the desire for gain or consumption. Both of these phenomena are much wider, and typical of contemporary culture. That said, it does not mean that there does not need to be a discussion about the specific role of finance and what can be done to solve the problems to which it has contributed.

Spectacular Technological Progress that Has Not Necessarily Created Jobs

Another particularly important aspect to consider is the possible impact that current technological changes have on jobs. Digitalisation's explosive development affects individuals in their daily lives and the hierarchy of companies (to wit: the emergence of the GAFAs in less than 20 years). It seems, though, that the corresponding job creation has been limited, and for the most part focused on low-qualified jobs (e.g. delivery jobs). Many reports correctly underscore the risk of destroying massive numbers of existing jobs -including relatively qualified ones - down the line; particularly with the arrival of Artificial Intelligence (AI). In the past, technical advancements created employment, whether direct or indirect; but it remains to be seen if that will continue (at least not everywhere, because of the new reality of globalisation). It is plausible that a great number of employees will lose their jobs if corrective action is not taken. It is also not clear if education will be enough to counter the trend (even if it will play a key role) , because it's not sure that affected people will be able to make the necessary qualitative progress; nor that enough jobs will be created. Plus, even if the situation were to be fixed in the long run, the breach could be tremendous in the interim and add to the aforementioned effects, especially in countries that are not ready or do not take proper action. In other words, there could be significant effects of exclusion, and national communities could be ripped apart. Obviously, this issue affects the whole economy, including the public sector and local communities, but companies and people working in finance cannot be indifferent because of their position as the cornerstone of the economy.

II POSSIBLE ACTION AND THE ROLE OF PRIVATE FINANCE

What should be done?

UN Objectives- A Reminder

Let us recall the UN Sustainable Development Goals for 2030, particularly Goal # 8 (To promote inclusive and sustainable economic growth, employment, and decent work for all). The goals fall under 3 categories: growth and productivity, care for the environment, and full worker-friendly employment. To this we should add a fourth: access to financial services.

First of all, it calls to "Sustain per capita economic growth in accordance with national circumstances"; "Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and work-intensive sectors"; and to "Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation", especially SMEs, "including through access to financial services", while focusing on both the environment and employment. As regards employment, the SDGs state: "By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value". Also, to fight against degrading types of work, to "Protect work rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment", with particular emphasis on youth employment. Finally, "Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all".

If we compare the (unquestionable) goals with developments thus far, especially the most negative ones, we cannot accept the downward slide we see. Instead, we must *favour the creation of qualified, high productivity, and adequately and fairly compensated jobs through growth, initiative, innovation, and properly adapted policies.* Some of them are not relevant to this discussion (e.g. educational policy). On the other hand, the central role of finance -especially from a critical perspective like Pope Francis'- is particularly important.

The Role of Finance in a More Ethical Economy

Human and Ethical Economy- back to Fundamental Data

Moral or Ethical Economy

We cannot achieve a healthy, sustainable economic life without a healthy conception of man and a healthy anthropology. It is especially important to rethink the concept of profitability. In the end, profitability is the *proper* efficient use of resources; but that requirement only becomes important in the end, because a firm's results are just a final measure and nothing else. Furthermore, no firm can function with profit as its sole objective. We can see this with its internal functioning. Firms would have a hard time functioning if everyone worked only with their own immediate interests in mind. In fact, things would stall pretty quickly, or would at least have a hard time getting the best out of their employees, because the motivation of individuals and human societies goes way beyond just financial results; so, it does not make sense to limit ourselves to them. The fact is that we spend most of our adult lives working in companies. Because of that, we cannot consider remuneration as the only form of compensation we get from work; from a rational point of view we have to offer much more. *So, the idea of profitability itself means that one must extensively account for the human factor in all its richness and variety. This means extolling true ethical values and a notion of the good and evil we do to others.*

Obviously, on an individual case basis, it is possible to earn more money with an unethical behaviour than with an ethical behaviour. There are many examples of this in finance. But the most important thing is regular, repeated behaviour over the long term. Over time, we finally run again into people we have treated well or poorly; and it is the same in the market. These people often remember what has been done to them, and take it into account, which is why it is better to behave ethically. Immorality ends poorly in the long run. We could object there is competitive pressure, which could lead us to behave unethically in specific cases, because if we do not, we would have to withdraw from the market and maybe from any activity. It is a genuine issue and those situations are a major reason why shared public or professional rules should be established. Nevertheless, this should not distract us from the underlying logic.

We hear a lot of talk about ethics today, but the meaning remains vague. It seems important to refer to the basic facts. The first is that the economy is at the service of human beings, so judgement should be made in accordance with their comfort, and full development in mind. From that point of view, an essential first step is individual autonomy for all. We know that all things being equal, an economy based on initiative and decentralisation (so private property) is more efficient. More importantly, human beings are creatures of initiative and responsibility, as long as they are members of a community. Naturally, this does not exclude collective action and regulation, on the contrary. It is important to remember that behaviour and morality are human conditions, of people who live and act in the context of society, or community. Thus, it is important for the community and its members that people are motivated by concern for the common good. These two points are essential and linked together. *Independent individuals must work together for the good of all.*

Consequently, it is a fallacy to reduce the motivations and justifications of economic activity in purely monetary terms, especially individualistic ones. Thinking in purely economic terms is missing the point of economics itself.

Ownership and business

Ownership is the decision-making main tool in economics, and especially finance. Owners are the ones to decide on an asset's economic and financial use. In a decentralised market economy, private ownership in its many shapes and forms is necessary to give individuals and communities the wherewithal to carry out their action and independence. It is also the way for people to harvest the fruit of their actions. In that way, ownership is essentially justified. At the same time, ownership from the perspective described above does not mean that one should do with one's assets as one will. Since morals and ethics are about doing what is good, it is important to always consider the best use for one's property. In that context, the issue of capital and ownership of corporations is important. Nevertheless, there are different possible forms of ownership.

In any case, companies play a key part in economic life, from an ethical standpoint as well. Entrepreneurship is one of the most important social roles for the common good. Any company fulfils three criteria: 1) its goal is to produce goods and services in exchange for a given price; 2) this is done through the firm's human community (a specific and limited community, but a community nonetheless); and 3) it is in a certain sense the centre of a person's life. So specifically, it is both a community of people and a legal entity that is owned, generally as an incorporated company. Also, a company is a part of society, and as such has a social (ethical) responsibility towards all its stakeholders (employees, environment, clients, suppliers, and local and greater communities). Everyone, but especially owners (no matter what type of ownership) and managers contribute to that responsibility. Thus, holding to purely financial considerations does not absolve them of their responsibilities.

Work

A last essential point is the fact that businesses are made of people, who should be respected, along with their work. They should therefore be included in the company's joint mission; however, modern businesses have real competitive advantages but a major fault. They are more exclusionary than other human societies before. Social inclusion in our society is more dependent on having a job than in other types of societies, and joblessness is a major factor of social exclusion. For that reason, universal employment is a critical goal. That said, a legally guaranteed job does not make sense in a dynamic economy (except for specific exceptions in the public sector); so, dismissal should be reasonably flexible (but only carried out when absolutely necessary). Those who have been made redundant should be supported in their efforts to find another decent job. *Flexisecurity* accepts flexibility in employment but includes a safety net for those who must change jobs. It is preferable to a system where some benefit from job security while others are condemned to a lack of it. Such a system requires commitment to retraining people if necessary; including from the firm that employs or can employ them.

It is also important to give meaning to work, which comprises employment (source of remuneration and security), a career (and with it social inclusion), and a calling. The latter gives people a sense of morality. Having a calling is critical, because it provides individuals with purpose and meaning; on the condition that they do not automatically believe that their job is for life. Because of the changes in economic life, its place in our societies is not a given. Dealing with the issue does not depend solely on regulations, so it is important to have a humanist view of management; but this means that owners and investors should behave in a humanist way. Here again this consideration has to be integrated with financial ones.

Remuneration

Remuneration plays a key part, not just in terms of fairness, but also for what remuneration serves to compensate, which results from the firm's objectives (including non-financial ones). We have seen that this is not the only source of satisfaction; but it is an important economic factor for a working person. Remuneration should be in line with the person's contribution (commutative justice) and place in society (distributive justice). The former means that compensation should be commensurate to the service provided. The latter means that each person should be compensated in accordance with their place in the firm, which varies according to the firm and their position or contribution. This includes the collective meaning of pay and inclusion in society in general

Consequently, remuneration cannot only be determined by the labour market. It must account for workers' participation in joint projects and the need to meet their families' needs. The government also plays a part when collecting taxes or distributing benefits. Obviously, it is also important to consider competition. Salaries have to be tenable and not cost the firm too much. A good executive, therefore, does not only look to the market when determining salaries (which reflects average situations), but thinks in terms of the most efficient organisation and strategies so as to pay the most satisfactory salaries. Likewise, a business that has a human touch and actively thinks of its employees' well-being, their future (both material and in compensation), and family obligations is the best possible environment for them. It is a place where people want to be and invest themselves, and in the long-term it is more efficient.

Person-friendly Finance?

In this context, what is the role of finance? To allocate available money which is not consumed but saved for possible use, such as investments. It then decides between possible investment options to select and fund those that will yield the best results (in the general sense, according to several criteria) against a given acceptable risk. No risk is not an option, because the return on investment comes in the future and there is no guarantee that the project will make good on its commitment or promises. Refusing risk is opposition to change, so it is actually a greater risk because by doing so we are not getting ready for the future.

The Principles

However, one does not invest in an abstract world, but in actual communities made up of people. That is why one needs to look at a bigger picture that described above, such as ethical considerations and how the human factor affects the project in question. One must reintroduce any economic act in the overall framework of human relations, and especially communities and institutions. Governments (or other powers) sometimes limit or orientate investments because of those considerations. The best example is the national context. Sometimes, governments may decide to let produce or trade certain goods with other countries (which includes flows of capital and investments) for the common good. Obviously because of the important part that national solidarity plays in people's economic status. Ethically, that consideration is laudable per se, though it depends on the authorities having the proper skills and motivations.

Naturally, this also applies to the financial sector. Though money is fungible, the investors' perspective is not so, - if they take into account their own responsibilities towards the community which lays behind their wealth and/or where they live. Conversely, the idea of a world capital market in which all of the world's capital could be invested in any project makes sense, because doing so takes full advantage of the purely financial aspect (in theory). However, actually being able to act freely at that level is neither a right nor necessary. Not only do holders of capital not necessarily have the skills to do so, but that money is the fruit of work and is linked to assets in a given community. Thus, asset holders cannot always justify investing their capital anywhere they see fit. It should be decided on a case by case basis. Obviously, when in doubt, freedom is the best option; and restrictions to it ought to be clearly motivated and justified.

The Current Situation and Possible Directions to Take

Many have criticised the role of finance in today's economy. Their criticism focuses on two points: 1) the exclusive consideration of purely financial (and some say, questionable) criteria, i.e. the remuneration of capital; and 2) the dominance of transactions on the financial market, which would could lead to limiting oneself to the very short term. Since the 2007-2008 recession, we have seen that this criticism is true in a significant way.; but it does not eliminate the rationale for finance. One can just conclude that financial instruments are not absolute tools. They cannot give certainty, nor 100% control of risk. They only reflect the general state of visible possibilities at a given moment. And it is fair to condemn any social practice or prejudice that leads owners to completely exempt from any non-financial consideration. That said, the negative effects that money can bring about go back further than the last 20 years. There is no obligation to restrict one's vision to just the short term, or to regard publicly traded companies as sources of quick returns through takeovers, restructuring, stock buybacks, or judge everything on the bases of share prices at any given time. But although it is justified to condemn a certain ideology and today's general practice, the instruments are not responsible *per se.* The bad consequences stem from a shared value system that permeates bodies and organisations; the end result being that money is valued more than people. Undeniably, a market needs structures and rules; but first it reflects the value system of its stakeholders. That is where we find society's fundamental values. On top of that, there are not enough measures that let corporations and participants to offer an alternative relationship that is based upstream on other priorities and that favour long-term relationships, which calls for measures to rein in short term oriented market trading.

We must also keep in mind that funds invested in that manner are generally managed by professional money managers. They are heavily guided by the instructions given to them by the people whose money they handle. Ethically minded considerations were the catalyst behind Socially Responsible Investment (SRI) and Corporate Social Responsibility (CSR). Done right, they should become the generally accepted forms of investment, provided that the right investment criteria are used. For that to happen, there should be more ambitious frames of reference than what is currently used. Currently, SRI includes diverse and generally narrowly interpreted realities. Some people think that it just has to do with sustainable development, which is legitimate but incomplete, because a slave-based economy could be sustainable as well. There have been some UN-sponsored international agreements to that end, such as Kofi Annan's Global compact (2002), which addresses human rights, fighting corruption and respecting the environment. The Principles for Responsible Investment of 2006 mention them, but are focused on environmental, social, and governance issues. It is a good start, but it remains narrow in scope and a little vague. Such initiatives should include ethical relationships with all stakeholders in the corporation, going beyond the SRI basics (environment, governance, and labour relations). To that should be added the nature and the human significance of manufactured products, the quality of relationships with clients, suppliers, and with the countries where they do business, and even the price structure. Obviously, to do that, it may be beneficial to look into other types of collective management that have a different type of *modus operandi* and work with different criteria; and modes of joint investment should have a wider and deeper range of priorities. All this would require establishing new analytical criteria, a process which is still in its early stages.

Recent Pontifical Finance-related Developments

The Vatican has recently published *Oeconomicae et pecuniariae quaestiones* (June 2018) with the support of Pope Francis. It is a major, unprecedented paper in the history of the Catholic church's social doctrine. Up until now, finance-related papers have been quite limited. Pope Francis already underscored elsewhere the shortcomings of the current financial system, without going into too much detail.

Overriding Themes

Two important themes are the central importance of ethics and the need for regulation. The centrality of ethics is especially important in the financial realm, and the paper points out the practical drawbacks as well as the more worrisome tendency to forgo all ethical considerations. It also stresses two limits of markets, which are their incapacity to self-regulate (which contributed to the market crash) and to yield ethically satisfactory results.

It concludes that we are dealing with a false, individualistic anthropology that reduces individuals to mere consumers, and workers to production tools. By nature, humans need relationships. Economic and social activities concern different aspects of humanity that go beyond immediate pecuniary interests; thus, the economy is less important than the fulfilment of individuals, in their relationships and within their community. Chapter 10 of *Oeconomicae et pecuniariae quaestiones* states: "No profit is in fact legitimate when it falls short of the objective of the integral promotion of the human person, the universal destination of goods, and the preferential option for the poor…For this reason, progress within an economic system cannot measured only by quantitative and profit-driven standards, but also on the basis of the well-being that extends a good that is not simply material. Every economic system is legitimate if it thrives not merely through the quantitative development of exchange but rather by its capacity to promote the development of the entire person and of every person." Ignoring this leads to inequality and exclusion. The paper points out that the global financial crisis was a lost opportunity to make ethical progress, because the dominant ethical views were not questioned. That is why chapter 23 highlights the importance of Corporate Social Responsibility, both internally and externally. Ethics is all too often seen as extrinsic, and companies are supposed to exist just to serve shareholders. This is what brings to reward greedy and unscrupulous employees (with remuneration and bonus structures) and excessive risk-taking. The paper also boldly states that there is room for a virtuous circle between profit and solidarity. It highlights that "from the intrinsic connection that exists between economic reasoning and ethical reasoning, a good can indeed spring forth, that may benefit all humanity."

The Problem of the Market

The market as such is not questioned. In Chapter 8, *Oeconomicae et pecuniariae quaestiones* points out that markets are founded on human freedom and concludes that because of that they are subject to ethics. In other words, economic freedom is important, but if it is not based on an ethical foundation, it can have negative effects (like domination) that negate the economic activity itself. Chapter 19 stresses that the market should be viewed as a large organism, so "the health of a system depends on the health of every single action performed". At the same time, "markets, as powerful propellers of the economy" (13) cannot produce the human qualities and virtues they need, nor can they correct their negative impact (e.g. environmental or social effects). Chapter 21 states: "Experience and evidence over the last decades have demonstrated, on the one hand, how naive is the belief in a presumed self-sufficiency of the markets, independent of any ethics, and on the other hand, the compelling necessity of an appropriate regulation that at the same time unites the freedom and protection of every person and operates to create healthy and proper interactions, especially with regards to the more vulnerable". In Chapter 15, it adds: "The financial dimension of the business world, focusing business on the access of money through the gateway of stock exchanges, is as such something positive." However, these effects can in fact be quite bad if there is speculation (as in the case of high frequency trading) because it attracts too much capital and is alienated from the real economy. Plus, the capital-to-work power ratio shifts to the detriment of the latter, "and becomes merely a means of exchange within asymmetrical social relations", which engenders a wasteful and exclusionary culture.

Thus, 17 argues: "the speculative intention, often in today's economic-financial environment, risks supplanting all other principal intentions that ground human freedom." In one way, it is the tip of a much bigger iceberg, as the paper describes the predominant vision: "words such as 'efficiency', 'competition', 'leadership', and 'merit' tend to occupy the entire space of our civil culture and assume a meaning that ends up in impoverishing the quality of exchanges, reducing them to mere numerical coefficients."

Specific Questions

The text brings up several areas where the system's current dysfunction is particularly worrisome – but that are not relevant to the scope of the present paper. Nevertheless, it focuses intensely on the internationalisation of finance and the need for concerted international and possible binding action.

Especially, in 33, it focuses on the role individuals play both as consumers and investors in the supply and demand of goods. It states: "Someone spoke of the proposal to 'vote with your wallet'. This is in reference to voting daily in the markets in favour of whatever helps the concrete well-being of all of us and rejecting whatever harms it. They must also have the same considerations towards the management of their savings, for instance, directing them towards those enterprises that operate with clear criteria inspired by an ethics respectful of the entire human person, and of every particular person, within the horizon of social responsibility. Furthermore, in general, each one is called to cultivate procedures of producing wealth that may be consistent with our relational nature and tend towards an integral development of the human person."

Finance and People in 2030

What role will ethics play?

What exactly can be done in the coming years? Remember that we are thinking in the long-term. If we go back 12 years, we hit 2006, that is before the world financial crisis. 12 more years we were in 1994, which was not so different from today. What changed was the crash of 2008 - a major crisis- but apart from that, progress has been relatively stable and limited. Although the crisis raised fundamental ethical questions, their impact has been limited. There has been especially a rise in prudential regulations, and a huge focus on compliance. The creation of compliance-based regulations focused on respecting literally what is prescribed, but no real thought was given to a code of ethics. If we go even further back in time, between the early 90s and 2006, there was even less ethical change in finance. It means that what in hindsight led to the crisis raised few questions before that, or that they had only a limited impact. At the time, the prevailing idea was that "greed is good", a sort of anti-ethics But of course this does not explain alone the spiral of events that led to the crisis. We also mentioned the significant but seldom acknowledged link between ethics and efficiency, whose importance becomes apparent only with time. That is why it is not surprising that the obsession with short-term gain in the years leading up to the crisis is correlated with a dwindling concern for ethics and social responsibility. At the time, this phenomenon was exacerbated and justified by scholars who focused on (and even exaggerated)) the importance and reality of 'efficient markets': if the market continuously synthetises all available data, why look for something else?

The proper timeframe for ethics is very long-term, which is why it is unrealistic to expect sudden changes, unless another major crisis takes shape. More broadly, the question about what the ethics of finance will be in the future is to a large extent a question about what society will be at that time. Once again, the ethical question refers to what one could call a conception of Good with a capital G, the ethics of the common Good that should predominate in the future.

Finance and Remuneration

The issue of remuneration has a particular meaning in the context of finance, since one of its major drawbacks is the scale of wagering that it can entail. What I mean here is the possibility of earning a great deal of money in a short period of time on a debatable basis (under-estimating risk or having ethically unhealthy practices) without an appropriate counteracting device. This device has to do with your responsibilities, image, or core business in the long-term. The same holds true for business executive compensation. Princely salaries are rarely questioned afterwards, when it becomes known that the company's apparent gain was actually temporary or did not exist.

This is an especially important issue, but why? It is often said that compensation for people in finance is immoral because it is completely disproportionate to the service provided and social contribution. I would break down the argument at three levels. First, the fact that financial market activities are highly compensated is not absurd, *per se,* because by dealing with huge sums, the activity itself brings to it. The second layer of analysis deals with the bigger issue of people who are paid (what others perceive as) disproportionate amounts, even if what somebody earns is not necessarily taken from others. At the very least, it is an overpaid activity that draws talent away from other sectors where their skills could be put to much better use. An important point here is that financial activity is inherently risky, and risk cannot be measured immediately. That is why compensation should include fair participation in the activity's actual risk. Otherwise, it is unfair. Risk, however, is not easily measured in the moment, rather over time. If we look back at the situation in 2008 from this perspective, the fact that banks (and the government in the background) were taking the risk, while individuals (executives and traders) were reaping the rewards was outrageous. There should be a clear principle- *beyond a certain point, the people who earn a lot of money in risky activities should be held responsible in the long-term and for all of their assets.* That used to be the rule in the past for partners working in Wall Street firms.

Beyond individuals, the fundamental issue is profit. Beyond remuneration, is the level of profit collectively justified? In other words, are the markets working satisfactorily or not? If we compare profits from the financial sector with that of companies in other industries, we see some strange distortions. They were proportionate between 1929 and 1987. Then, the financial sector exploded until the collapse of 2007-2008, and partly corrected itself after. Data about remuneration of finance people for the same period show a parallel overcompensation in finance, as compared to other industries. It would not make sense to justify this by some spectacular growth of productivity in the financial sector. There is a direct link with deregulation, however. This analysis is supported by the fact that we can see the same disconnect in the years before 1929, when there was an artificial creation of apparent wealth that did not represent real added value. It could be called a predatory situation, which calls for stricter regulation.

So, a key issue is to determine if that kind of practice is going to come up against hurdles in the future, and especially if those involved could be held accountable. Some measures have been taken (3-year bonuses, partial compensation in shares, and some lawsuits filed after the crisis esp. in the US). Things are heading in the right direction but have not gone far enough. The issue of executive compensation and especially accountability has not been properly addressed. Some steps have been taken, but they have not yielded great results yet. To hold executive accountable, there needs to be practical solutions and more systematic measurement mechanisms.

Corporate Structure

A lot of thought has been put into the role of companies, with many proposals and few accomplishments. I will focus on traditional commercial corporations with shareholders, then I will discuss socially responsible investment.

It seems ethically reasonable to consider two ideas. On the one hand, a company is the property of its shareholders, who are responsible for it. On the other hand, a company is not a thing or an object with which shareholders can do whatever they want. Agency theory (a company exists only for the financial benefit of shareholders) is not acceptable in this respect. Therefore, it is important that shareholders understand their responsibility towards the company. In a commercial firm at the beginning, a person or group of people get together and pool assets (equity) and later effort (entrepreneurship) in a new legal entity with a moral personality and agree be responsible for the risks they take. Thus, it is fair and reasonable for them be the owners, and they own the fruits of their action. Nothing (except maybe the law) prevents them from organising their property differently if they supply equity (or buy out someone else's share), and the future of their investment is linked to the company's results - otherwise it would be a loan. So, owners are compensated if there are positive results (profits) and could disappear if the company's net assets fall into the red. Furthermore, the model of a commercial company with a high equity level is much less risky for the company and more virtuous than one with debt, and it connects the shareholders to its future. All the other stakeholders have only claims on the company, including its employees, and if it goes bust, these claims remain. So, it is not surprising that the persons who shoulder most of the risks of the company is the person who makes most of the decisions and is accountable for the profits and losses as owner. Ergo, the model of a commercial company (with shares) is legitimate, even if it is not the only model.

But that does not exonerate it from ethical considerations. Acknowledging the shareholder status of a commercial business does not mean that one can *ipso facto* ignores the fact that the said shareholders (even if they are the sole owner) have created a separate moral person. By law, the proprietor does not have the right to grasp the company's assets directly. The proprietor must make sure that the company's objective does not get mixed with their own interests. Ethically speaking, it means recognising the human connection and the commitments that go with it.

It is particularly important to define the new business' *social objective*- which goes beyond shareholders' pecuniary interests- because managing any asset should take a wider view than just money. Any company should have a founding charter, included in its bylaws, and explaining as much as possible its role in society ('raison d'être') and its duties as it identifies them. Any shareholder when they buy a share would know that this is the internal rule of the company, which they have to accept – except if the bylaws change. One must also question how to get that founding charter respected - this is where Colin Mayer's analysis[3] makes sense. In particular he proposes to establish a committee of trustees in charge of that role; this idea is particularly interesting.

In a remarkable book[4], Harry Korine and Pierre-Yves Gomez present the wide array of possible relationships between and amongst shareholders and business leaders. For owners and executives, it is not just a simple rational choice in maximising resources. Opinions can diverge significantly between shareholders, whether they be family members, stable and big shareholders, pension funds, traders, or activists. The authors also point out the risks of having scattered shareholders. They stress the importance of appropriate mechanisms and note that the effect of these measures will vary depending on the participants. They also underscore the naivety of the type of proposals that are the rage in governance and Boards of Administration these days, which ignore serious potential conflicts of interest. In many cases, such as Enron, they had a proper governance, with disastrous effects. That is why, as Colin Mayer[5] reminds us, regulations are not enough. Instead of correcting behaviour, they incite to find ways of working around them. Compliance is often in fact avoidance.

Taking action means first strengthening long-term ties between businesses and shareholders. There are potentially three main courses of action, which may be combined. The first is to favour long-term investment. It is indeed difficult to overtly compel investors (especially people in finance) to less liquidity by enticing them to hold shares for a certain amount of time. There are several ways to incite them to do so, or to draw consequences from the different degrees of commitment towards other people's investment. For example, to award voting different rights based on the duration of commitment, either after the fact, or with an advance agreement. The US has several voting rights measures for different categories of investor. Colin Mayer suggests that an investor who commits to 5 years should have 5 times more rights than a 1-year investor, and an investor who makes no time commitment should get none. The second way consists of structuring shareholders so as to encourage a stable core group (e.g. the founding family, founders in general, or shareholders who have signed an agreement; it can be through accrued voting rights or veto rights). A third one would be to discourage overtly hostile takeovers if they question the company's line or chart (if it is sound). This can also be done with external measures, such as: government intervention, pressure from the company environment (esp. in Germany) and/or financial mechanisms (e.g. US "poison pills")[6]. These measures can vary from company to company, and are not only ethically sound, but often necessary.

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[3] Colin Mayer *Firm Commitment (Why the corporation is failing us and how to restore trust in it)* 2013 Oxford University Press.

[4] Harry Korine Pierre-Yves Gomez *Strong Managers, Strong Owners (Corporate Governance and Strategy)* Cambridge University Press Delhi 2014.

[5] Colin Mayer *Firm Commitment op cit* p. 60.

[6] In case of takeover new shares are automatically issued in favour of existing shareholders.

Which leaves the question of the uninvolved shareholder of a publicly traded company, who can sell out at any time. Is it justified? But in order to do that, they have to find a buyer who is willing to buy their shares. In other words, when a share is sold, the investor risk remains as well as the corresponding rights, but it is borne by someone else. As we pointed out, the fact is that it can lead to abuses such as concentrating too much on the short-term and financialisation, among others. There are two ways to get around this: 1) as we mentioned, reducing voting rights; and 2) developing SRI (which we will now elaborate).

Socially Responsible Investment

If we seek a more human finance, a second fundamental issue is investor priorities. This calls for projects and businesses that are more respectful of the human dimension. Any market - including the financial market - is based on supply and demand. Consequently, the priorities of buyers and sellers is a major factor. If managers, including pensions funds that deal with 40-year investments are benchmarked on quarterly results, you cannot expect long-term thinking. Likewise, if they are only judged on their monetary results (stock market trends), it is unreasonable to expect ethical and human considerations to be a priority.

This is a vast topic. Progress has been made and there is more awareness, at least as regards the 3 official ESG criteria: environment, social, and governance. We can see this with the environment and some social causes like child work, and governance. SRI funds are in the minority, but the impact of these issues goes beyond their relative weight. The rest of the market cannot remain indifferent. In a way, the backlash from a bad image is worse than in 2008, so it is reasonable to think that the movement will continue to gain traction. Some questions remain, like verification and measurement. Information is not always available (despite reglementary requests), and the data are hard to evaluate in a way similar to classical financial analysis. As we have seen, true ethics should be wider in scope than just ESG and include the company's relationship with their clients and suppliers and the nature of their products. Recently, there has been an increase in awareness, and we hope it will continue to gain in scope and influence.

One of the other issues that should be taken into account when considering ethics in finance is fair pricing. What I mean by this is making sure that stakeholders (whether they be in the market, financial market, or involved in the exchange of goods and services) are fairly compensated (and according to the principles of ethical trade). One cannot help but question how retail prices are calculated, and the ethical and economic justifications when one breaks down the final price of a product for sale in western stores or outlets and see the actual producer's wage; which is often an small percentage of that final price. The quest for justice should oblige financial people to reflect on this, because they have to qualify the final price. Does the remuneration fairly account for the work of the person who actually made the product? This is the basis for the principle of fair trade.

Debt and Equity

Another area in which there is little awareness of community responsibility and a general disdain for the future is our addiction to debt. There is a steady increase in public debt (compared to GNP, for example) and (tax) legislation that favours company debt to the detriment of equity. Ethically, all other things being equal, stock is preferable to debt because it is a long-term investment (if someone sells, another person buys), connected to the firm (since such an investor bears some of the firm's risk), and send strong signals to the management. Shareholding is (or should be) a good means to get businesses to pay greater attention to people's well-being. Pension funds are the most natural buyers of stocks (because of their long duration); but some countries do not have many of them, and we do not see much development in their direction (although they are much needed). Not only progress is not being made in this field, but some new regulations and practices since the recession have even had a negative effect. To wit: MIFID in Europe penalises so-called high-risk investments, including stocks, and there has been a decrease in the number of traded companies.

Debt is the other major method of financing. It can be risky for the debtor and the economy in general when there is too much of it. This is called leverage. *All major financial crashes were in fact debt crises.* Debt is undeniably useful to finance that part of an investment which is safe enough for the repayment to be practically certain; but its role should be limited. It is based on a legal obligation to repay, which should be respected; but when the borrower (business, individual, or nation) is strangled by debt, it should be restructured and reduced to a reasonable level.

If we put aside short-term market trading "investors", those who invest in stock look more to the future than others, because their investment's profitability is only certain in the long-term. Furthermore, businesses tend to think more in the long-term than governments. They are the ones that build the future and create lasting wealth. Only a strong shareholder base gives them the means to achieve that. That is the reason why shareholders have their place in the running of a business, even if other stakeholders should also have their say. From that perspective, it is the most moral investment, as long as shareholders exercise their rights in the right way.

Technology, Globalisation, and Ethics

New ethical questions are coming to light, like those related to new technologies, such as the internet, AI, and transhumanism. We have yet to measure their impact. Obviously, these issues go well beyond the realm of finance, but it is concerned in two ways: 1) because of its role as a hub for investments; and 2) due to its specific role in their development. Take the example of big data. The major goal is to get consumer information. Finance - specifically banks - is well-placed to both develop and use this data. And it is a major issue for human beings.

Finally, another factor will continue to give a new dimension to ethical considerations: globalisation. There is first the issue of the diverse ways ethics is understood, from country to country. For example, the rise to power of countries like China - whose traditional culture and political system put it in a framework of quite different ethical priorities and practices, compared to western countries. Beyond that, there is the growing issue of the connection between economic activity (including financial) and the diverse communities of people. Much evidence points to the fact that our world is growing increasingly more complex than what scholars believed in the '90s to be a simplification of the world stage, leading to "the end of history". In fact, along with accelerated globalisation, we are witnessing a trend of re-territorialisation. Subsequently, the idea of a homogeneous world where capital flows free from constraint or accountability is faced with quite different local societal trends. Local communities will make demands to major players and decision-makers with regards to financial activity. This implies a double ethical dimension: how should the new demands be handled? How does one deal with questionable demands? This is not just a product of developing countries, as the US has shown, and this evolution is not limited to Donald Trump.

In conclusion, for the future of work the next 12 years will be critical and undoubtedly extraordinarily complex from ethical, human, and other perspectives. They will be decisive for the future of work; but it confirms the important role that people in finance will play as they will have to make work a central focus in their considerations.