# THE COMMON GOOD AS PRINCIPLE FOR BUSINESS

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"Nor shall we allow the charm of success to seduce us, or we shall be like a foolish traveler who is so distracted by the pleasant meadows through which he is passing that he forgets where he is going". (St. Gregory the Great, *Homily*, 14).

*Abstract*

Having defined the notion of common good, differentiating it from the notion of total good, the present essay provides reasons to explain why the common good category has made, in recent times, its entrance in the area of business studies. Following such a clarification, the paper focuses on the major implications for business governance stemming from the acceptance of common good concept. In particular, it comments on the main differences between the two principal conceptualization of the firm: the firm as association and the firm as commodity. The final section suggests some ways ahead for future research.

*Key words:* common good; total good; Catholic Social Teaching; banker's oath; holacracy; cooperation.

## 1. Introduction

One of the marks of our time is a constant call for ethics, which has progressively replaced, over

the past quarter of a century, the persistent call for politics typical of the 1960s, when the slogan was "everything is politics". However, this agreement on the primacy of ethics ceases when it comes to practical issues. As Alasdair McIntyre already observed in *After Virtue* (Notre Dame, Univ. of Notre Dame Press, 1982), the apodictic use of moral principles serves only to put an end to the ethical dialogue itself. In other words, the broad convergence on ethics in public debate almost never translates

into ethical consensus. Yet, the phenomena of globalization and the fourth industrial revolution, that are at the origin of a rapidly changing world, make a new update of principles and values urgent and necessary. Today, this is particularly evident in the area of business ethics, where we observe the so-called ethics management paradox: by reducing ethics to an instrumental management tool, we are crowding out genuine moral feeling and authentic moral commitment. According to L. Bouckaert ("The ethics management paradox" in L. Zsolnai (ed.), *Interdisciplinary yearbook of Business Ethics,* Oxford, Peter Lang, 2006) the core of the paradox is that by creating new rules and controls to temper opportunistic behavior in and among organizations, one may temper the symptoms but in so doing reinforces the deep causes of misbehaviour – just as it happens with an excessive use of antibiotics.

This essay focuses on the urgent need for new and more advanced business models than the present ones. To this end, I will defend the thesis according to which the logic of the common good not only has a place in business ethics, but that its exclusion would make business ethics almost a tautology and unable to cope with present–day major challenges. Indeed, the introduction of the common good category in the business discourse opens business ethics to new horizons. "The corporation – has written Colin Mayer – has evolved substantially over the past hundred years, but the very evolutionary processes that might have been expected to make it better suited to the world in which we live, have done exactly the opposite" (*Firm Commitment,* Oxford, Oxford University Press, 2013, p.2). One factor determining this state of affairs is our own misconception about the nature and the purpose of the firm. It is unwisely reductionist to characterize it as a mere "nexus of contracts" between different parties in Coase's sense, attributing to the firm only one purpose: profit maximization as the only admitted metric of business success. Such an approach has serious defects, the most relevant of which is its reductionism: the firm can do much more and better than solely maximizing profits. The dominant corporate governance ideology is that, to achieve superior long run economic performance, companies should maximize shareholder value (MSV), which is not factually true. As promulgated by agency theorists, MSV is an ideology of value extraction that lacks a theory of value creation.

According to L. Stout (*The shareholder value myth,* San Francisco, Berrett-Koohler, 2012) and many other scholars there are neither compelling legal nor economic arguments to support the shareholder myth. Indeed, contrary to what many believe, corporate law does not impose any legal duty on corporate executives to maximize profits or share prices. And there is no persuasive empirical evidence demonstrating that corporations run according to the principles of MSV perform better over time than those that are not. (E. O'Higgins, L. Zsolnai, (eds.), *Progressive Business Models. Creating Sustainable and Pro-social Enterprise,* London, Palgrave Macmillan, 2017). L. Paine and J. Bower

examine the foundations and flaws of agency theory and show how a focus of MSV can threaten companies' health and financial performance. ("The Error at the Heart of Corporate Leadership", *Harvard Business Review,* June, 2017). A company is a human community with a specific role: to produce goods and services in a way that consumes fewer resources than it produces and which are useful to people who buy them. Its moral duty is to be profitable, but not only. It has a clear responsibility towards its members, to suppliers, to clients and to society at large. These include the long term interest of future generations, including ecological sustainability and pro-socialness. Profit is a bottom line, not the exclusive criterion for judging any single business decision. Such accountability is ethical in nature. But to speak of ethics is not sufficient, since there are many different ethical stances and theories, among which to choose.

In this paper, I will take as my lighthouse the ethics of the common good that is a specific variant of virtue ethics. (See R. Audi, "Virtue Ethics as a Resource in Business", *Business Ethics Quartely, 22, 2012).* I will proceed as follows. First, I will clarify the notion of common good, as it emerges from the most recent documents of Catholic Social Teaching. Second, I will explain why in recent times the common good category has been reemerging into the public debate after more than two centuries of silence. Finally, I will consider some implications on the design of corporate governance stemming from the acceptance of the common good perspective.

To avoid misunderstandings, I deem it proper to say a word of clarification on the notion of development, a word that is too much inflated today. In etymological sense, development indicates the action of freeing from entanglements, from the bonds and chains that inhibit our freedom to act. It is especially to Amatya Sen that we owe in our time the insistence on the links between development and freedom: development as a process of expanding the real freedoms enjoyed by humans (see his *Development as freedom*, New York, Alfred Knof, 1999). In biology development is synonymous with the growth of an organism. In the social sciences, instead, the term refer to the transition from one state to another (for example, a country passing from being an agricultural society to being an industrial society). In this sense the concept of development is associated with that of progress. It should be underlined that the latter is not a purely descriptive concept, since it involves an implicit, yet indispensable, value judgment. Progress, in fact, is not a mere change, but a change for the better and therefore it postulates an increase in value. It follows that the judgment of progress depends on the value that one considers to be the relevant one. In other words the assessment of progress and therefore of development requires us to determine what should move towards the better.

The central point to note in this regards is that development cannot be reduced to mere economic growth – still measured by that universally known indicator that is GDP – which is certainly a dimension of development, but not the only one. The other two dimensions are the social-relational and the spiritual dimensions. It should be noted that these three dimensions stay together in a multiplicative relationship, not in an additive one. The implication is clear: no trade-offs among the three dimensions are allowed. E.g. one cannot sacrifice the spiritual dimension in order to increase growth. In essence, integral human development is a transformational project that has to do with change for the better in people's lives. Growth, however, is not in itself a transformation. And that is why, as history has shown, there have been cases of countries that have declined while growing. Development is an end, while growth, which is an accumulative project, belongs to the order of means. An unknown ironic apologist allows us to grasp the point. An economist was trying to demonstrate that growth is the capital factor for development. "This is the law of both the economy and of nature: every growth is good in itself." One of the audiences at the Conference raised a hand and a hesitant voice exclaimed: "Unfortunately, the cancer cell also thinks so!"

## 2. *The common good as a category of economic thinking*

What are we to understand by the notion of 'common good'? A simple but effective way to grasp its meaning is to contrast it with the notion of the total good (which derives from an ethics of rules, either utilitarian, or deontologist). Whereas the latter can be rendered by the metaphor of an *addition*, in which the items to be added stand for the good of each individual (or the social groups that make up society), the common good is more like a *multiplication*, whose factors stand for the good of each individual or group. The meaning of the metaphor is clear. In an addition, the total remains positive even if some of the items cancel out. Thus, if the goal is to maximise the total good (e.g. national GDP), anyone's good (or welfare) can actually be 'cancelled out' provided someone else's welfare increases by more than the other person loses. In a multiplication, on the other hand, cancelling out just one factor reduces the entire product to zero.

In other words, the logic of the common good does not allow trade-offs: one person's good cannot be sacrificed – whatever the person's life situation or social rank – in order to increase someone else's good, for the basic reason that the former is a *human being*. According to the logic of the total good, the 'someone else' is an *individual*, i.e. a subject identified by a particular utility function – and,

as we know, utilities can simply be added up (or compared), since they have no faces, no identities, no histories. As Aristotle made clear, life lived in common by human beings is something very different from the mere sharing of pastures by animals. In the pasture, each animal eats for itself and attempts to take food away from the rest. In human society, on the other hand, each person's good can only be achieved by working in common. Above all, each person's good cannot be enjoyed unless it is also enjoyed by everyone else.

Why do the common good and the total good continue to be mixed up, even by experts, creating numerous misunderstandings and leading to many sterile, inconclusive arguments? The most convincing answer is that today's prevailing culture is so imbued with philosophical utilitarianism that even those who, at least in words, oppose it are in practice conditioned by it. Indeed, it should be remembered that Bentham's utilitarian ethics stated and spread the idea that the goal of politics was the *total good* of the nation – and hence that the market (i.e. the economy) and public institutions should not be organised so as to prevent such a goal from being attained. (S. Zamagni, "The common good and civil economy", in M. Nebel and T. Collaud, eds., *Searching for the common good,* Baden Baden, Nomas, 2018).

Another consequence of the damaging confusion between the common good and the total good must be mentioned here. It directly challenges the Catholic world, and concerns the reductive way in which the Vatican II Council dealt with the common good – one of the four founding principles of the Social Doctrine of the Church (SDC). Indeed, *Gaudium et spes* defines the common good as 'the sum of those conditions of social life which allow social groups and their individual members relatively thorough and ready access to their own fulfilment' (Section 26). As we may note, here the common good is not a goal in itself, but merely an instrument for the good of the individual or of groups. The *Compendium of the Social Doctrine of the Church*, published in 2004 at the express request of Pope John Paul II, put matters right by writing 'The common good does not consist in the simple *sum* of the particular goods of each subject of a social entity. Belonging to everyone and to each person, it is and remains common, because it is indivisible and because only together is it possible to attain it, increase it and safeguard its effectiveness ... No expression of social life – from the family to intermediate social groups, associations, enterprises of an economic nature, cities, regions, states, up to the community of peoples and nations – can escape the issue of its own common good, in that this is a *constitutive* element of its significance and the authentic *reason* for its very existence' (Sections 164-165: my italics).

It may be observed that this definition not only strongly emphasises the originality of the notion of the common good – whence its non-separability descends – but also indicates how it can be achieved. In particular, '[in the democratic State] those responsible for government are required to interpret the common good of their country not only according to the guidelines of the majority but also according to the effective good of all the members of the community, including the minority' (Section 169). So the State interprets, but does not determine or set forth what the common good is, for the State is 'the expression' of 'civil society' (Section 168) and not vice versa, as the various versions of the Hegelian ethical State would claim.

A surely unintended but no less damaging consequence of the confusion of thought regarding the notion of the common good is the fact that the words 'charity' (*agape*) and 'solidarity' were effectively used as synonyms until John Paul II made his clarifying statement. Some examples. The term 'solidarity' occurs 23 times in the 1992 *Catechism of the Catholic Church*, and nine times in the texts published by the Vatican II Council. Furthermore, in the *Catechism* (No. 2850) we read that the bond that unites us in the Body of Christ is not charity (as *agape*, love), but solidarity. On the other hand, the October 2005 Bishops' Synod in Rome, at the end of its work on the topic 'The Eucharist: source and summit of the life and mission of the Church',[1] published a *Message* in which the term 'solidarity' occurs three times (sections 4, 5 and 13) and 'charity' only once (section 20). The risks to the Christian message if 'charity' (love) and 'solidarity' are seen as substantially equivalent, and hence interchangeable, notions are only too clear.

This is why it is so important to specify the characteristics of the common good, which must not be confused with either the private good or the public good. In the common good, the advantage each person gains from being part of a given community cannot be separated from the advantage that others gain from it. In other words, each person's interests are realised *together* with other people's – not *against* them (as with the private good) or *regardless* of them (as with the public good). In that sense, 'common' is opposed to 'one's own', just as 'public' is opposed to 'private'. What is common is not *only* what is one's own, nor is it what is *everyone's* without distinction. No-one among contemporary thinkers has seen these distinctions more clearly than Hannah Arendt. In her famous *The human condition* she writes that 'public' means what can be seen, what can be spoken of and discussed. 'Everything that appears in public [and] can be seen and heard by everybody'. 'Private', on the contrary, is what is concealed from view. 'Common', on the other hand', is 'the world itself, in so far

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[1] See http://www.vatican.va/roman_curia/synod/documents/rc_synod_doc_20051022_message-synod_en.html (consulted on June 2017).

as it is common to all of us and distinguished from our privately owned place in it'.[2] As such, 'common' is the place of what is not one's own, and hence the place of interpersonal relationships.

So who are the 'enemies' of the common good? On the one hand, those who behave as 'free riders', i.e. live at other peoples' expense; on the other hand, those who behave as pure altruists, and hence cancel out their own interests to benefit others. Neither type of behaviour enhances the common good, albeit for different reasons and with different consequences. Neither pure egoism nor pure altruism can – by themselves – make a human social order sustainable. So who are the "friends" of the common good? Those whose behaviour is driven by the principle of reciprocity, which means "I freely give you something so that you can in turn give to others or perhaps to me, according to your possibilities". In contrast, the principle of exchange of equivalents states 'I give you something on condition that you give me something of equivalent value in return". Whereas the principle of reciprocity – as Aristotle already indicated – postulates proportionality, the principle of exchange postulates equivalence.[3] To use an evocative expression, reciprocity is to give without loosing and taking without taking away.

No human life lived in common can last long and be a source of happiness, i.e. of full personal realisation, if everyone gives (in the manner of pure altruists or philanthropists) or if everyone claims the right to receive (in the manner of opportunists), or again if all intersubjective relationships are reduced to the pattern of exchange of equivalents. Cultural acceptance of the principle of reciprocity, - as expression of the common good category - is the certain guarantee of harmonious coexistence and viability. This is the specific – although not the only one – contribution that Catholic thinking can make to the regeneration of the *civitas*. The philosopher John L. Austin wrote about the "performativity" of a scientific paradigm to signify the transformative influence of that paradigm on reality. It is true that paradigms do not just suggest lines of action, but they change people's mindset, and in so doing they shape people's interpretative logic of phenomena. Economic theories do not simply mirror economic reality; they impact it. This is what one should expect from the adoption of the common good paradigm.

## 3. The return of the common good concept in business studies

[2] Hannah ARENDT, *The human condition*, Chicago, The University of Chicago Press, 1958, 50, 52.
[3] See David HOLLENBACH, *The common good*, Cambridge, Cambridge University Press, 2002.

An area of great relevance where the common good perspective can offer a credible way-out of some

of present-day big problems is the one concerning the business world. Businesses are a ubiquitous feature of the economic landscape; much of the activity undertaken within an economy takes place within their boundaries. Yet, the understanding of their actual functioning remains a neglected area of study. The landscape of contemporary corporations is changing. Since the financialization of the economy in the early 1980s, corporate governance practices tightly linked the purpose of business with maximizing shareholder value. However, as the XXI century pushes on, there has been an increased emphasis on other stakeholder values, particularly social and environmental concerns. This trend in corporate governance has fuelled the emergence of new organizational forms. So far attention has been devoted mainly to the business model - to what to do. Time has come to reconsider the role of the management model also – how to do. (A given business model may be compatible with many management models, generating different performances).

Empirical evidence shows that the major crises of our time are partly a result of the way we conduct business. The traditional corporate form has in many ways monopolized our understanding of how we think and talk about business. The rise of new forms of organization will require re-imagining what are the fundamental building blocks of business. According to the received view, the company exists for the benefit of its owners – the shareholders – and those charged with running it. The directors have the duty to further their interests. Today we know that this approach has serious defects, as was remarked, among others, by pope Benedict XVI in his encyclical *Caritas in Veritate*: "Business management cannot concern itself only with the interests of the proprietors, but must also assume responsibility for all the other stakeholders who contribute to the life of the business" (2009, n.40).

The recently published Report by UN *(Impact. Transforming Business, Changing the World*, New York, 2015) on the results achieved during the first fifteen years since the launch of the UN Global Compact, gives evidence that corporate practices are changing, albeit in slow motion, as a consequence of high-profile clashes between companies and civil society. It has becoming increasingly clear that the single-minded goal of profit maximization at any cost is fracturing societies and destroying the environment. Essentially, business has been threatening the very elements that underpin its own existence. Today, the umbrella of corporate sustainability (both social and environmental) covers a much broader range of issues than before. However, there is still a very long way to go before sustainability is fully embedded into the DNA of business globally, even though there are clear signs of progress. In this regard, a strategically important role has been and will be played by civil society

organizations, that contribute to a cognitive overhaul around the purpose of business and its obligations to society, inspiring a new narrative around business as a force for good.

The question arises: which factors should be held responsible of the serious reductionism mentioned above? There is no doubt that a major factor has to do with the benign neglect towards the ethical dimension in the discourse concerning business life. Indeed, while principles of morality are well developed in relations to individuals, they are not in respect of companies. Yet, the corporation is a moral agent in so far as it is a juridical person. The competitive advantage of nations depends on the moral fibre of its corporations. The risk of moral decay through market interactions has been discussed extensively in politics, ethics, sociology, but not in economics. Yet, empirical evidence shows that market interaction causally affects the willingness to accept negative consequences for a third party- what in the economic literature are called pecuniary externalities, not to be confused with technical externalities. Ethics in business schools tends toward economic instrumentality and a utilitarian outlook. This attitude is prone to the so-called "cut flowers syndrome": the language of values may look attractive for a while, but severed from their cultural and spiritual roots, they wither. (G. Hamel, "The 15 diseases of leadership according to pope Francis", *Harvard Business Review*, April, 2015).

A relevant piece of evidence about the "cut flowers syndrome" comes from the recent experiment carried on by A. Cohn, E. Fehr, M. Marechal ("Business culture and dishonesty in the banking industry", *Nature*, Dec.2014) concerning the financial sector's business culture – a sector that in recent years has been involved in numerous scandals that have undermined confidence in the financial industry. The results suggest that the prevailing business culture in the sector favours dishonest behaviour, implying that measures to re-establish an honest culture are of decisive importance. This is an example of what in CST is known as "sin structures", a notion introduced for the first by pope John Paul II in his encyclical *Sollecitudo Rei Socialis* (1987). As J. O'Toole and W. Bennis have written in their article on corporate culture: "Ethical problems in organizations originate not with 'a few bad apples' but with the "barrel makers". ("What's Needed Next: a Culture of Candor", *Harward Business Review,* June, 2009). The "barrel makers" conveys the idea of sin structure. So when something goes wrong within a firm this is not simply the effect of the actions of misbehaving agents, but most of the time is the result of ethically wrong rules of the game. Consider the short-term pressure linked to quarterly results. It is not the mere fruit of somebody's greed, it is a collective constraint. The same is true when you consider benchmarking fund managers based on short run measurement of market data. Also theoretical thinking is another kind of sin structure. In view of this, several experts and regulators have proposed that bank employees should take a professional oath, analogous to the

Hippocratic oath for physicians. Such an oath, supported by ethical training, could prompt employees to consider the impact of their behaviour on society rather than focusing on their own short-term benefits. A norm change also requires that companies remove financial incentives that reward employees for dishonest behaviours. These measures are an important step towards fostering desirable and sustainable changes in business culture.

To this regard, I would like to cite two recent relevant initiatives. The first one is the MBA Oath, started by a group of Class of 2009 Graduates of Harvard Business School. The goal is to make a difference in the lives of MBAs who take the oath; to challenge other MBAs to work with a higher professional standard, whether they sign the oath or not; finally, to create a public conversation in the media about improving management. Let me quote few of the promises: "I promise that I will manage my enterprise with loyalty and care and will not advance my personal interests at the expense of my enterprise or society… I will refrain from corruption, unfair competition or business practices harmful to society… I will protect the human rights and dignity of all people affected by my enterprise and I will oppose discrimination and exploitation… I will remain accountable to my peers and to society for my actions and for upholding those standards. This oath I make freely and upon my honor". (M. Anderson, P. Escher, *The MBA Oath. Setting a Higher Standard for Business Leaders,* Portfolio, 2010). The second initiative I was referring to above is the one taken by the Dutch Banking Association in April 2015. All the bankers in the Netherlands have been required to take the following oath: "I swear within the boundaries of the position that I hold in the banking sector that I will perform my duties with integrity and care, … that I will put the interests of the customer first; … that I will make no misuse of my banking knowledge; that I will be open and transparent, and am aware of my responsibility to society". (For the full text of the oath, see M. O'Hara, *Something for Nothing. Arbitrage and Ethics on Wall Street*, New York, Norton & Co., 2016, pp.175-176).

A second factor explaining a great deal of business misbehaviour is that cognitive process known as moral disengagement, that serves to deactivate the self-regulatory process that normally deter individuals from actions that violate their own moral standards. In his recent book, Albert Bandura, (*Moral Disengagement*, New York, Macmillan Learning, 2016), beautifully describes the basic mechanisms that generate moral disengagement. Firstly, individuals can cognitively distort reprehensible acts so that they appear benign and those who engage in them are relieved a sense of agency. (E.g., "true, we did pump our waste into the lake, but the pollution we generate is trivial"). Secondly, people minimize their personal role in the unethical decisions through diffusion of responsibilities. Any harm done by a group can always be attributed to the behaviour of others. (E.g., I

evade taxes, since the tax pressure is too high). Finally, people can hold victims as responsible for the harm they experience. (E.g., "they did not pay attention, so it is their fault if they are suffering"). Indeed, a full understanding of morality must explain not only how people come to behave morally, but also how they can behave inhumanely and still retain their self-respect and feel good about themselves. Bandura documents moral disengagement strategies in famous business scandals, such as the Bhopal case, the Ford Pinto case, the Nestle case, the Three Mile Island case. The identification of demoralizing processes makes it possible to comprehend how individual moral responsibility is negatively affected by organizational contexts. For a useful assessment of how organizational contexts hinder individuals from taking increased moral responsibilities in companies, I refer the reader to T. Jensen ("Beyond Good and Evil: the Adiaphoric Company", *Journal of Business Ethics,* 96, 2010). Hope for extended individual responsability seems futile – according to Jensen – as long as current organisational practice remains uncontested. Or better to say, as long as organisational action is declared as morally adiaphoric, i.e. neither good, nor evil. According to Z. Bauman, "the term adiaphoron belongs to the language of ecclesia; it meant originally a belief or a custom declared by the Church indifferent – neither merit nor sin – and hence requiring no stand, no official endorsement or prohibition". (*Postmodern ethics*, Blackwell, Oxford, 1993, p.125). If adiaphoric companies were to become dominant, annulling the question of moral responsibility for organized action, then managers and employees in such companies will most probably fail taking the kind of responsibility that the social and environmental challenges demand from them.

Which consequences stem from the phenomenon briefly outlined above? A first major consequence is that the inequalities we observe today are the result more of power relationships, generated by the unfettered market's tendency toward monopoly, than of marginal product. By taking a fresh look at the aggregate and distributional effect of policies to liberalize capital movements, D. Furceri, P. Loungani, J. Ostry have shown that such policies have led to limited output gains while contributing to significant increases in inequality. ("The Aggregate and Distributional Effects of Financial Globalization: Evidence from Macro and Sectoral Data", IMF WP, April 2018)). Today, sectors such as telecoms, cable TV, digital branches, health insurance, finance, pharmaceuticals, agro-business and few others cannot be understood through the lens of competition. These sectors are simply oligopolies maintaining a huge market power. It should be noticed that the increase in inequality affect not only individuals and families, but also firms. For example, the 90$^{th}$ percentile firm in USA sees returns on investment in capital that are more than five times the median. A quarter of a century ago, this ratio was two. The implications are profound. The social and political legitimacy of market

economy is based on the assumption of the competitive model. But if markets are monopolistic, hence based on consumers exploitation, the rationale for laissez-faire disappears. Our economies have fallen short of any conception of a good economy – an economy offering a life of richness for all. The preoccupations seem targeted to prospering, not to flourishing. (S. Zamagni, "Prosperity, Poverty, and the Responsibility of Business", *Journal of Catholic Social Thought*, 13, 2016). A practical implication of the adoption of the common good perspective is that we need a more prudent – i.e. wise – approach in assessing the gains and losses from globalization. Indeed, if it certainly true that we enjoy today enormous "gains from trade" it is also the case that we are facing specific "pains from trade" – as J.S. Mill was already able to anticipate in the second half of 19th century. It is not acceptable on the logic of common good that only the first beneficial component is taken into consideration in economic theorizing. (A. Barrera, "Globalisation's shifting economic and moral terrain", *Theological Studies*, 69, 2008).

A second important consequence of moral disengagement has to do with a peculiar phenomenon of the present epoch. The digital revolution has heralded an age of improved communications, flexible work, increased automation, substitution of labour with technology. And yet, the numbers tell an entirely different story. Despite the enormous growth in computer power and a myriad of technological inventions, productivity has largely stalled. OECD (*Productivity Growth,* Paris, 2014) has considered the period 1970-2013, divided in two parts. Using G7 countries data, productivity grew by 2.6% on average per year between 1970-1990; in the second subperiod it grew by only 1.7% on average per year. It is certainly true that the second subperiod encompasses the Dot-com Bust of 2001 and the 2007-08 financial crisis; but also the first subperiod includes financial troubles of no less calamity (two oil crises; the market crash of 1986 etc.). So why the advent of the 4th Industrial Revolution failed to translate into higher productivity and income growth? (The real GDP grew by 3.3% in 1970-1990 and by 1.9% afterwords). Several are the explanations that have been provided so far. The one I deem more relevant is known as "the great war management problem", based on an historical analogy. World War I saw an unprecedented advancement of military technology with respect to the French-Prussian war of 1870. However, despite all these advances in technology, military strategy had remained unchanged since 1870. This led to a virtual stalemate, a prolonged war of attrition and countless casualties. Today, technology has grown so fast that it has surpassed our strategies. Management is still rooted – with few exceptions – deep in the past, at the time of the Tayloristic model of organization, where intrinsic motivations; well-being of employees; work-family balance, etc. never played any relevant role. This problem is akin to the "displacement of goals"

(Robert Merton sr.) in a bureaucracy. Rules and procedures that initially served to prevent administrative and financial chaos became goals of their owns. The bureaucrat works toward rules and regulations as a goal. In the same way, managers work toward maintaining structures that are dated in the Digital Age. Business leaders are called to radically revise their model of organization, overcoming the fallacy of materialistic management. (See Pontifical Council for Justice and Peace, *Business Leader*, Vatican City, 2015).

### *4. Implications for business governance*

In the environment briefly described above business leaders need to shape the conditions for continued prosperity. In a most interesting Report by UN Global Compact and Accenture (*CEO Study on sustainability*, Sept. 2013, one reads: "The global economy is on the wrong track and business is not playing its part in forging a sustainable future". This is a study of more than 1000 CEOs from 27 industries across 103 countries: the largest study to date. CEOs are committed to take action. They recognize that market rules need to be shaped to create a level playing field and a race to the top that rewards socially responsible performances. A corporate leadership agenda to shape the future is today particularly urgent. The great challenge is to balance two apparently conflicting objective. First, business leaders need to secure the sustainability and prosperity of their own companies. Second, they need to shape the conditions for continued and more inclusive economic prosperity and for global economic integration. This implies shaping the next wave of globalization. Wheras the last wave centered on accessing foreign markets and creating low-cost global supply chains, the next wave will follow a very different pattern, that might look like: more decentralized, more geographically differentiated, more digitally interconnected, more cognizant of social impact and the importance of building capabilities rather than exploiting labor cost differentials. (See the paper by M. Reeves and J. Harnoss, "The business of business is no longer just business", Boston Consulting Group, Jan. 2018).

To contribute to society, and to gain its support, businesses must be deeply embedded in it. One way this can be achieved is to establish social business that are adjacent to their core business models. This puts corporations in a position to solve some important problems by unsustainable philanthropic contributions. To this regard, one should consider the emergence, in very recent times, of *benefit corporations*, that are a new, fast-growing legal form of for-profit incorporation. They are under no legal obligation to maximize shareholder value. Instead, they are legally bound to pursue social benefit.

Born in the US ten years ago, benefit corporations exist in Italy, UK and legislation is advancing in Australia, Argentina, Chile and Canada. Many entrepreneurs are using this form of incorporation to signal that they are serious about doing business in a different, more responsible way.

To generalize somewhat this point, I should indicate that the still dominant argument according to which "good business is good ethics" – that is tantamount to say that what is good for business is good for ethics – is today less and less accepted. What is favouring this discontinuance of the argument? Simply the acknowledgement of the fact that in many situations, the Smithian invisible hand ends up with cramps that prevent it to f fully accomplishing its task. As Kaushik Basu has written (*Beyond the Invisible hand: Groundwork for a New Economics*, Princeton, Princeton Univ. Press, 2010), this celebrated principle has two sides, as does a coin. The one, theorized by Smith himself, is the bright side; the other, masterfully evoked by Franz Kafka in his *The trial*, is the dark side, generating perverse effects. Kafka's allegory is a lucid description of how possessive individualism, when not balanced or controlled by the common good perspective, can lead to inauspicious outcomes. In such situations, Kafka's invisible hand gains the upper hand over Smith's.

Another major implication has to do with the profound disruption that is happening to-day in the workplace and in the economy at large, as the relentless march of technology had brought us to a point where machine learning and artificial intelligence are not just outworking us, but starting to *outhink* us in more and more realms. If machines can compete with people in thinking, what makes us humans unique? And what will enable us to continue to create social and economic value? The answer is the one thing machines will never have: a heart. Humans can love and can have compassion. This implies that the tech revolution will force human beings to create more value with hearts and between hearts. Whence the growing importance of the common good perspective. "Machines can be programmed to do the next thing right. But only humans can do the next right thing". (Dov Seidman, 2016, CEO of LRN, which advises companies on leadership).

We know that by the rules of reason alone one can certainly rationalize the existing, but cannot invent much. Indeed, in order to really invent one needs to cast a sketch of sense beyond customary rationality. It seems to me that for this task those who recognize an eschatological dimension are better equipped than those who live within a pure enlightened rational dimension, which is surely capable of bringing to rigorous analysis, much less so to creative problem solving. This is perhaps the most significant contribution of Catholic Social Teaching towards overcoming the neo-Machiavellian trend and the sentiment of despair so massively present in today's culture.

What make us think that bringing back the principle of the common good to the public sphere and particularly to the business sphere, is not just a soothing utopia? The answer lies in two considerations, both of them verifiable. The first involves understanding that capitalist economy is based on a serious, pragmatic contradiction – clearly not a logic one. To be sure, the capitalist economy is a market economy; in other words it is an institution based on the two basic principles of modernity: (1) freedom of action and enterprise, and (2) equality before the law (rule of law). Yet at the same time, the key institution of capitalism – the corporation – has continued to develop over the past three centuries on the principle of hierarchy. This has created a production system with a centralised structure to which a certain number of individuals voluntarily surrender – in exchange for a price (wages) – their work which, once it enters the firm, is no longer under their control.

We know from economic history how this happened, and we also know the remarkable economic advantages that this institutional set-up has achieved. However, the fact is that in the present transition – from modernity to postmodernity – more voices are being raised to point out the difficulty of reconciling democratic and capitalist principles. The main problem is totalism in the sense of John Paul II: capitalist business increasingly control the life of individuals – more than half of one's lifetime is spent at work – at the expense of the family and other social entities. Notions such as freedom of choice, tolerance, equality before the law and participation, which developed and spread during the Enlightenment, as an antidote to the (almost) absolute power of the monarch, are being co-opted and suitably recalibrated by capitalist businesses to turn individuals, who are no longer in thrall, into purchasers of the goods and services they themselves produce. The dyscrasia here is that, if there are cogent reasons to see the greatest possible extension of the democratic principle as a good thing, we must then start to look at what happens *inside* business, rather than just look at the relations among businesses interacting in the market. A society in which the democratic principle is only applied in the political sphere will never be fully democratic. A good society does not force its member to make awkward dissociations between being democratic as citizens, but not democratic as workers or consumers. A recent interesting novelty in the area of corporate governance, capturing the basic insight of the democratic principle, is the model developed by Brian Robertson and termed holacracy. (Actually, the term was coined by Arthur Koestler in his book *The Ghost in the Machine* (1967) and applied to business organization in 2007). Drawing from the notion of individualization as developed by S. Ghosal and C. Bartlett (*The Individualised Corporation. A Fundamentally new Approach to Management,* New York, Harper, 1998) this model is meant as an alternative to the well-established Tayloristic model, deemed rather obsolete in the age of the fourth industrial revolution. In a holacratic

organization, the firm is divided in a number of circles that are encompassed by the largest internal circle and then the board of directors. The system is designed so that circles can be created and disbanded at any time. The idea is for employees to exhibit reliability and adaptability. (See E. Bernstein et Al., “Beyond the Holacracy Hype”, *Harvard Business Review,* August, 2016).

The second consideration concerns the ever-increasing dissatisfaction with the way in which the principle of freedom is interpreted nowadays. There are three constitutive dimensions of freedom: autonomy, immunity and capability. Autonomy means freedom of choice: we are not free if we are not in a position to choose. Immunity means the absence of coercion by any external agent; it is essentially the negative freedom (or ‘freedom from’), as spoken by Isaiah Berlin. Finally, capability, as posited by Amartya Sen, means our ability to achieve our goals, at least partly or to some extent. We are not free if we can never – or can only partly – put our own life plans into effect. Now, whereas the neo-liberal approach ensures the first and second dimensions of freedom at the expense of the third, the neo-statist approach, whether in the mixed-economy version or the Chinese version of market socialism, tends to promote the second and third dimension at the expense of the first. Liberalism is certainly able to act as a flywheel for change, but less able to deal with its negative consequences that are due to the high degree of asymmetry in time between distribution of the costs of change and distribution of its benefits. The costs are immediate and tend to fall on the segments of the population that are least equipped to cope with them; the benefits arise over time, and tend to accrue to the most talented. As Joseph Schumpeter was one of the first to recognise, the creative destruction mechanism is not only the heart of the capitalist system – which destroys the “old” to create the “new”, and creates the “new” by destroying the “old” – but it is also its Achilles’ heel. On the other hand, the various versions of social democracy assign government the task of dealing with the aforementioned asymmetries, but at the expenses of the principle of subsidiarity. The essence of the common good paradigm, in contrast, lies in succeeding to maintain all three dimensions of freedom united. That is what makes it worthwhile investigating and accompanying to implementation such a paradigm.

## 5. *The business firm as association versus the business firm as commodity*

Where to place the ultimate discriminant between the two visions of enterprise evoked by the title of the present section? Before offering an answer, it is proper to remind that until the end of 19th century, the corporate legal discourse took for granted that corporations owed their existence to a

public concession by the State that chartered them. Underlying the State's constitutive role, this view conceptualized the corporation as a social organization transcending its individual participants and charged with the pursuit of public rather than private interests. As brilliantly documented by K.J. Cremers et Al. ("Commitment and entrenchment in corporate governance", *Northwestern University Law Review*, 110, 2016), things began to change at the turn of the century when corporations increasingly came to be seen as entities based on the notions of individualism and self-interest. That mindset reached its apex in the early 1980s when the neoclassical theory of the firm made its appearance. M. Jensen and D. Meckling ("Theory of the firm", *Journal of Financial Economics,* III, 4, 1976) are the heroes: the firm as a web of contractual relationships among self-interested individuals, whose transactions are efficiently coordined by the price mechanism. Such a vision is far from the vision of the corporation as an association where the profit motive, while entirely legitimate, is basically an indicator of good functioning. In this vision, the corporation is an institution that aims at the "eudaimonia" of its employees, in which the shareholder's rights of ownership are constrained by duties to others within the corporation, and whose managers must concern themselves with the common good. (S. Fitzgibbon, "The human business company", *Journal of Catholic Social Thought*, 2, 2004. See also H. Alford and M. Naughton, eds., *Managing as if faith mattered,* 2001).

Let me return to the question raised above, i.e. what are the major consequences stemming from the two visions on the ground of corporate governance? I start from the observation that any kind of economic action is always a common action, an action, that is, which in order to be undertaken requires the deliberate participation of two or more persons. The fact is that the division of labour itself makes all economic action a common action. So a market economy, necessarily based on division of labour, is a world densely populated with common actions. Three features define the common action. First, all participants must be aware of what they are doing: the mere co-presence of a number of different individuals is not sufficient. Second, each participant is responsible, accountable, for what he/she does. This is what distinguishes common from collective action: in the latter the individual and his/her identity vanish, and with them so does his/her personal responsibility for his/her action. Third, there must be a joint effort on the part of the participants to achieve the same objective. The interaction of a number of persons in a given context is not, in and of itself, common action if they are pursuing different, not to say conflicting, ends. Thus the economic enterprise, which possesses all three attributes, definitely constitutes a common action.

There are various types of common action, depending on what is held in common, which may be the means or the end. If it is the means, the enterprise will be seen as a commodity – a creature of

the market - and interpersonal relations will typically take the form of the contract. In a contract, of course, the parties do work in common for its realization, but each pursues his/her own ends, which may perfectly well conflict. Think, for instance, of the contract between vendor and purchaser, or labour contract itself. When what is in common is the end (*telos*), the enterprise becomes a community. The essential difference is between a situation in which it is agreed that each party is to pursue his/her own particular end and one in which a common end is shared by all participants. This is the same difference as that between a common good and a public good: in the first case the benefit that each person draws from use cannot be separated from that drawn by others; in the second case, that does not apply.

What is the consequence of this distinction, from the economic point of view? That when the "common" is restricted to means alone, the basic problem to be solved is the *coordination* of the actions of many agents. This is what management science has done, at least since the pioneering work of F.W. Taylor (*Principles of Scientific Management*, 1911) and, after the Second World War, of Herbert Simon. On the other hand, when the "common" dimension also covers the ends, the problem is how to achieve *cooperation* among the people involved. In formal terms, a problem of coordination arises from the strategic interdependence of a number of persons; a problem of cooperation arises from their axiological interdependence. This is tantamount to saying that with respect to cooperation inter-subjectivity is a value, whereas with respect of coordination it is a mere circumstance.

A notable fact to be remarked is that, notwithstanding what agency theorists seem to believe, the coordination of decisions within the firm is based on non-market mechanisms. Almost never are prices used within a firm to coordinate the division of labour. So one simply cannot concur with A. Alchian and H. Demsetz ("Production, Information Costs and Economic Organization", *American Economic Review,* 62, 5, 1972) that "telling an employee to type a letter instead of filing a document is like telling a grocer to sell this brand of tuna instead of that brand of bread" (p. 777). This for the simple reason that it is utterly unrealistic to conceive of the firm as a sort of market *sui generis*, because the people who work within a firm are guided not only by orders but also by informal rules of conduct that make up the enterprise's specific culture. It does not take any great amount of acumen to see that the effects of these norms on human behaviour are vastly different from the effects of the prices that govern market relationships.

The way a consumer reacts to a change in the price of a product he/she intends to buy is certainly different from the way a worker reacts to the positional competition that the firm triggers. Price changes affect my purchasing decisions, not my mode of behaviour; but the informal rules within

the firm where I work for, create a habit of life, definite expectations of rights and duties. As Schlicht (2003) shows, the fundamental problem for a business organization is "psychological consistency" between social norms and work styles on the one hand and orders and formal rules on the other. If a manager's orders are perceived as inconsistent with the informal norms, you get organizational chaos. That is, whereas a command to a machine does not affect the machine's response to other commands, with people every order creates a precedent, the expectation that in the future similar situations will be handled in like fashion. And if they are not, workers will react by shirking or refusing to put their tacit knowledge at the service of the firm.

It can be shown that the coordination model does not avoid the risk of psychological inconsistency, and consequently that of organizational inefficiency (see, among others, W. Dassein and T. Santos, "The Demand for Coordination", CEPR, WP 4096, Oct. 2003). On the other hand, the model of cooperation does avoid it, because it gives workers the decision-making discretion needed to adapt to local circumstances. For adaptation always requires local information associated with a given task, information that is held only by the worker assigned to it. It is common knowledge that the present-day technological trajectory postulates, so much so that a key problem for modern enterprise is mutual adaptation between organization and productive structure to exploit potential resource complementarity to the hilt. In this respect, cooperation is definitely superior to coordination.

The question, then, is what to do to positively resolve the problem of cooperation. A convincing answer is that suggested by M. Bratman ("Shared Cooperative Activity", in Id. *Faces of Intention,* Cambridge, CUP, 1999), setting forth three conditions. The first is the condition of mutual responsiveness: every participant in the common action believes that the intentions of the others are important, that they deserve respect, and knows that this belief is reciprocated. That is, it is not enough that the members intend to undertake the same action; they must also want to do it together. The second condition is commitment to the joint activity, which means that it is impossible, in practice, to measure the specific contribution of each to the joint product. The third condition is commitment to mutual support, whereby each engages to help the others in their efforts to attain the best possible final result. Note that this mutual support must come in the course of the joint activity, not apart from or after it. So commitment in the present sense is not to be confused either with self-interest or with disinterested altruism. There being a joining of interests, in helping the others each participant to the common action is also pursuing his/her own self-interest. In other words, it is precisely because of his/her concern for his/her own welfare that the cooperating member is concerned with that of the other members (R. Dworkin, "Liberal Community" in S. Avineri and A. De Shalit, eds., *Communitarianism and*

*Individualism,* Oxford, OUP, 1992). This is the particular interpretation of the principle of reciprocity as adopted by the enterprise as a community. Let me recall that the principle of reciprocity runs like this: I do something for you (or give something to you) under the *expectation* that you in turn can do something for others or, possibly, for me.

What does a business firm accepting to be guided by principle of the common good have to do to satisfy these three conditions? First, it must facilitate communication among members. Second, it must practice fairness, avoiding both subjection and exploitation. Third, it has to take into consideration the motivational structure of each person. Let me explain. Communication is not the same thing as information. While full information is all that is needed for the coordination of decisions, cooperation presupposes the practice of a special form of deliberative democracy: the exercise between members of the "voice" option. For the key distinction between "exit" and "voice" option, we are indebted to A.O. Hirschman, who went on to say that while the ideal-typical field of application of the former is the economy, that of the latter is politics. Well the proper significance of cooperative action is that of extending the "voice" option to the sphere of business relations. As we know, the process of deliberation posits the possibility of self-correction, hence that each person admits, at the outset, the possibility of changing his/her own views in the light of the arguments of others. This means that the deliberative method excludes all those who declare, in the name of hierarchy, that they are impermeable to the reasons of others. With this in mind, then, deliberation necessary presupposes communication. According to Joshua Cohen ("Deliberation and Democratic Legitimacy", in A. Hamlin, P. Pettit (eds.) *The Good Polity,* Oxford, Blackwell, 1989), cooperation is based on "deliberation focusing on the common good", in which all participants are willing to question their initial preferences, because "the relevant preferences and beliefs are those that emerge from or are confirmed by the deliberation" (p. 69). True enough, constructing a network requires coordination, but it is equally true that the network structures provide their greatest benefits when Bratman's three conditions are satisfied.

The other prerequisite mentioned is the commitment to internal equity. The prime reason that motivates the members to come freely together to solve a cooperative problem is to banish subjection and exploitation. The precept of cooperation is set apart from coordination by the fact that it posits not hierarchy but the equal dignity of persons and of the areas in which they work. As John Rawls observes, cooperation is much more demanding than coordination, as it is based on rules and procedures that have to be agreed to by all participants. To be sure, every common action, hence every enterprise, needs someone to exercise the command function to get the wills of the different individuals

to converge. But whereas in the firm as a commodity command flows from the power of hierarchy, which may be more or less authoritarian as a matter of personal style, in the firm as association command depends on leadership in a way that makes it impossible for anyone to impose his/her own concept of the common good on the others.

Besley and M. Ghatak ("Competition and Incentives with Motivated Agents", CEPR, WP 4641, May 2004) define a "mission" as a set of attributes of a project such that the persons involved value its success more highly than the money income they earn from it. In this sense the firm as a community is a mission-oriented organization whose strength springs from the motivation of the agents. The distinction between intrinsic and extrinsic motivations is central in the present context. When people are intrinsically motivated, they act with a full sense of willingness and volition, wholly endorsing what they are doing because they find it either interesting and enjoyable, or consistent with their deeply held, integrated values. In contrast, when people's motivation is extrinsic, they act out of coercion, seduction or obligation. They tend to experience pressure and compulsion, rather than concurrence and choice. As suggested by self-determination theory, intrinsic motivation leads to higher quality behavior and experience; i.e. intrinsic motivations are associated with greater well-being and better performance. (E. Deci, R. Ryan, "Self-determination theory", *Internationakl Encyclopedia of the Social and Behavioural Sciences*, Elsevier, Vol.21, 2015). An intrinsically motivated agent is one who pursues a given end because he/she knows that doing a certain thing or acting in a certain way carries an intrinsic benefit. Clearly if having a mission reduces the need to negotiate pecuniary incentive schemes, it increases the importance of the non-monetary features of organization in optimizing the agents' efforts. It follows that the organizational design should not discourage the intrinsic motivation of people, as it is the case when the management adopts incentives that crowd out intrinsic motivations.

In symbolic terms, this means positing, for a generic *i*-th agent, a utility function of the type $U_i = a\, w_i + (1 - a)\, m_i$, where $w_i$ denotes monetary compensation, $m_i$ the intrinsic motivation, and $a$ ($0<a<1$) the weight assigned to the first component and ($1-a$) that assigned to the second. Now as intrinsic motivations will differ from person to person, there is a drastic alternative. Either a mission-oriented enterprise succeeds in organizing this diversity and consequently achieving substantial gains in productivity, or it fails and is paralyzed by internal conflict. That is why the successful manager must be capable of getting the right mix of $w$ and $m$, that is material and relational incentives. If the manager is seized by the mania for emulation and a sense of inferiority and stresses $w$ only, in the end he/she will provoke the crowding-out effect discussed by Bruno Frey, in which the intrinsic motivations are "narcotized" by the extrinsic. B. Hermelin ("Biased Monitor: Corporate Governance when Managerial

Ability is Mis-assessed", NBER, Sept. 2017) suggests a practical way to correctly assess the performance of managers, which is a vital task for corporate governance.

In a different context, R. Gibbons ("Incentives in Organizations", *Journal of Economic Perspectives,* 12, 1998) absolutely does not rule this contingency out when observes: "A worrying possibility is that management practices based on [traditional] economic models may reduce or destroy non-economic facts like intrinsic motivations and social relations" (p. 130). As A. Falk and M. Kosfeld ("Distrust: the Hidden Cost of Control", CEPR, WP 4512, July 2004) have shown experimentally, insofar as material incentives signal the principal's mistrust of the agent, they significantly reduce the latter's willingness to act in the former's interest. The fact is that any theory of incentives postulates a particular anthropology, i.e. a particular conceptualization about the nature of man. It is a value-laden theory, by necessity. Take, for instance, Adam Smith's statement according to which: "Nature, when she formed man for society, endowed him an original desire to please, and an original aversion to offend his brethren. She taught him to feel pleasure in their favourable, and pain in their unfavourable regard". (1790, Part. III, Section I, Par.13). Such an anthropological assumption is just the opposite to the one adopted by Thomas Hobbes, i.e. his "homo homini lupus". It is therefore no wonder that an incentive theory funded on Smith's premise brings to results that are radically different from those stemming from the Hobbesian assumption. D. McGregor was able to grasp this point already in his famous management book, *The Human Side of Enterprise*, (New York, McGraw Hill, 1960) when he wrote that managers who believe that employees dislike work and behave always opportunistically, may create workers "who are resistant, antagonistic, uncooperative" (p.38). On the other hand, managers who subscribe to the Smithian view that people consider their work as a source of self-realization and social esteem, may create employees who seeks to fulfill the firm's goals even without any incentive. (See on this point the important piece of work by T. Ellingsen and M. Johanneson, "Pride and Prejudice: the Human Side of Incentive Theory", CEPR, WP 5768, August 2006).

As we know, the employment relationship between firm and worker can be a "social exchange" or a "market exchange". The former involves such intangibles as trust, loyalty, honesty, and reciprocity, which cannot be subject to contract: they cannot be verified. We know well enough that it matters greatly to a firm's performance whether the relationship is of one type or the other. But it is evident that a worker will accept the "social" rather than the "market" exchange if he/she considers the enterprise as a moral subject that agrees to implement the principle of cooperation whereby workers can contribute choosing the projects that maximize their benefits (P. Aghion and J. Tirole, "Formal and Real Authority in Organizations" *Journal of Political Economy,* 105, 1997). For a recent account

showing how much do a manager's interpersonal skills with workers, i.e. people management skills, affect employees' outcomes, see M. Hoffman and S. Tadelis, "People Management Skills, Employee Attrition and Manager Rewards", NBER, Sept.2017.

I conclude this section with a statement that aptly captures the gist of the argument developed above. "Although neither Aristotle nor Thomas contemplated the modern corporation, we have been proposing what one might call an Aristotelian or Thomistic model of corporate responsibility. It has an ethical foundation that both the shareholder and the stakeholder models lack: it is founded not on what each group wants for itseld, but on what is normatively good for that group *and* for others". (J. Gordley, "Virtue and Ethics of Profit Seeking", in S. Cartright and M. Naughton (eds.), *Rethinking the purpose of business*, New York, Norton, 2002).

## 6. *Instead of a conclusion*

The 15th Century was the century of the first Humanism, a typically European event. The XXI century, from the very outset, powerfully demonstrates the need for a second Humanism. At that time, the shift from Feudalism to Modernity was the decisive factor which pushed in that direction. Today, it is an equally Great Transformation (in Polanyi's sense) – from industrial society to post-industrial society – that shows us the need for a new Humanism. Globalization, financialization of the economy, convergent technologies, migrations, identity conflicts, environmental challenge, increasing inequalities are only a few of the key words telling us about the "discontent of civilization", to cite S. Freud's well known essay. In facing these new challenges, merely updating our old categories of thought or refurbishing collective decision techniques, however refined, would not be suitable for the purpose. We must have the wisdom and the courage to walk on new paths. To this regard, a relevant admonition comes from a beautifully written piece of work of some time ago by J. Ratzinger: "A morality that believes itself able to dispense with the technical knowledge of economic laws is not morality, but moralism. A scientific approach that believes itself capable of managing without an ethos misunderstands the reality of man. Therefore it is not scientific. Today we need a maximum of specialized economic understanding but also a maximum of ethics, so that specialized economic

understanding may enter the service of the right goals". ("Market economy and Ethics", *Communio*, 13, 1986, p.204).

Over hundred years ago, Laurence Lowell, the President of Harvard University, argued that: "Institutions are rarely murdered; they meet their end by suicide… They die because they have outlived their usefulness or fail to do the work that the world wants done". (*Inaugural Address*, Oct. 10th, 1909). The argument above suggests that quite a number of economic institutions – among them corporate business – today need to be put on suicide watch. Companies are part of business ecosystems, which in turn are embedded in local and transnational economies, which are interwoven with societies. Today, business leaders are understanding that focusing only on the narrow game of business – i.e. maximizing total shareholder return – has become a very risky proposition. The idea that is getting more and more consensus is that of Total Societal Impact (D. Beal et Al., "Total Societal Impact", Boston Consulting Group, Jan,2018) according to which companies, as cognitive institutions, are considering the impact of their multifarious activities on the social and environmental dimensions as well as on the pure economic one. (A cognitive institution is an institution that constrains the action of an agent not in a coercive way, but shaping his/her cognitive map). The notion of total societal impact is an expression of the larger notion of corporate political responsibility that refers to the impact of corporate activity on the *polis* and on the political network where companies operate. There is today a broad recognition that meeting the 17 UN's Sustainable Development Goals and in particular coping with the endemic increases of social inequalities, will not be possible without the significant capabilities of the business sector. Companies know very well how to measure outputs and outcomes; they have to learn how to measure the social impact of their activities. Ultimately, this is what makes one hopeful that the category of common good will play an increasing role in the rethinking of the role of business in society. As we know, in the long run, few things are as powerful as good ideas.