# Moving into the New Era
# In spite of our human weakness

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## Harmonic Capitalism, the new way forward

I first used the phrase 'Harmonizing the Use of Capital'[2] to signify how to reap the benefits of Globalised Capitalism at the same time as mitigating the damage it can do to the societies it affects.

Since then the last phase of rampant, unbridled globalisation, ten years of unrestrained greed, vanity and selfishness in the practices of the management of capital resources have led the world to experience widespread breakdowns of bank credit creation, liquidity controls and national budgetary discipline.

The effects of these breakdowns have been so troubling that it is clear to all that the financial system initiated at Bretton Woods after World War II is no longer viable and has to be replaced by one which can serve the greater needs of humanity as a whole. To do this implies a form of capitalism that abides by the commandment to love our neighbours as ourselves.

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[2] *Galileu* Vol. VI, Nº 2, 20001

This means changing not just the attitudes the manager of capital has towards his peers but essentially the whole approach to business activity in general. It means rejecting decisively the objectivist tenet that corporate managements have a duty to exploit their fellow human beings to the full. Instead they will wish to encourage the human development of all of their neighbours through Deep Cooperation in whatever circumstances they find themselves.

Very idealistic and unworldly though this may seem, particularly when we recognise that it runs in the face of the self-indulgent weaknesses that each of us has, I posit that it is destined to be the capitalist philosophy of the future. Why should we doubt the readiness of countless millions to love their neighbours? Is the evidence not already clear, when we realise how spontaneously generous are the charitable reactions to natural disasters all around the world?

When we maintain this harmonic philosophy, it is apparent that, whereas financial policy is concerned with the distribution of resources, overall financial strategy has to aim for the most effective use of these resources for the welfare of the human beings in a given area. Financial strategy is, after all and as so often tends to be forgotten, all about making human lives more viable.

The first human need is freedom from want. There can be no such freedom if one does not have the chance to earn a competency for a life that is worth while. It follows that, to make human lives more viable, financial strategies have to be geared towards economic development.

One of the first target areas is that of youth unemployment. In the developed economies, for instance, the unemployment rate for young people aged between 16 & 25 rose from 9% to 13% between 2007 and 2010. Yet there appears to have been a total lack of measures taken to prevent their plight and many other similar situations from continuing to result from decisions to merge and/or restructure significant numbers of businesses.

Assuredly it isn't necessary to allow crises to create such havoc in people's lives when, instead, a responsible approach to economic development can provide a viable substitute for the destructive competitiveness that damages the social infrastructure and cohesion of a community.

There is an apparent conflict of priorities between the appreciable reduction of the levels of unemployment and the EU Commission's Economic Strategy for 2020. I suggest, however, that the conflict is no more than apparent. The aim of considerably reducing levels of unemployment has simply to be the first priority. A globally competitive economy that fails to deal with such an ulcerated sore fails to address the goal of economic cohesion. By implication, therefore, the EU as a whole should now adjust its strategy regarding competition.

The way in which this has to be done should lie at the crux of EU policy. As I mentioned, the route to economic development runs principally via the exercise of initiative, enterprise and innovation; by and large through the setting up of new businesses, which start small and have the prospect of soon becoming medium sized entities.

There have to be many such start-ups. There is no economic progress without diversity, while whether an enterprise will remain viable is a question of natural selection.

As is well recognised, innovation is largely dependent on fresh finance. The money that is already employed in the existing circular flow of production, distribution and/or services is not available for new enterprise. As Schumpeter so ably demonstrated[3], the necessary capital has to be made available from some other source. This, basically, is either Venture Capital or credit furnished from national and/or international sources. And, since within a developing nation the availability of spare capital is scarce, it is here that the globalization of finance provides a principal benefit. Without its governing characteristics much Foreign Direct Investment would simply not take place.

I submit that for these reasons EU competition policy has to be adjusted in ways to encourage the emergence, survival and continuous existence of new ventures, protected as they should be from predatory acquisition by large companies that seek to take over successful enterprise.

This kind of protection needs in no way to involve barriers to cross-border M. & A. The cause of disastrous mergers or acquisitions resides not in the processes themselves but in the acceptance of the idea that administrators, persuaded by investment bankers to take on massive leverage finance, are not held responsible for the inherent mistakes.

Sometimes these are Horrendously Big Mistakes in judgement of the merits of the financial engineering for which the exit routes for the bankers are always bound to involve 'restructuring, redundancies and reshuffling of managerial roles'. The more unpleasant aspects of globalization, such as

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[3] Business Cycles

massive dismissals of workers, usually more for the sake of expediency than out of real necessity, develop at an alarming rate. Layoffs restrict opportunities in an appalling manner, particularly by virtue of continuing ill-advised management. The capacity of the mega-sized corporation to inflict damage is inflated out of all proportion.

The mistakes of one or two administrators affect tens of thousands of people and even whole regional economies. If the effect of such human errors were to have remained confined to the affairs of, say, medium-sized companies, the damage would have been less able to have such far-reaching consequences. Naturally, those who pay for such changes are always the productive collaborators who, at first, were regarded as key personnel. It is never the financiers, nor the people who made the self-justified decisions, which all the people below the top of the hierarchy had often recognized as sure to come unstuck.

Moreover, the restructuring processes are all in the name of increasing competitivity, whereas, in truth, the financial leveraging is done solely for the sake of greater short term profits – to satisfy analysts and investment organisations. If, instead, the realities of the situation are faced down, the solution will lie with administrators being obliged to devise ways (by dint of their own hard sweat) how to produce what the customers require at attractive, and not necessarily cheaper, prices. This they do by co-opting the collaboration of their colleagues.

Surely, therefore, the aim of a modified Competition Strategy would be rather to avoid having to deal with the more predatory practices indulged in by the larger international corporations. The EU Nations could then, with great advantage to their local economies, adjust their internal economic strategies so as to encourage the envisaged emergence of new ventures, funded principally by Venture Capital, either from within the EU itself or coming in as FDI.

To ensure that the desired economic development can take place and will have the freedom to prosper, economic strategies should be adjusted either on an EU-wide scale or at will by individual nations or even trans-border regions - within the principle of subsidiarity - by incorporating a specific code of ‘cohesion’ ethics.

This code would assuredly enjoin all new enterprises (including those resulting from take-overs or privatisation) to be run in line with the aims of what I call Socially Responsible Capital.

I define Socially Responsible Capital as being at one with the Judaeo-Christian good neighbour mindset – something that I understand is shared by most Moslems. The good neighbour element involves an approach where the central precept is the optimisation of profit, as opposed to the maximisation of shareholder value.

In essence, this implies that the level of profit must first be commensurate with the interests of all the people that contribute to the existence and productivity of the respective business. These do not include overhead expense workers. It is the productive management, technical and sales personnel who have made and continue making useful contributions to the overall success of the enterprise that are the ones who have to be motivated.

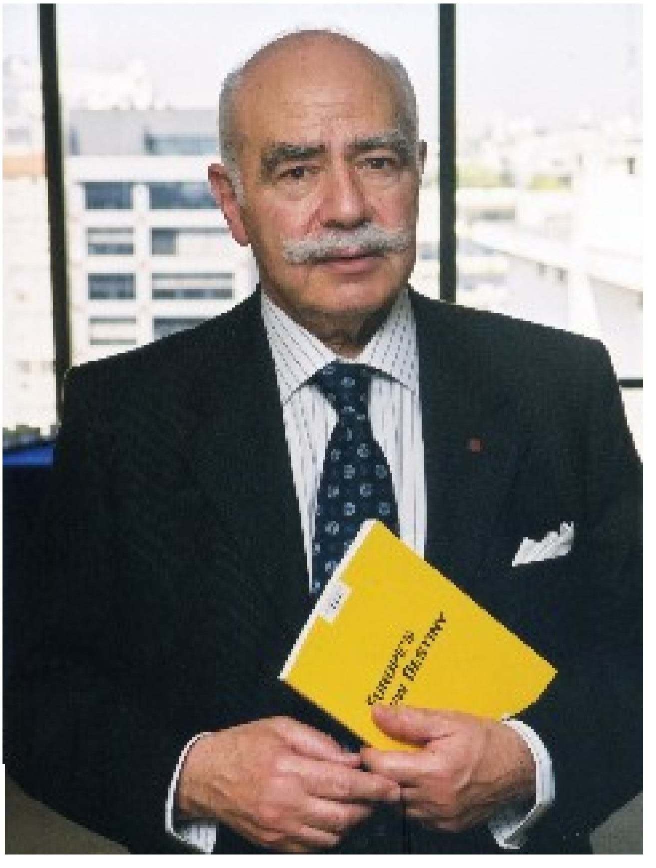
It should go without saying that the best efforts of such personnel are most likely to be forthcoming on a continuing basis, when they see they will not be tossed aside as soon as they no longer help maximise corporate profits.

## Conclusion

> **Socially Responsible Capital** has been my thesis during the ten years since its publication through UAL in 2000. It is integrally linked to both the question of Competition Strategy and Levels of Productive Employment.

This is not the place to reiterate all the arguments. Suffice it, please, for me to say I firmly believe in their validity at the same time as I recognize that I have no monopoly on their inherent truth. Like Love, Truth is only the product of shared involvement. By the same token, attempts to resolve common problems require our dedication to cooperation with all the others who are affected. There is no way to predict a panacea resolution.

What I can foretell, however, whatever my be the governing circumstances throughout Christ's New Era , of which I am just one of the appointed heralds around the globe, is that very soon there will be a supreme rule guiding each and every lastingly successful Capital Management decision. Permanent precedence will be given to the injunction to Love our Neighbours as Ourselves.



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