

49

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CONTENTS

	PAGE
1. INTRODUCTION.....	3
2. HUMAN AND SOCIAL PURPOSES OF CAPITAL.....	3
2.1 SHIFTING VALUES, NORMS, AND BENCHMARKS.....	3
2.2 LAUNCHING TECHNOLOGICAL AND INDUSTRIAL INITIATIVES.....	4
3. ETHICAL AND SUSTAINABILITY PURPOSES OF CAPITAL.....	5
3.1 REDEFINING CAPITAL THROUGH REGULATION.....	5
3.2 OVERHAULING FINANCIAL MARKETS AND EDUCATIONAL SYSTEMS.....	5
4. INCLUSIVE AND INTERGENERATIONAL PURPOSES OF CAPITAL.....	7
4.1 SHIFTING CAPITAL'S FOCUS FROM SHORT TO LONG-TERM.....	7
4.2 FAVORING SOCIAL EXCHANGES AND EMPOWERING INDIVIDUALS.....	7
5. IMPLICATIONS AND CONCLUSIONS.....	8

IS IT AS GOOD AS IT GETS? WHAT APPROACH WOULD YOU SUGGEST TO CHANGE THE CURRENT PURPOSE OF CAPITAL? THE LEADERS OF TOMORROW'S PERSPECTIVE

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1. INTRODUCTION

This article summarizes the perspectives of a select group of promising young people from all over the world, so-called Leaders of Tomorrow, on the topic of the 49th St. Gallen Symposium: “Is it as good as it gets? – What approach would you suggest to change the current purpose of capital?”. The participants in this year's St. Gallen Wings of Excellence Award were asked to consider how the use of capital can solve complex challenges and address substantial changes, be it by individuals, civil society, businesses, or governments.

Based on an analysis of the top contributions to the 2019 St. Gallen Wings of Excellence Award of this year's St. Gallen Symposium, the article organizes the focal topics of the essays and identifies interesting ideas and thoughts of the Leaders of Tomorrow. The objective is twofold. First, to report those ideas that the Leaders of Tomorrow most frequently address in their essays. Second, to highlight the most promising ideas of this cohort. This summary considers the top 60 contributions of the 750 contributions to this year's St. Gallen Wings of Excellence Award. This choice was made in order to focus on the highest-quality contributions. It is important to note, however, that this summary does not assess the quality of the essays, but solely focuses on the content of the contributions.

Notably, even though the participants had to address the same question, there is a remarkable diversity in the contributions' foci, contexts, and perspectives. The

contributions relate to different new purposes of capital and include both broader conceptual ideas and concrete initiatives that may facilitate the change of capital's purpose. The first set of essays suggests changing the purpose of capital to human and social purposes through shifting values, norms, and benchmarks, as well as by launching technological and institutional initiatives. The second set proposes changing the purpose of capital to ethical and sustainability purposes by redefining capital through regulation, as well as by overhauling financial markets and educational systems. The third set proposes changing the purpose of capital to inclusive and intergenerational purposes by shifting capital's purpose from short to long-term, as well as by favoring social exchanges and empowering individuals. The remainder of this review is structured accordingly.

2. HUMAN AND SOCIAL PURPOSES OF CAPITAL

A first strand of the top contributions suggests adapting the current purpose of capital to promote social and human purposes. In this stream, the Leaders of Tomorrow suggest that current views on capital focus primarily on economic performance, wealth, profit maximization, and economic short-termism. Since the current economic, social, and institutional mechanisms are built in order to serve these purposes, they largely neglect the human and social purposes of capital. Several essays recommend thus to redi-

rect the focus on purposes that serve humanity and the welfare of society.

2.1 SHIFTING VALUES, NORMS, AND BENCHMARKS

Several Leaders of Tomorrow suggest changing existing values and norms in order to promote capital towards human and social objectives. They argue that current economic systems, institutions, and policy making tend to be locked in an economic orientation, which limits the development of their contribution to society. Accordingly, the Leaders of Tomorrow propose a variety of new values and norms in order to unearth the social potential of businesses, economies, and institutions. Several contributions suggest identifying the existing misleading policies and new challenges to effectively shift the purpose of capital.

According to these essays, a first misleading principle of capital is its short-term orientation. Short-termism causes people and organizations to work towards immediate gains and generate high returns in short time frames. When applied to capital, this approach leads to high risk, high return strategies, the promotion of short-term projects, and wealth-maximizing actions. This orientation often sacrifices social objectives and human considerations, such as dignity, empathy, inclusiveness, and long-term social welfare, which are less profitable.

A second misleading principle identified by the Leaders of Tomorrow is the “extractive nature” of nowadays economy, which favors creating more goods and services, which, in turn, favors economic self-inter-

est, unethical behavior, and resistance to change. According to the Leaders of Tomorrow, such a view on capital lacks an authoritative framework in order to enforce a new logic that places personal life, creativity, satisfaction, and well-being at the core of society, businesses, and institutions.

A third misguiding principle is the discriminant nature of the current purpose of capital. Several Leaders of Tomorrow argue that current systems do not provide equal opportunities of prosperity to individuals, regardless of their origin, identity, and social status. Several authors argue that because of this shortcoming human prosperity as a basic purpose of society that capital should serve is neglected.

Against this backdrop, some Leaders of Tomorrow suggest moving away from national policies and decision making to account for the global nature of these issues. Therefore, they argue that we should address these issues on a global scale and coordinate efforts to have a global action at the institutional, business, and social levels. At the institutional level, a first step towards a shift in values is to promote conscious economic growth that pursues sustainable long-term gains and development.

To do so, a Leader of Tomorrow suggests changing the values pursued by global financial institutions and policy makers such as the IMF, the WTO, and the World Bank by shifting their focus to ethical behavior, societal improvements, and emphasizing the importance of responsibility of individuals. Another contribution suggests that the values that should be put forward are peace, a healthy environment, and human dignity. The author suggests that those values provide a fertile ground to grow wealth centered around human and social welfare, security, and stability.

Another Leader of Tomorrow suggests redirecting the focus of firms on the con-

cept of “Shared Value” developed by Michael Porter and Mark Kramer. The principle of shared value relies on the impact investing principle, which refers to investing in organizations that can solve long-term issues while generating financial returns. In order to promote the shared value principle a partnership between international institutions, governments, and NGOs can be set up in order to develop a “Global Impact Investing Rating System” (GIIRS). The GIIRS would raise as a standard for performance beyond wealth maximization objectives, shifting thus progressively the priorities of businesses.

2.2 LAUNCHING TECHNOLOGICAL AND INSTITUTIONAL INITIATIVES

Another substrand of essays argues that in order to redirect the purpose of capital towards the new values, specific initiatives are needed. The Leaders of Tomorrow propose two main solutions: some authors advocate using novel technologies for business and daily life in order to increase the awareness for the new purposes; others propose to set a positive monetary value on initiatives that further human development and social welfare.

For example, focusing on the use of novel technologies, some Leaders of Tomorrow propose to take advantage of the technologies, such as recording lenses and virtual reality simulators in order to put ourselves in the shoes of others and create awareness for the consequences of their actions and thinking. The contributors argue that individuals, firms, and institutions need to adopt actions that are consistent with their values and in order to do so they need to be able to experience the consequences of their behavior in different scenarios. They suggest that such an approach would help building empathy and conscious behavior based on the experiences that individuals accumulate in simulations of reality.

Another contribution attends to the ageing population and suggests that in order to increase social care and human empathy it is fundamental for policymakers to provide incentives, coordinate, and guide the use of IT, technology, and its applications. The author argues that policymakers should use technology as a tool for preventive care and long-term sustainability of society. Therefore, the conception of technological innovations and IT solutions such as tele- and mobile services, Internet of Things (IoT) solutions, AI and Blockchain-enabled systems, and robotics should be funneled in order to advance human development, health and social welfare.

A further contribution suggests setting up a digital platform to enable individuals, including children, to express their opinions on current global issues. Within this platform, people would debate key subjects and some people would take the role of representatives in the discussion. The latter would help developing solutions, bring them to the attention of international institutions and policy makers such as the organization of UN Environment, and follow up on their implementation. Such an initiative would actively redirect social attention to the new purposes of capital as directly expressed by individuals.

On another note, focusing on valorizing positively human development and social welfare at the business level, several Leaders of Tomorrow suggest valuing waste as a resource that serves social welfare. According to these essays, human development can be pursued by promoting a circular economy in which waste serves social development instead of harming the quality of our environment. To do so, businesses and institutions need to value waste as a new form of capital and have a purpose-driven waste management program. Such a program would develop new

activities, create new jobs and learning opportunities, and reduce the physical and psychological distance between people and their behavior.

A further contribution mentions that an actionable proposition to repurpose capital is to valorize uncaptured value of supply chains by developing co-products, take advantage of under-utilized resources, reusable components of broken products, and turn them into sustainable business models. The author suggests that such a system that favors circular business models based on closed loops would create value from processes such as repair, re-manufacturing, and re-processing. Such an economic system would move businesses from an obsolescence and extractive logic towards a life-time service orientation centered on generating social and environmental capital simultaneously to economic value.

Finally, advancing an institutional perspective, several essays propose adopting new accounting frameworks by introducing unconventional measurements that value the collective happiness and wellbeing of a population. The authors suggest redefining prosperity in order to include societal costs in accounting standards and tax payment principles. Thereby, policymakers can actively redirect individual and businesses' attention on the key purpose of social welfare. To do so, a Leader of Tomorrow suggests adapting measures developed by the government of Bhutan such as the Gross National Happiness Index.

Several other Leaders of Tomorrow propose introducing taxes that promote prosperity, human progress, and work. Thereby governments and institutions would incentivize the development of hard work, and levy a proportion to invest in equality and social prosperity to direct the purpose of capital on human and social development. In this vein, a contribution stresses on the importance of ensuring "tax jus-

tice" or directing taxes towards creating positive social impact, and reverse the trend of global inequality to a life of dignity for everyone.

3. ETHICAL AND SUSTAINABILITY PURPOSES OF CAPITAL

The second thematic cluster of essays groups contributions, which argue that the purpose of capital should be redirected in order to focus on ethics and sustainability. The Leaders of Tomorrow suggest that current practices derive from a widespread understanding of capital as a means to serve personal gains, and that a different view in the definition and use of capital is needed.

3.1 REDEFINING CAPITAL THROUGH REGULATION

A first substrand of essays argues that existing economic and social systems lack of focus on ethical and sustainable objectives. Accordingly, several Leaders of Tomorrow advance the idea of increasing the attention of individuals and organizations on ethics by creating binding regulations and integrating ethics in its definition.

In this view, a Leader of Tomorrow proposes that the current "shareholder primacy" affects organizational conduct and managerial practices. Accordingly, the author examined current practices in the British banking industry and suggested defining capital requirements as a function of their ethical behavior. In such a system, ethics would be measured by a bi-annual ethics assessment: The more ethical and sustainable the behavior of an organization and its managers, the lower the capital requirements that may imposed on these firms.

A further contribution suggests incorporating sustainability in the financial and accounting definition of capital. According to this essay, the IASB and FASB should

help create a global non-profit organization, the Global Sustainability Standards Board (GSSB), which would expand current standards to incorporate Sustainable Development Goals (SDGs). In such a context, the GSSB would be an institution, which ensures that firms align their business models with ethical and sustainable objectives, incorporates sustainability metrics into bond ratings, issue regulations in this regard, and help redirecting the current banking systems towards serving the SDGs.

Another contribution suggests taking advantage of the power of shareholder attention to periodical surveys conducted on industries or business trends. The author suggests that such surveys act as monitors and influence managerial practices due to the high visibility they have. Accordingly, organizations are likely to adapt their corporate conduct and managerial practices to gain a better image and ranking status.

Finally, a Leader of Tomorrow proposes that levying taxation at the international level would help addressing global ethics and sustainability issues. The author argues that issues such as capital flight hinder wealth solidarity and capital redistribution. An international taxation system would help remedy such issues by easing the census and measurement of wealth and thereby favor financially more ethical behavior at the individual level.

3.2 OVERHAULING FINANCIAL MARKETS AND EDUCATIONAL SYSTEMS

A second substrand of essays suggests that the shift of purpose towards an ethical and sustainable framework needs specific initiatives. As a Leader of Tomorrow suggests, the overarching view of those essays is that "our problem is not the lack of ethical wisdom and insight, it is the application and implementation of such truths". The Leaders of Tomorrow focus on

two main ideas: some suggest reforming financial markets in order to systemically support the new purposes; others propose adapting current education systems to serve the new goals.

Indeed, several Leaders of Tomorrow argue that the current economic and financial systems pursue a profit and wealth maximization logic which oftentimes leaves aside ethical and sustainable priorities. The authors suggest that this bias is due to the fact that value generation is at the center of current economic systems and ethical and sustainable actions are often less profitable. Accordingly, they suggest revamping the current economic model in order to support systemically the pursuit of ethical and sustainability goals.

To do so, several contributions focus on the structure that the new economy should have, and suggest orienting it towards a circular model. In this view, the Leaders of Tomorrow argue that capital in its current form does not enable generating monetary value from sustainable actions and results into substantial waste of resources. Accordingly, they propose “closing the loops” of existing business models by having companies turn their waste into valuable resources and thereby create a circular cycle of value creation. Those essays contend that the value created by recycling supply chain and production lines waste allows incorporating the currently lost value of waste refurbishment, reuse or recycling. Circular economies would, on the one hand, promote sustainable business models that minimize the businesses’ impact on the environment and maximize their footprint on social development. On the other hand, it would contribute to take holistic approaches to production, service delivery, and supply chains since they would account for the overall cycle of value creation – inputs, outputs, and waste.

On a different note, two contributions

suggest reforming countries’ investment policy by empowering individuals in investment markets. The authors propose that organizations should create a mandatory individual custody account that would represent from 5 to 10% of their overall employees’ gross wage. These accounts would be aggregated on the national level in a global fund that would invest into companies and initiatives that comply with strict ethical and sustainability purposes according to the willingness of its contributors. The authors draw on the example of Norway’s national funds for the long-term preservation and Government Pension Fund. They suggest that each country should create an investment fund that would operate according to ethical and sustainable principles. Such funds could be subsumed in a global fund called “The Millennium Fund” and would help individuals participate equally in global growth, help them overcome feelings of helplessness, and enable them to voice their investment preferences as contributors to the funds.

A further essay contextualizes the debate to the role of the private sector and argues that its financing power is a key lever in today’s economy and should be reshaped in order to serve a financial system that systemically supports sustainable and ethical goals. The author suggests that the purpose of capital in the private sector can be redirected through four main levers: (1) redefining financial reporting standards to align them to the new values and frameworks of an ethical and sustainable economy; (2) realigning banking regulations to proactively support sustainable development; (3) explicitly incorporating sustainability into bond ratings and promoting the introduction of green bonds; and (4) enforcing the presence of a non-executive board member that would monitor the implementation of these initiatives.

In order to implement these initiatives, several essays favor a pedagogical approach to change the current focus of economic and financial systems. Several Leaders of Tomorrow argue that education will play a central role in order to change individual mindsets and accelerate the shift in focus. For example, a contribution proposes that business leaders should be taught in business schools how to embrace sustainable approaches to business as well as ethical corporate conduct. A Leader of Tomorrow suggests that educating investors to turn to sustainable business models and new frameworks would make businesses more proactive in voluntarily engaging in sustainable and ethical practices.

Other Leaders of Tomorrow suggests taking a more fundamental approach in including sustainable and ethical education principles from the very beginning of children’s education to shift children’s focus on “what job they wish to learn” towards “what problems do they want to solve”. Further, the authors suggest centering the new educational objectives around improving human and social capital. Such a vision would make new generations more sensitive to global issues and what sustainable solutions may be adopted to solve them.

A further contribution proposes five specific initiatives to promote education on the new purposes of capital: (1) Leverage MOOCs as a technological solution to expand the reach and provide large-scale access to education on current global issues. (2) Create education centers that would remedy issues of accessibility of MOOCs and internet affordability. (3) Adapt courses to local needs and specificities. Currently, most courses offered by MOOCs and universities are provided in English which supposes a certain level of education to access further educational bases. (4) Education systems should be de-

signed to address primary and secondary education levels to ensure early awareness. (5) Ensure that education can be translated into practice through collaborative platforms between learners and businesses that would offer internships to outstanding students. Taken together, these initiatives would enable a global engagement in favor of the new purposes of capital.

4. INCLUSIVE AND INTERGENERATIONAL PURPOSES OF CAPITAL

A third strand of the top contributions analyzes how the existing focus of capital should be redirected towards inclusiveness and intergenerational solidarity. The Leaders of Tomorrow identified a critical need in shifting the current focus of capital from a short-termist perspective towards a multi-generational, long-term oriented one. They argue that issues such as inequality in intergenerational capital transfer, the fragility of ageing population, climate change, and the lack of means of students cannot be addressed with current short-term focus of capital.

4.1 SHIFTING CAPITAL'S FOCUS FROM SHORT TO LONG-TERM

A first substrand of essays that promotes the shift of capital's purpose towards inclusiveness and intergenerational solidarity identified that current economic systems place a strong short-term orientation on financial actions and decisions. The Leaders of Tomorrow argue that a short-termist perspective doesn't account for global issues, such as climate change, political instability, innovations, and economic shifts. Several contributions propose thus redirecting capital towards a long-term focus by promoting more holistic perspective on capital.

The Leaders of Tomorrow suggest that a regulatory impetus should drive the shift

in focus since policy-making plays a key role in determining wealth distribution and ultimately inequality. A Leader of Tomorrow proposes to favor intergenerational solidarity through intergenerational contracts that would unlock the social and sustainable potential between generations. Those contracts would enable retirees to finance educational expenses of young generations in return for retirement funding. The contracts would ensure that education would be equally accessible to all young students by remedying the lack of financial resources while committing them to create value for the retirees that enabled them to access education.

Another contribution argues that the issue of short-termism arises since the current financial system does not include a mechanism of justice that would remedy issues of inequality or misattribution. The author suggests thus to integrate business externalities in the assessment of performance by measuring their performance in terms of "Risk-Impact-Return (RIR)". The RIR framework would help businesses, policy makers and financial markets to move capital towards initiatives that promote social and environmental sustainability that support a long-term positive impact.

A further essay proposes to make sustainability a human right principle. Based on this principle, businesses and individuals would be accountable for sustainable development of intergenerational equity, well-being of future generations, and equality. The author suggests that this approach would promote rights-based business models, integrating sustainable, long-term oriented principles in their activities, which would be of stronger impact than other business models.

Another contribution focuses on the lack of liquidity of long-term capital and suggests introducing a new currency to

revolutionize the purpose of capital. The author argues that the monetary value of assets tends to drive human action and investments and thus in order to incentivize the investment in long-term welfare a novel currency called "capitalincy" that values long-term, sustainable endeavors through higher liquidity.

From a different stance, another contribution suggests that the current misalignment between capital orientation and the long-term needs of society arises from the lack of efficiency in promoting sustainable policies and economic systems. The author draws on the example of donations to poor countries and suggests improving international economic cooperation by a better inclusiveness and understanding of the specificities of those societies. Sharing the view of another Leader of Tomorrow that humanity is just the largest organization with everyone being its member and that we could form a world of complete unity and co-existence, the author suggests creating an international organization for guiding the process of international development cooperation. The institution would regulate, enforce, and monitor the effectiveness that donor countries have in transmitting capital while promoting sustainable goals that tackle long-term challenges beyond short-termist considerations.

4.2 FAVORING SOCIAL EXCHANGES AND EMPOWERING INDIVIDUALS

The second substrand of essays attends to the question of reorienting the purpose of capital towards inclusiveness and intergenerational solidarity through the implementation of specific initiatives. An overarching theme of the suggestions advanced in this stream crystalizes around the idea of favoring social exchanges while empowering individuals in financial decision-making. The Leaders of Tomorrow argue that the more inclusive and open

the social exchanges are the more likely capital will be equally distributed across generations, countries, and individuals.

A contribution in this strand proposes to leverage remittances as a form of private capital in order to expand the solidarity between migrants and their countries to promote international development. The author suggests bringing together governments, the providers of financial services, and individuals who send or receive money in order to create a regulation for cross-border transfers, interoperability, and sustained innovation that would maximize the impact of remittances in promoting economic growth for disadvantaged people.

Another essay suggests creating a global digital currency to offer a real inclusive alternative to current currency systems and set the focus on the challenges that individuals and societies are facing nowadays. The author argues that current currency systems put some countries at disadvantage, since their debt and development depend on the US dollar. Such a dependency creates a liability to development that can hardly be overcome, which creates persistent inequality. Accordingly, the author suggests relying on digital technologies and creating a new global digital currency that would enable equal access, power of action, and decisions for all countries around the world.

In order to promote inclusiveness and exchanges at the individual level, a further essay proposes to diffuse banking to remote and poor populations that are currently unbanked. The author suggests that people who are unbanked suffer from limitations to development since they cannot access their government funds, possibilities of financing, and payment services. Those people should thus be empowered to leverage the power of digital platforms and mobile banking systems in order to

achieve long-term financial goals, promote equal chances of access to funding, and thus ensure inclusiveness.

Several Leaders of Tomorrow suggest that shifting the focus of capital towards inclusive and intergenerational objectives can be reached by adopting initiatives that emerge directly from individuals. In this regard, a notable contribution proposes to launch an “open-source impact database” that would bring individuals to discuss the ideas and solutions they have on how capital can be devoted to socially and environmentally impactful solutions alongside a favorable financial return. This database would stimulate the discussions around impact investments, structure them around a proper taxonomy, and bring the discussion closer to private capital that could finance promising solutions and initiatives.

Another contribution proposes that individuals are the key decision-makers in solving political, economic, social or technological tensions in our global society. The author argues that individuals and their awareness of the issues surrounding them determine their behavior in order to solve those issues. In such a context, the empathic integrity that we adopt in our actions becomes key – or the extent to which our actions are consistent with our values. The more empathy we build towards the understanding of experiences of others, the more inclusive and collective the solution an individual will adopt. Accordingly, the author proposes using technological solutions such as virtual simulations and recording lenses in order to develop our sense of empathy.

5. IMPLICATIONS AND CONCLUSIONS

This review summarized the top contributions to the 2019 St. Gallen Wings of Excellence Award of this year’s St. Gallen Symposium. The participants were asked

to propose ideas on what approaches they would suggest changing the current purpose of capital. In sum, the essays approached this year’s topic from three main perspectives. Several essays suggested redirecting the purpose of capital on social and human objectives, while other contributions focused on redirecting the focus of capital on ethical and sustainability objectives, and further contributions suggested to redirect the focus of capital to inclusive and intergenerational solidarity purposes. To pursue each of these objectives, the Leaders of Tomorrow, proposed a variety of solutions and priorities, and thereby contributed to the development of specific promising ideas.

To conclude, because of the vast amount of highly interesting ideas of the Leaders of Tomorrow, many aspects had to be neglected and this summary may sometimes appear reductionist. Being aware of this limitation, however, it may stimulate discussions during the 49th St. Gallen Symposium, both among the Leaders of Tomorrow and with the Leaders of Today. In addition, it may encourage participants to reflect on and critically discuss the Symposium’s topic “Capital for Purpose”.

This review was written by Prof. Dr. Markus Menz and Aida Darouichi from the Geneva School of Economics and Management at the University of Geneva, based on the cooperation with Swiss Re and the St. Gallen Symposium. Markus Menz is Scientific Advisor to the St. Gallen Wings of Excellence Award.

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