



From Vicious to Virtuous Spirals of Trust

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1. Why trust matters?
2. Layers of trust in a complex society
3. The dynamics of trust and distrust
4. “Structures of Sin” or “Structures of Common Good”
5. The enterprise: locus of trust or distrust
6. Are business decisions only business ones?

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1. Why Trust matters?

“If you doubt trust matters, try distrust or suspicion”

- Interpersonal trust
 - Trust is a certainty that my interests (or our common interests), in the widest sense, will be protected and developed by the one that I trust;
 - Trust is inseparably tied to a certain way of looking at a **common future**: if I trust, I do not take into account any risk associated with a potential betrayal;
 - Between persons, certain degree of transitivity (friend of my friend is my friend);
 - Trust may be total (love of friendship), or limited to certain areas (judgment, word, taste);
 - Trust is dynamic, takes years to grow, but can disappear within a few seconds;
 - Trust may be asymmetrical – **God trusts us more that we are able or willing to reciprocate.**
- Institutional trust
 - Trust in procedures, in rules, in virtual identities;
 - Large enterprises and their brands are vectors of trust;
 - Money has always been a matter of trust;
 - Financial system today rests on trust.
- Trust is however only a mean, a way, not the goal – and should not be confused with it.
- Every society holds together because it combines different layers and forms of trust.

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2. Dynamics of Trust

Trust is seldom static

- It either expands or shrinks, its level increases or decreases. How?
 - Increasing or expanding trust requires an incremental first step without expectation of reciprocity:
 - ☞ Gift, unilateralism and courage are required inputs;
 - ☞ Extend beyond the "tit for tat";
 - ☞ When reciprocated, a virtuous spiral may start.
 - Shrinking or concentrating trust requires a "decremental" first treason or betrayal:
 - ☞ Theft, unilateral abuse of trust;
 - ☞ When reciprocated a vicious race to the bottom may start.
 - Paradoxical situation: trust within a group may increase when distrust grows outside:
 - ☞ Persecuted minorities;
 - ☞ Mafias and gangs.
- Corruption is another name for treason or breach of trust.

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3. Layers of Trust

In a modern society coexist

- Three main "spheres of activity" :
 - The "private sphere", the realm of warm, long term, interpersonal **relations**;
 - The "public sphere", the realm of formal debate and public decision making;
 - The "transaction sphere" – the realm of impersonal, often anonymous, instant economic **transactions**.
- Three forms of trust
 - Private sphere – trust in persons (family, clan, friends);
 - ☞ Can be multi-layer
 - Transaction sphere – impersonal trust in procedures and institutions;
 - Public sphere – mutual trust in shared concern for the common good.

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- The quest for coherence and hierarchy in trust
 - For the same person, it is difficult tiring to play different and distant roles;
 - Room for manoeuvre and temptation between the three (separate) roles;
 - Where is the end, where is the mean;
 - Open and closed societies.
- At personal and social levels: the problem of coherence of values that govern each one of the three spheres has to be addressed:
 - Money appears to be fluid across the spheres' boundaries;
 - Consciousness sets limits to the number of masks.
- Corruption is betrayal of trust acquired in one sphere for the sake of results and achievements on the other
 - Classical cases, conflicts of interests, instrumentalisation of friendship, cronyism, etc.

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4. The role of structures

Trust and betrayal are rooted in structures

- No (economic) decision is made in a vacuum, but at the juncture of:
 - Personal freedom;
 - External conditions and influences;
 - Existing institutions and patterns of behavior.
- These "social habits" are either trust-enhancing or trust-destroying:
 - Heroism vs. mimetism;
 - Corruption as a mimetic behavior – "it is my turn now".
- Ignoring ultimate personal freedom is "angelism".
- Ignoring the weight of habits is "barbarianism".

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Solicitud Rei Sociali

- "... it is not out of place to speak of "structures of sin" ... which are rooted in personal sin, and thus always linked to the concrete acts of individuals who introduce these structures, consolidate them and make them difficult to remove. And thus they grow stronger, spread, and become the source of other sins, and so influence people's behavior.
- ".. (to) hurt one's neighbor, and to introduce into the world influences and obstacles which go far beyond the actions and brief life span of an individual
- The "structures of sin" and the sins which they produce are likewise radically opposed to peace and development, for development, in the familiar expression Pope Paul's Encyclical, is "the new name for peace".
- The "evil mechanisms" and "structures of sin" of which we have spoken can be overcome only through the exercise of the human and Christian solidarity to which the Church calls us and which she tirelessly promotes. Only in this way can such positive energies be fully released for the benefit of development and peace

Structures of "Common Good" vs. "Structures of sin".

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5. The enterprise

The enterprise is either a locus of trust or of distrust

- Enterprise as a community of work – end in itself
 - Family enterprises – the two spheres overlap and trust is reinforced;
 - Japanese style life-time employment;
 - Two level trust structure: the owners and the employees.
- Enterprise as an instrument – a means
 - From the investors perspective the firm is (only) an instrument not a means in itself;
 - Firm is seen as basket of contracts granting it special financial characteristics (risk and return);
 - As assets, firms' shares are used as « stores for other people's wealth », they are used as vehicles in investment strategy;
 - Permanent threat of "opting out" – growing distrust.

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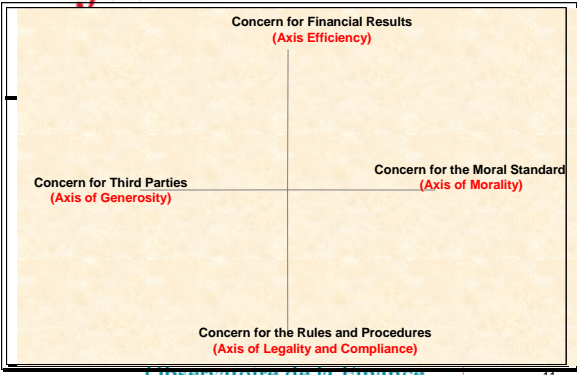
The socially accepted pressure of finance, capitalism or greed:

- "Thou shall seek a return on equity (RoE) of 15%"
 - the very notion of return on capital is recent;
 - external to the firm; an expression of what is required by the "market";
 - A silent agreement that annual 15% is the "norm", statistical but also normative sense.
- The same pressure is permeating in all three spheres of social life
 - The dream of the renter – leaving without working;
 - Disbanded families, communities under threat;
 - Anorexic, harvesting, short-terms enterprises;
 - Corrupted governments.

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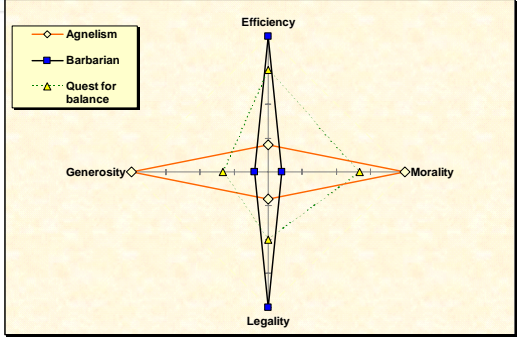
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6. The 4 « concerns »



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Every business decision has two dimensions:

- The "internal", immediate one, concerning those directly involved;
- The "external", mediate and remote affecting those that are not directly involved:

Material impact
Exemplarity

Scandals, in which sins receives visibility, are the "bricks" that result in structures of sin.

Every business decision may contribute to expand or shrink trust, may either reinforce or weaken existing "structures of sin".

This is the challenge for Christian business leaders

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Thank you for your attention !!!

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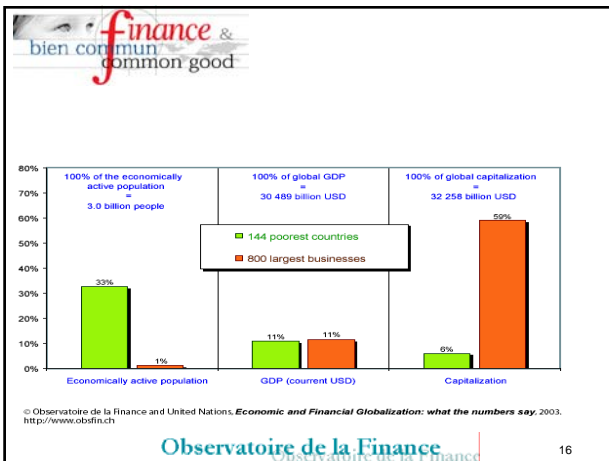
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6. Limits and ethical challenges

- Start-up: not only finance matters;
- Rapid – often predatory - growth is essential;
- Long term trust relations are often sacrificed for short term performance;
- Financial pressure is transferred to all components of the value chain;
- Financiarisation of almost everything in order to integrate it into books;
- Markets drive enterprises not the reverse;
- Innovation has been outsourced;
- Enterprises – RoE rather than serving a market.

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