

Harmonizing the Use of Capital

Joseph Ezra Bigio ¹

I realize that there can and may be endless debates about the extent to which such an economic system could or should be harmonized. Everyone will try to justify their own interpretation and there will be no generally accepted parameters. This, naturally, would turn the description of the system I propose into a useless exercise. But I believe that the modified form of capitalism I begin to describe in this article can indeed provide western societies with an alternative approach to governance. Moreover, it is an approach that it will make it possible for the European Union to develop economically, with social cohesion in peace and security. And that is the objective, isn't it?

I use the phrase, "Harmonizing the Use of Capital", to signify how to reap the benefits of globalized capitalism at the same time as mitigating the damage it can do to the societies it affects.

Thus, I hope to represent a way of practicing capitalism in harmony with the best interests of the communities where market principles play the leading role in the economy.

There is a first point that I should stress. The world that we have been brought face to face with since September 11th, 2001 has brought the idea of cooperation in many fields to the forefront. Of particular importance, in my view, is not the question of military cooperation. Nor is it the question of working together in home security or even banking areas. Nor, above all, is it a question of hastening

¹ Director, Centro de Estudos da Globalização, UAL.

the harmonization of taxing policies. It is that we have to recognize the importance of cooperation with respect to the development of our economies. Only first among the approaches to this particular form of cooperation is the harmonization of the currency market between the Euro and the U.S. dollar.

Most of all, the priority that I see as crucial, in the short, medium and long terms, is the recognition of our need to accept that we not only have to live as best we can. Equally important is that we have to let our neighbors live as best as they can. Which means downplaying the competition angle. It means not being greedy. It means leaving room for the other guys to sell their alternative products and/or services.

We can have competition without it having to result in the winners taking all. Because, if we have deep co-operation with our competitors, each of us can gain our objectives while leaving room for the rest to gain theirs at the same time. This is a question of helping our neighbors to fulfill themselves.

Not that this means that we owe our neighbors a living. We don't. But I know that we are told to love our neighbors as ourselves. Which implies not trying to squeeze them out of the game. We owe them the space to perfect their own performance and fulfill themselves without us trampling on their rights to do so.

To those who do not perform as well as they could or, for some unfortunate reason, are unable to be productive and thus make their contribution to society we can, out of human sympathy, owe them our compassion and give them our personal assistance. We don't implicitly have to pay taxes to keep them.

Or do we? What is important in deep cooperation is the recognition that the more of us there are who are able to contribute to the economic development of our local, regional, national or global community the better each individual or enterprise will grow. This is the material side of the coin. The cultural side reflects the sets of values that govern our overall attitudes, decisions and behavior.

One of the sets of values that are deeply embedded in Western societies is the conviction that the afflicted, the disabled, the handicapped and the unfortunate

should be given assistance. And there are thousands of associations that seek to gather funds to cater to the needs of these disadvantaged people. The great problem, as many givers find out, is that very often only ten percent of what they give ever reaches the intended beneficiaries. So it is with state treasuries.

The utter wastefulness of government departments – at whatever level they may exist, coupled with the gross tendency to overstaff their own administration bodies, results in the almost incredible misuse of the taxpayers' contributions to the collective aims of governance. Thus, paying taxes is probably the most inefficient way to help those who need it.

Talk of using cooperative methods sounds like heresy to many advocates of allowing market forces to dictate outcomes. Until, I suggest they reflect deeply on the question of what are the main objectives to be achieved; and ask themselves what is wrong with cooperating with competitors, if in the end everyone benefits and, essentially, if your own side's specific goals are going to be attained? Particularly, when it looks as if these aims are unlikely to be fulfilled by straightforward competition within the prevailing economic circumstances.

Let's take a closer look, therefore, at what the essential differences between competition and cooperation may be. According to Hayek, the 1974 Viennese Nobel prize-winning political economist whose ideas strongly influenced Lady Thatcher in the middle of her years as Britain's Prime Minister, dynamic *competition* is a process of discovery. It enables us to open up new frontiers of knowledge. The future shows which new knowledge is useful and which technologies will quickly become obsolete. We have to be ready to welcome the winnowing process, if we wish to realize our full potential for economic development. This implies encouraging research, while conserving those national cultural values that are needed to maintain each nation's psychological balance.

Notice that the need to conserve national cultural values is stressed even by this proponent of innovation. So maybe we should remind ourselves of the cultural heritage that continues to be that of the peoples of North America as well as those

of Europe. I mean the commonly held values based on Christian precepts that formed the basis for Western civilization.

The Treaty of Rome talked about the uniting of people who share a common culture. In the field of world policy, Franklin D. Roosevelt dedicated the United States to the policy of the good neighbor. As far as I know, the dedication has never been repudiated by any of his successors². Surely, this may give secure grounds for the peoples on both sides of the Atlantic to aim for economic development along parallel paths. This is not something that an untrammled process of globalization is likely to achieve. It would provide conditions of life far from the Future Perfect for the majority of the populations of the dominated countries.

Clinging on to outmoded values, of course, is no substitute for building a dynamic future. There is no Past Perfect except in grammar. Yet some past established values have eternal character. This truth justifies the proposition that optimism about the future may always be welcome, so long as it is tempered with the desire to hold on to enough of what has lasting value. Hope and the wish to create a better world are not the same as “damn the torpedoes, full speed ahead”.

Indicating that there is no real dichotomy between competition and cooperation, Herbert Giersch³ drew the conclusion that the outcome of dynamic competition may often be the form of cooperation that evolves within the pattern of a deepening division of labor. At every level, he said, people want to make use of their comparative advantages. They want to specialize and increase their own particular knowledge and expertise. They are likely to pursue the path of learning by doing. This means that they will require to develop complementary roles with others in their own enterprises as well as with suppliers and customers. This implies cooperation all along the line.

² First Inaugural Address, 4 March 1933.

³ Lessons from German Experience, Keynote Address to the International J. A. Schumpeter Society, 1994.

I maintain that cooperation within whole industries is merely an extension of co-operation within one enterprise. The aim is to create a strong base within a competitive world, from which each person or company may realize better results, leading to a better quality of life all round. Each is nonetheless in a position to try to be the best at playing its particular game. A good football team exemplifies what is required: the coordination of efforts to achieve goals, touchdowns or tries, depending on which kind of football is being played. At the same time, it involves doing many things to help the other team members play a better game. And jointly taking up the strain when one or more players are beset by problems.

Cooperation tends to centralize many operations, enabling reductions in the costs involved in catering for wider markets. It also generates lower purchasing costs. It is a catalyst for a better world, in which the social advance of many rejects the winner-take-all mentality. It increases cash flows and the multiple effects that these have throughout the area. It is a prime example of what I would call "harmonic" capitalism.

As a Christian, I define harmonic capitalism as being at one with a good neighbor mind-set. The harmonic element involves an approach where *the central precept will be the optimization, as opposed to the maximization, of profit*. In essence this means that the management of enterprises have always to cater for two sets of interests on an equitable basis. Both the interests of the shareholders and the interests of all the people who collaborate in producing the profits have to be worked for. In a way similar to the approach taken by Zeiss as it transformed itself. In my visualization, this is the approach that will enable the EU to achieve economic development with social cohesion.

Now and then I am asked whether I believe that there is much real hope such a goal being achieved. I can only reply that I believe it to be highly possible. Its achievement depends, principally, on the amount of energy brought to bear by the various individuals who care. The tasks facing an expanding European Union demand the implicit new mindset. It is the only one that adequately answers the challenges of globalization, while availing us of the benefits that the latter can bring.