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The Economy of Regard

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Abstract

Robots conquer increasingly extended spaces in all fields of human activity. The human being, by contrast, laid bare by a big wave of data to corroborate what has been already claimed by several scientists, who analyse her behaviour in action, no longer appears as Homo Economicus. This is the economic man in the manner of a fully-fledged rational 'robot'. In possession of full and relevant information, she maximizes her utility as a consumer and, if entrepreneur, her profits. Real life, not the one sketched in the textbooks of the mainstream economic culture, sees an heterogeneity of individuals whose cognitive biases and the most varied irrationalities lead them to continually adapt, in an evolutionary way, to the circumstances, to abrupt changes, leveraging on feedback mechanisms.

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While adapting to changing conditions, each of us make use of one's own reputation that is spendable credit in one's personal, cultural, social, political, and commercial relations. The reputation has the image of Janus, the double-faced God. A face is turned in the direction of the entrance door of reputation (as others judge us); the other one, towards the exit (our offering of reputation). Both directions are subject to a shaky and mutable balance between selfish behaviours and altruistic practices. The needle swings between two extremes. On the one hand, prevails the reciprocal altruistic desire to benefit fellow human beings – eagerness at the centre De beneficiiis, a work by Seneca the Younger (c. 4 BC – 65 AD). On the opposite side, it dominates the attitude of those who, looking after their own interest, are moved by such a strong propensity to selfishness to cause harm to others and, in the end, even to themselves. In fact, over time their behaviour worsens the health status of the community in which they are embedded.

The balance of power would be shifted towards altruistic individuals in the event that selfish people, who hold personal interests tight in their hands, would take actions for the purpose of using them to forge cooperative relationships in the public interest. In short, the invisible hand of Adam Smith's The Wealth of Nations should be trained to a handshake to which human beings as social creatures must aim to better regulate their relations, as suggested by his Theory of Moral Sentiments.

Between languishing economic growth and exacerbating income inequalities, the money economy is suffering. In contrast, the gift economy seems to have embarked on a promising path. The pioneers of next practices to implement the act of giving are engaged in such different fields as – to name just a few – health, food, care for the poor, neighbourhood socialization, urban decay, and the nascent entrepreneurship. The recruitment and engagement of donors in the online crowdfunding communities has already taken form and becomes clearer and clearer day after day.

That pioneers can count on a large crowd of followers is something dubious. There are many people who have not yet assimilated what was highlighted by Adam Smith in his "Theory of Moral Sentiments": that the purpose of economic activity is the regard for oneself and the others – which is more than giving with exclusively charitable and solidarity end. As Smith wrote, "How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it".

Economic growth close to zero scares because it jeopardizes the improvement of material living conditions. We remain so stubbornly anchored to the idea that increasing production is the only imperative. More products and services are made available, the better. Yet what makes us better people is something else entirely: it is the regard that puts us in a state of "well-being", antechamber of our "well-having."

For decades now, the largest gains in real income are lands of conquest for the top 1% of the people – in short, the plutocrats. No income growth, in contrast, for individuals in the 80-85% percentile of the income distribution. Placed in a chart by Branko Milanovic (2016), data take the shape of an elephant, with the body part represented by the middle class, the loser, that has become frail and with the 'elephant trunk' of the rich, the winners, increased disproportionately.

Still, the winners as earners of interests, rents, dividends and capital gains – in short, the rentier class – live sad times. If at the time of cutting the cake the few who have already eaten up most of the slices, with the purchasing power of the majority going down, cuts the demand for goods and services, the propensity to save exceeds the investment intentions. The result? Interest rates decrease and even turn negative that lead to the euthanasia of the rentier. With interest rates below zero, rentiers pay their debtor to grant loans. Selfishness does not reward.

It seems that the time is ripe to face the danger, which has been long ignored, of the elephant in the room. It must take note that the prevailing behaviours in the market economy do not lead to the promotion of the gift economy. The task is difficult, but not impossible, to make navigable the river of sharing with highly educated crews whose members can trust each other. This means investing in human and social capital. Exclusion and rivalry (I win, you lose) are still ongoing in the world economy, interweaving partisan interests that stifle competition – the bearer of innovative ideas and projects. The gift economy creates a sharing community where the one who has a burning candle says to the other, "light your candle from mine whose brightness, for this, does not fade". All that remains then is the weaving of the Smithian thread of regard for oneself and the others, which ties the market economy with that of giving and sharing.

In 1958, John Kenneth Galbraith argued that in the affluent society "inequality has ceased to preoccupy men's minds". From the enlarging of the cake everyone would benefit, obtaining a bigger slice – this dominant way of thinking. Today, with a few taking possession of disproportionate gains, the yeast of growth is the economy of regard. To be borne in mind are the attention, acceptance, and recognition of the others. All these are investments made possible by social capital that stems from the trust of others nourished by spontaneous sociability. There is more. The economy of regard makes its way with the expansion of exchanges off the market. In growing volume and quality, goods and services do not carry a sign with the market and price specifications. They are transferred as gifts within the economy of sharing complementary to the economy of regard. Thanks to regard and sharing, the community does not have to fight against gorgons and hydras, threatening creatures on the horizon of the economy. Its great transformation will remain an incomplete and unfinished work to the extent that both regard and sharing are scarce resources and not valued as public goods. Not the impersonal markets, but the community has the duty to promote and gratify them.

The economy of regard is not identified with the charity practiced by the wealthy rentiers to keep subjugated the poor classes. In his Economic History of Pre-Industrial Europe Carlo Maria Cipolla, economic historian, writes that in the industrial society all goods and services have a price and the disbursement of money is the most prevalent way for obtaining the required asset. In the pre-industrial Europe the situation was profoundly different, and more one looks back in time more it is noted that the gift takes on a significant role in the exchange system – adds Cipolla, pointing out that one gives for obtaining in return other gifts. It is from this perspective that we can seize the historical roots of the great ongoing transformation of the market concept under the combined pressures of the economy of regard, gift, and sharing (shortened to “Economy of Regard”).

What Makes the Pendulum Move in the Direction of Altruism?

Since when the inequalities of wealth and income are back into the heart of the economic debate, economists confront each other on the two major themes of egoism and altruism. Is it the unbridled individualism that characterizes individuals, all centred on their personal interests, whereas attributes such as philanthropy, generosity, and selflessness belong to the joint actions of the humanity in a spirit of solidarity? Or, on the contrary, individuals are selfless, while solipsists are organized groups bearers of special interests in which is fragmented and torn apart what we call “community”? This dilemma does not have an unequivocal answer. In the course of events the pendulum swings, and not in a uniform manner, between the one and the other of the two hypotheses. To move the pendulum in the direction of altruism, individuals and their collective representatives should learn how to start and operate at its full potential the multiplier of regard, engine of social progress and economic development.

An exemplary lesson in this regard has been imparted by the “Lunarticks, a pun on Lunatics, and the Honest Whigs, the 18th century industrial revolutionaries in England, who trace the path which then became known as “Industrial Revolution”. As, Jenny Uglow (2002) and Steven Johnson remind us, that variously articulated body of revolutionaries – among them were scientists, inventors, entrepreneurs, craftsmen, artists, politicians – shared ideas in an entirely free mode unfettered by interference or influence arising from monetary incentives. The flow of ideas in motion and the consequent influence they exerted on the society of their time triggered the multiplier of regard. In times close to us, as suggested by Sheridan Tatsuno (2012), Silicon Valley’s early entrepreneurs, mostly inventors without access to much capital, learned that sharing led to faster learning and growth overall. This sharing culture still exists alongside the venture capital model in the form of crowdfunding under the new Jobs Act and social networks.

Will the pendulum swing towards equality? The answer depends on the pressure exercised by the Millennials, the generation born between 1980 and 2000 that showed the highest propensity to collaborate, and the counter-thrust that comes today from Generation Z, those born between 1996 and 2011. This is the crop of young people forged by the events produced by the Great Recession.

Confronted with growing uncertainties on the education and work fronts, and the intensification of inequalities on both sides of income and opportunities, the generational cohort following the Millennials leans towards more competitive and less co-operative behaviours.

The Multiplier of Regard

The higher the propensity to altruism and reciprocity (the selflessness reciprocated), the more the regard multiplies the opportunities for discoveries, inventions and innovations which then generate transformative entrepreneurship. As detailed below, a case in point is the 'golden handshake' between enlightened entrepreneurs as they were Enzo Ferrari and Battista Pininfarina.

> The Golden Handshake: The Adam Smith's Invisible Hand of the Market Must Be Accompanied by an Invisible Hand Shake
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> Over the past five decades, Ferrari and Pininfarina have had the world's best-known and most influential association between an automotive manufacturer and a design house. Battista "Pinin" Farina has been the creator of the Italian style in the architecture of the automobile. In the 1930s, he founded "Carrozzeria Pinin Farina." His plan was to build special car bodies.
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> Though Enzo Ferrari and Battista Pininfarina yearned to work with each other in the early 1950s, the road to real collaboration was hesitant to start. "Ferrari was a man of very strong character," Sergio Pininfarina recalls. "Therefore, Mr. Ferrari was not coming to Farina in Turin, and my father was not going to visit him in Modena, which was approximately 120–130 miles away. So they met halfway in Tortona."
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> That fateful rendezvous would alter the world's automotive playing field. "Everything became extremely easy once they sat down at the table" – Pininfarina continues. "They never spoke about any type of price. Both were very enthusiastic, for each thought, 'This will be great,' it was. 'I will give you one chassis, and you will make one car.' The first steps were tentative, much like two outstanding dancers being paired for the first time. The initial effort yielded a handsome perfectly proportioned 212 Inter cabriolet that had its official public debut at 1952's Paris Auto Show."
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> Source: Thomas Andersson, Martin G. Curley, and Piero Formica (2010)

David Bodanis in his book on the famous formula of Albert Einstein (Bodanis, 2000) provides us with three illuminating examples about the motivations and emotions underlying that propensity. As a result of an unexpected gift received from an unknown bookbinder apprentice, motivated by the excitement of the homage and taken by surprise the English chemist and inventor Humphry Davy (1778-1829) opened the doors of science to him: an occasion that made Michael Faraday (1791-1867) one of the greatest scientists of his time. His discoveries in the fields of electromagnetism and electrochemistry had major impacts on entrepreneurship. Yet, motivations and emotions show volatility stemming from, respectively, a discretionary nature and transience. So - Bodanis reminds us - the same Davy years later, when Faraday had shown his qualities that would lead to success, withdrew his support accusing him of plagiarism.

Being social and affirmative towards others, looking inside them, a teacher recommended an unconventional school to be attended by Einstein (1879-1955). That behaviour was a small but important nudge that helped push the German physicist forward along the path of his revolutionary theory of relativity. On the contrary, not motivated by the need to accomplish something that would take him into a frightened unknown, the great French mathematician Jules Henri Poincaré (1854-1912) behaved in a grumpy manner towards Einstein.

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Author's Profile

Piero Formica started his career as an economist at the OECD Economic Prospects Division in Paris, then moving to academic institutions. Professor Formica is Founder of the International Entrepreneurship Academy and a Senior Research Fellow of the Innovational Value Institute at the Maynooth University in Ireland where he leads an international research team on experimentation and simulation of high-expectation start-ups. Professor Formica received the Innovation Luminary Award 2017 from the Open Innovation Strategy and Policy Group for his work on modern innovation policy. Exploring the Culture of Open Innovation: Towards an Altruistic Model of Economy, Emerald Group Publishing, is his forthcoming book.
