

Popenomics



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What sermons business should and should not heed from a leftist pontiff

There are few more incongruous places for a seminar on the future of business than the Sacred Convent of Assisi, in Italy. From Schumpeter's cell high in the convent's outer walls, the view over rural Umbria was so beautiful it was like looking at the world through God's eyes—not those of Mammon. The convent houses the nearly 800-year-old tomb of Saint Francis, the most poetic of holy men, who thought money was worth less than asses' dung and inspired a mendicant order. On a night-time visit business-school students surrounded his tomb, as Franciscans in black robes charmed them with stories of their austere daily lives. The only gripe was that early friars failed to foresee that the thick medieval stonework would one day interfere with Wi-Fi.

The week-long seminar on business, work and the circular economy, in early September, had divine overtones. Organised by some of Italy's leading universities, it laid the groundwork for a meeting between Pope Francis and entrepreneurs, academics and students in Assisi next March to discuss the "Economy of Francesco", in homage to the saint. The pope's aim is to draw on the

ideas of the young, as well as on veterans of development such as Amartya Sen, an Indian economist, and Jeffrey Sachs, an American one, to create a more sustainable and humane economy.

Many businessmen—even Catholic ones—roll their eyes. They recoil at too much pontification on the shortcomings of private enterprise. Yet Pope Francis has a knack for catching the zeitgeist. On everyone's lips in Assisi was the decision by 181 chief executives in America's Business Roundtable in August to reject the idea that maximising shareholder value was their main goal. Stefano Zamagni, an economist at the University of Bologna (who teases modern capitalists with the pithy "a rising tide lifts only the yachts"), saw it as a watershed event. He acknowledges that it could have been a "social-marketing" ploy to keep big business's critics at bay. But, he asks, "Who am I to judge?"

It is a good time for reflection. Both capitalism and the Catholic church are suffering crises of faith. The reputation of big business has been damaged by the global financial crisis, inequality and environmental harm. The church is reeling from the fallout of the sexual abuse of children by priests. Both are casting about for ways to rebuild their reputations. It is intriguing that each thinks that re-evaluating economic principles may be the way forward.

The starting-point in Assisi was that business and the Catholic church go back a long way together. Though Saint Francis ditched his life as son of a well-heeled merchant for a tunic of coarse wool, his followers helped lay the foundations of a market economy in the Middle Ages by establishing the rule of law and a role for credit. In Umbria Franciscans set up the first pawn shops in the 1460s. Luca Pacioli, who first wrote on double-entry book-keeping, was a Franciscan friar. In the past century so-called Catholic social teaching explored different economic doctrines and grew more pro-capitalist from the 1980s—in tandem with the rise of the Anglo-American concept of shareholder value.

Things are changing. Pope Francis, an Argentine, is the first pontiff to come from the world's less-developed south. His language on the economy is often incendiary, referring to it as "unjust at its root". He blames big business, more than governments, for crony capitalism, while ignoring the role firms have played in helping lift many out of poverty through globalisation. He is scornful of financial markets, downplaying how important they are to economic activity. Some businesspeople view him with the same mistrust they would Jeremy Corbyn or Bernie Sanders.

But in two ways, business folk should heed his message, particularly those who care about the long term. His "Laudato Si'", an encyclical published in 2015 on climate change, sums up as eloquently as anything written so far the pressure from runaway growth on resources—and humans. It calls business "a noble vocation", especially if it creates jobs. It celebrates new forms of technology, provided human responsibility develops alongside. But it notes that unbridled economic expansion is squeezing the planet dry. The rich may have to forsake some natural resources so that the poorer world can develop. It sounds radical. It is also common sense.

The pope makes an argument about individual morality, too. A balanced life is one of self-restraint. To illustrate what he means, attendees at the Assisi seminar were shuttled to Brunello Cucinelli, a €1.9bn (\$2.1bn) maker of cashmere garments. Its eponymous founder keeps a bust of

Marcus Aurelius, the Roman emperor-philosopher, outside his office and talks passionately about ethics. In May he invited a dozen or so “young Leonardos”, including Amazon’s (55-year-old) Jeff Bezos, to his hilltop home to discuss humanity’s future. No doubt he told them about “gracious growth”: his preference for revenues to rise by no more than 8-10% a year, and ebitda margins to stay at 16-17%. That, he says, is enough to sustain workers, shareholders and the environment.

Easy for Mr Cucinelli to say, you might think. Few companies can hope for such results, at least outside Silicon Valley. But many Catholics wary of Pope Francis would agree with the garment-maker’s general point that business and morality should go hand in hand. Philip Booth, a Catholic economist from Britain, likens separating ethics from economics to separating ethics from sex—and teaching about sex purely in biological terms.

Make it Assisi as you can

Where things get more contentious is in recommending a course of action. Faced with climate change and inequality, the temptation is to call for draconian top-down measures to throttle economic activity. If the “Economy of Francesco” leans in that direction, it will fail. But if it stresses bosses’ commitment to behave as responsible citizens, corporate or otherwise, it may have a positive effect. At a time when the world is an unholy mess, even asking basic questions about the purpose of business has some virtue.