Incentives for the common good in a digital age

In search of a common thread

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Three general concerns: the first two (youth unemployment and human smuggling and economic crime) seen as problems to solve, the third (Incentivizing solidarity and promoting civic virtue) seen as a goal to achieve, an expression of longing. What is the thread that links together these apparently disparate themes?

One could simply say, ‘Achieve the third and the other two will disappear by themselves’. It may be better to proceed in the opposite direction, step by step, and see what can be learned on the way. What follows does not pretend to summarize, much less replace, the presentations to be given at the conference, but just to provide a common basis for a productive dialogue. In doing so we would follow Pope Francis’ wish, expressed on May 13, 2016, that we “contribute to generating new models of economic progress more clearly directed to the universal common good, inclusion and integral development, the creation of labour and investment in human resources”. In previous conferences, CAPP has addressed issues like consumerism, informal employment and displaced populations; to the extent that these issues have multiple facets, there is bound to be some overlap with them in what follows.
1. Youth unemployment: opportunities and education in the digital age

Unemployment of the young, often a problem in the past, has reached unprecedented levels in recent years, especially in advanced economies. In the Eurozone, it is now (2015) 22.5%; the figure hides enormous differences between countries, from 7.3% in Germany to 49% in Spain and Greece. It is strongly influenced by cyclical factors, rising sharply in downturns and abating somewhat in recoveries. Since 2009 it has remained very high in some countries (s. Fig.1)

Youth unemployment shows only a part of the story: an even darker side is represented by the so-called NEETs (neither employed nor in education or training) where unemployment has reached an average of 14.6% in OECD countries in 2015. Furthermore, the rise in temporary and part-time contracts has tended to concentrate on the young. If the unemployed, and especially the NEETs, are at risk, those under temporary, or even part-time jobs are likely to remain under the poverty line: low income and uncertain job prospects make it difficult for them to achieve the minimum stability to afford independent housing and to form a family. The social and personal consequences are well known.
The causes of youth unemployment are multiple: the ups and downs of the economy (the demand side) are probably the main force behind aggregate unemployment, and the young tend to be more affected than the rest for at least two reasons: first, in some cases national legislation tends to protect older workers by imposing high severance costs for long-term employees, turning the young into the only buffer the firm has to adjust its workforce to cyclical downturns; second, their lack of work experience gives them a short shelf-life: the class of 2015 is left behind as soon as that of 2016 is out. The result is that they run a high risk of falling into exclusion, especially the NEETs. In response to the current crisis many initiatives, both public and private, have been put in place in many countries, centered on, but not limited
So the young are a vulnerable part of a workforce that, in most OECD countries, has been the object of two adverse developments: first, throughout the last three decades, upturns in GDP have not been accompanied, as used to be the case, by similar increases in employment (jobless recoveries); second, weak employment and stagnant wages have been concentrated in the middle of the skill scale (polarisation). Two main factors behind these developments are thought to be globalisation—the entrance on the economic scene of large new players with an abundance of low-cost manpower—and digitalisation—the replacement of men by robots in manufacturing and by computers in services; this last is one of the subjects of the Conference.

When, towards the end of the past century, it was perceived that the digital revolution might put many jobs at risk, the first questions asked were 'Which jobs?' 'How many?' and 'Why?' The last question provided the starting point of research: robots and computers should, sooner or later, replace men in those tasks which they could perform better. By dividing jobs into routine and non-routine, on the one hand, and manual and cognitive on the other, a 2x2 matrix was constructed by F. LEVY and R. MURNANE. The main result was that routine jobs, both manual, as assembly-line work, and cognitive, as most clerical jobs, were most vulnerable; non routine cognitive jobs—scientists, executives, but also

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kindergarten teachers - the least, and many middle-skilled jobs, both manual and cognitive, were more easily replaced by machines or computers\(^2\). The best-known product of this line of research is the paper by C.B.FREY and M.A. OSBORNE\(^3\), who estimate that 'about 47 percent of total US employment is at risk'. Separate figures are not provided for the young, but there is no reason to believe they would do better.

FREY and OSBORNE’s results have made headlines and given rise to much research and discussion. Two other lines seem of particular interest here. The first starts from the notion of complementarity: machines, after all, often complement men by making them more productive. If higher productivity leads to lower product prices and hence to higher product demand, the net result of more digitalisation may be higher, not lower employment\(^4\). Forecasts of changes in employment due to digitalization must take into account changes in the general business climate.

The second line relevant here starts in a report by the McKinsey Global Institute (MGI). By decomposing jobs into activities and looking at these in the LEVY-MURNANE way, the authors show that 'while automation will eliminate very few occupations in the next decade, it will affect portions of almost all jobs to a greater or lesser

degree, depending on the type of work they entail'. Decomposing current jobs into activities and re-packaging these activities into different jobs will emerge, not necessarily fewer in number, but of different content; this, in turn, will lead to deep changes in the organisation of work and in the structure of firms. So little is known about what those changes will be that one should not give too much weight to exercises of counting jobs today and jobs tomorrow.

These changes will of course take time, and the approach that Dr. BESSEN will present at the conference centres on the time dimension: how long has it taken in the past for major technological changes to penetrate the entire economy, and what has happened to employment throughout the process? Have more or fewer jobs disappeared than have been created? What has happened to wages? What to old and new skills? BESSEN’s approach enables one to put these questions in their proper context and on one very important point it links directly with the issue at hand at the conference, youth unemployment. The main policy recommendation to avoid mass unemployment that comes from the mainstream literature on the digital revolution is education. What sort of education? Here there is a bias towards higher education, especially in science and technology, under the banner of the "knowledge technology". BESSEN’s work shows clearly that the demand for skills changes with every phase of the unfolding of a technology, and this implies, since education policies are directed at the young, that misconceptions can seriously aggravate, rather than cure, the problem of

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youth unemployment⁶. Such biases have not arisen by chance; behind them one finds not only misconceptions, but also interests; fighting those interests for the sake of the common good becomes one of our main tasks and sends us towards the third topic of the Conference.

Policies to address the effects of digitalisation on jobs look almost exclusively to the supply side: how to prepare workers so that they are more employable. What about the demand side? Can anything be done with those who will hire those workers? It has been known for some time that no technology completely determines the process of production; that, in particular, the manager has some choice concerning the types of labour that he will employ. Surely the same is true of digital technologies. By insisting on the evils of unemployment, particularly among the young, with the assistance perhaps of some economic incentives of the tax-and-subsidy kind, one can try to persuade managers to choose processes more employment-friendly within a given technology. Case studies show creating high-quality jobs, where machines and men cooperate, need not be a losing proposition⁷.

Lastly, technological change is not exogenous. This assumption may be convenient for reasons of analytical simplicity, but it is false nonetheless: innovation is the product of human activity, it is financed by human beings and institutions, often with public funds. The State and the citizenry are entitled to pass judgment on the results of their technology just as they can have an opinion on their health care or transportation systems. Needless to say, such an appraisal is very difficult and

must be undertaken at several levels. But, on the other hand, the problem of youth unemployment is so serious the complexity cannot be an excuse for inaction. In particular it should be clear that it is legitimate to try to influence technological innovation for the sake of the common good; one cannot appeal either to academic freedom or to the progress of science to oppose such an influence, because innovation is applied technology undertaken chiefly with the purpose of making money, entirely legitimate but far from being the supreme goal of a healthy community. 8

One last field of action remains: the consumer, for whose sake so much technology is developed and so many tech products are put on the market. This will be dealt with in 3.3. below 9. It is enough to say here that if consumers were made aware of the effects of their choices on the common good, in the same way that they have been made aware of their effects on the environment, the youth unemployment problem would be on its way to a solution. This is, of course, the third topic of the Conference.

2. Human smuggling and economic crime

The second topic covers a great variety of activities and circumstances: economic crime, human trafficking and,

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8 Policy recommendations regarding the effects of technological change on unemployment are rare. S. A. ATKINSON, 'After Piketty', British Journal of Sociology (2014) and INEQUALITY (2016), pp. 115 ff.

9 The concept of efficiency in consumption was first put forth by Hazel KYRK in The Theory of Consumption (1913). See, on the criteria for ‘good consumption’, M. HIRSCHFELD, 'From a theological to a secular frame' in D.K. FINN (ed.): The True Wealth of Nations, (2010)
partly overlapping with it, the many issues raised by the refugee question. Each of these may be addressed from many, not mutually exclusive viewpoints: the supply side—the smugglers-, the demand side—the customers- or the victims, chiefly women and children: too much ground to be covered in this note. Fortunately the speakers at the Conference are in measure to give first-hand accounts of the most important aspects of these issues: financial crime, the role of the law, the traffic of children and the emergencies caused by the refugee crisis. The quality of the speakers allows me to concentrate on two topics: the implications of financial crime insofar as it is an example of the erosion of a civic virtue, trust—remember, the third topic of the Conference—and on one aspect of human trafficking quantitatively the most important, prostitution, insofar as it highlights social ills which we must attempt to cure.

2.1. Financial crime

Economic crime, that is, crime committed in the course of economic transactions or having as its object a material good, is by no means limited to the financial sphere; for the purposes of this conference, however, it deserves special consideration, not only because of the well-deserved pre-eminence earned in the course of the last financial crisis.

The working of the financial system is, as we all know, based on trust. It so happens, however, that the banking systems of a few advanced countries have been near collapse, which has made everyone aware of how fragile the financial system really is, behind an appearance of solidity. Furthermore, the crisis has been so serious in
part due to the emergence of financial products whose complexity made them opaque in practice; ill-informed customers - not only widows and orphans, but financial institutions themselves - have bought them, often under false pretences; others have trusted the seal of approval of a rating agency only to find themselves in possession of worthless paper. In this way, mistrust has spread far beyond the financial system to permeate the general public.

In the financial sector, the crisis has caused a flood of regulation for financial institutions, whose underlying premise seems to be that the promise of material gain will have more weight on our decisions than our given word, our sense of honour or even common decency. 'Man is not an angel', as stated by the Swedish Academy of Sciences in awarding the last Nobel prize in economics to two specialists of the theory of contracts. Starting from this premise, regulations attempt to describe what can and cannot be done in such minute detail as to make trust superfluous. This attempt is, in the end, doomed to failure but meanwhile new regulations may have two undesirable consequences: first, the notion of what is ethical will tend to disappear, in our behaviour if not in our speeches: whatever is not expressly forbidden by regulation can be considered correct. Second, loopholes will always be found, and that in turn will erode people's respect for the rule of law. In this way, financial crime has cause a great erosion of trust, a civic virtue needed for the working of a good society. Needless to say, police and judiciary action against those aspect of financial activities that are downright criminal - blatant corruption, money laundering - must continue; in this respect, measures taken to improve
money traceability, including experiments with cashless money, deserve some attention.

2.2 Human trafficking: prostitution

According to a 2009 report by the ILO, human trafficking reaches twenty million people, with an annual flow of six to eight hundred thousand people. Turnover is estimated at $120 billion, making human trafficking the largest source of illegal income after drugs.

Of the yearly flow of people, 80 percent of them are women, prostitution the final destination of most of them. In Spain, the number of prostitutes is estimated at between two and three hundred thousand women, 90 percent of them migrants, which suggests that most of them have come to the country under false pretences, and case stories show that they live the life of slaves. Their sheer numbers, on the other hand, indicate that the nature of prostitution has suffered a drastic change, ceasing to be the oldest trade in the world to become a monumental business operating in a very large market. As is the case in every market, there is a supply and a demand side to it, with a third ingredient absent from other markets, the victims. Public attention has tended to concentrate, on the one hand, on the supply side through legislative, police and judicial action, the topic of Mr. Ratzel’s speech; on the other, on the victims, both through public institutions and through NGOs. Let it be said in passing that much remains to be done to help former victims to regain not only their health but also their dignity, and to find a place in society.
Little has been said, on the other hand, of the demand side of the market, the customers; yet, if we wish the market to disappear, influencing demand is as necessary as acting on supply, for, as long as the demand is there, legal and police action may simply raise prices and may do little to improve the condition of the victims. There are few data on the demand for sexual services; since it will somehow match the supply, however, it must be strong. There are some indications, moreover, that the average age of the customer is falling: this is not a market in danger of extinction. This is a source of worry, thinking not only of the victims, but also of the customers.

The decision to solicit what are called sexual services is of course a personal one, hopefully the result of an inner struggle; the environment, however, can influence the result of such a struggle. Unfortunately, we are subject to constant stimuli of an overt or implicit sexual nature: advertising uses sexual innuendo as bait to promote all sorts of products, thus contributing to its banalisation; some press carries ads offering sexual services, making these appear as normal businesses; films and TV series for teenagers give the sexual tensions that underlie adolescence what may be an excessive pre-eminence. Insofar as it is virtue that enables men to make good choices, the issue of prostitution calls for a strengthening of virtue. Insofar as everyone contributes to create the social environment, this is an issue that concerns everyone.
2.3. A framework for debate on the migrant question

The flood of migrants (war refugees, asylum seekers and so-called economic migrants) having Europe as its destination has raised issues are too numerous and diverse to be summarized here. They overlap with issues of human trafficking but cannot be reduced to them. It may be of interest, however, to present some data first and then to furnish a framework that may help a possible debate. Migration was one of the topics dealt with in the 2016 CAPP Conference; what follows is largely a reminder of some of the conclusions reached there together with some data that may be useful in a discussion.

In 2015, the flow of migrants to Europe reached 1.3 million people, judging from the number of asylum claims lodged in 2014-15. The real number is certainly higher than that: Germany, the country receiving the most claims, estimates the number of people crossing its borders at more than a million; FRONTEX’ estimate is 1.8 million. To put these numbers in perspective one may note, first, that the largest of them represents about 0.4% of a EU-28 population of 510 million; second, that the largest part of this flow has been caused by what one may hope are temporary phenomena: local wars (Chart )
Asylum applications have concentrated on a few countries; the largest recipient in absolute numbers has been Germany, followed by Sweden (chart).
Migrants' claims as a percentage of the local population, the numbers give an indication of the pressure felt by the destination countries (Chart). The picture is quite different.
Claims in only one year approach 2% of Hungary’s population, 1.7% for Sweden, 1% for Austria. Clearly, if conflicts persist even for a few years, these numbers will put considerable pressure on the recipient countries; at the lower end, the number is 0.03% for Spain (not shown on the chart) and close to nil for other, smaller countries. This indicates that a relocation scheme, voluntary or not, must be put in place. However, the numbers some countries have agreed to relocate are well below needs (Chart)
The data above indicate that the migrant problem, through not untractable in the EU framework, has not been adequately addressed so far.

So as to provide some order into a possible debate on the migrants many issues, the following remarks may be of use. They were made by Dr. Jakob Kellenberger, a former Chairman of the Red Cross’ International Committee at the 2016 CAPP international conference, and they are worth keeping in mind to continue our work:
1. Migrants do not want to leave their home country, and try to stay as close to it as possible.

This explains why the figure of asylum claims in Europe is much lower than that for Jordan, Lebanon and even Turkey. It also suggests that intervention at the origin is indispensable. Europe is powerless about the Middle East conflict, but perhaps nor so in Sub-Saharan Africa, source of the main flow of economic migrants.  

2. It is our duty to provide shelter.

No explanation needed.

3. One should not promise something one cannot deliver.

It is not likely that claimants’ wishes as to the country of destination can be accommodated, as that would require undue pressure on some countries while others would not share in the burden. Perhaps it is time to state that refugees will be allocated on a fair basis among EU members, taking into account not mainly their preferences, but also other factors, starting from the premise that for most refugees their stay will be temporary. When an agreement is reached preparations for reception should be taken to avoid the undesirable consequences that have followed previous episodes.

\textsuperscript{10} Efforts are being made by Europe in countries of origin, notably in Sub-Saharan Africa. For a rather skeptical view of the results s. 'Migration: Reversing Africa’s Exodus’ FT, Nov. 7, 2016.
3. Incentivizing solidarity and civic virtue

What demands do these problems – youth unemployment, human trafficking and financial crime – put on us? All these issues have multiple facets; we can attempt to order them under the headings of the last session of this conference, “solidarity” and “civic virtue”. To help focus the listeners’ attention it may be helpful to highlight some of the points which will no doubt be touched upon by the speakers in the session.

3.1. Solidarity, forced and voluntary

All the problems touched upon so far have a common trait: they are everybody’s problems. All members of society must cooperate if they are to be properly addressed. First, they concern us all: youth unemployment is no longer a marginal phenomenon, touching a few maladjusted or lazy youths; the victims of human trafficking are within our countries or at our doors; financial crime has been one cause of the economic crisis that has affected the lives of millions of people. All these problems contain an appeal to our solidarity. Second, however, the most common way in which solidarity is practised, that which most citizens practice by contributing with their taxes to finance social public expenditure will not suffice by itself to address these problems adequately. The usual way to redress gross inequities in our modern societies – to take as given market outcomes and correct them through taxes and subsidies – can be called “forced subsidiarity”, since ordinary citizens experience it as a legal, not necessarily a moral obligation; a system based on forced subsidiarity has been characterized as
deficient not only in its results but in its very conception\textsuperscript{11}. The sense in which most understand the meaning of "solidarity", however, is as a virtue, whose acts are inspired by moral, not legal duty, and which one might call voluntary solidarity. One of the lines for action that CAPP is pursuing is the creation of a Voluntary Solidarity Fund, an idea launched in a CAPP conference in 2015 and pursued since.

The main cause of the deficiencies of our current system, however, is not economic: we could not be satisfied knowing that the tens of thousands of victims of human trafficking or of refugees had just been fed, clothed and given shelter by the State, even if that were actually done: they must be taken care of beyond their most immediate needs, they must be taken back by society, theirs if possible, ours if not. The task of accompanying them on their way back into normal life is measured in years and requires a strong personal commitment from those who undertake to perform it, something the State cannot provide: nothing short of the mobilization of an entire society can give an adequate response to our problems. Many examples of organisations active in the promotion of better conditions for the disadvantaged already exist; their numbers must increase, because all ordinary citizens should feel some responsibility for these problems. Those who already participate in humanitarian work would help by showing others see that their actions are not only the fulfilment of a moral duty

\textsuperscript{11} "A society with solidarity but without fraternity is a society from which everyone would try to escape" (Stefano ZAMAGNI, "Catholic Social Thought, Civil Economy and the Spirit of Capitalism", in D.K. FINN, ed.: The True Wealth of Nations (2010), p. 84). ZAMAGNI’s "solidarity" here is what we have called "forced solidarity".
but also a source of personal satisfaction and development.

A return to first principles is convenient before adequate action can be taken. It is possible to trace the source both of our indifference to the suffering of others and of the resistance faced by measures of income redistribution to several misconceptions: the first, that property is an absolute right, with no need of additional justification and with no corresponding obligation; the second, that in all human transaction only the final outcome counts – what one gives and what one receives in return–, the relation itself being of no value. Much has been said about the proper limits of property rights, less on the value and nature of relations, due to one last misconception, the insidious habit of considering societies as mere aggregates of self-sufficient individuals. This misconception makes us forget that real people cannot be isolated from their relations. Further, the textbook market relation, characterized by the principle of exchange of equivalents, is not the model of human relation towards which all other must tend, but only one element of a much wider set governed by the principle of reciprocity, which recognizes that the great majority of human transactions, even commercial ones, contain an element of gift. Lastly, relations based on reciprocity facilitate the exercise of solidarity and thus help address our problems adequately. This point will no doubt be touched upon by Professor Luigino Bruni, who has made reciprocity the object of his study.

12 “La personne est une relation”, says the French philosopher Jean Borella.
Two suggestions, then, from the first part: that the problems mentioned concern us all, and that they require that we give of ourselves and not only of what is ours. This personal conversion is made easier if we realize that the happiness derived from good human relations is essential for the good life.

3.2. Civic virtue

The appeal to civic virtue is no weaker than that to solidarity. Civic virtue is needed, together with solidarity and compassion, to face the problems already mentioned, because civic virtue is needed to sustain a good society. The appeal comes out most strongly, however, when we consider the market for drugs or that for so-called sexual services, and more specifically the demand side. The supply side is the province of regulation, the police and the courts, but the market will survive so long as the demand is there. In both markets it is hard to accept that the demand is the result of the free choice of rational individuals: the individuals do not act rationally, nor can their choice be called free when there is such a strong element of addiction in it. In the case of sexual services, the choice is strongly influenced by the social environment, and civic virtue can contribute to curbing the demand by opposing the torrent of stimuli of a sexual nature that assail all of us, not only exposing sex, but also making it appear as harmless and banal. To fight this torrent – in the media, in advertising- is a difficult fight from which one cannot expect visible returns in the short run; but if recognize the importance or the disease, if we honestly believe that disordered affections are bad for
humans, then we should devote at least as much energy to fighting it as we do to fight obesity.

3.3. Proper consumption

Drugs, sexual services and high-tech gadgets are just consumption goods, the demand for them extreme symptoms of a more general disequilibrium in our spending habits. When we consider larger issues such as climate change or the availability of basic resources it is impossible not to face the issue of consumption: unless rich countries curtail their consumption habits and poorer ones curtail their expectations of future consumption, serious conflicts about natural resources are unavoidable.

How may one define "proper consumption"? True, in old times societies had standards of living strictly defined, according to income and to social class, but such social norms have largely disappeared today: a shopkeeper may dress like a prince if he can afford the same tailor. We have spent considerable time in defining poverty lines, minimum standards of living for the poor, but no wealth line exists, no notion of what would be an adequate standard of consumption for the rich. A first step in defining proper consumption would perhaps be through the usual notion of efficiency: a consumption choice would be called efficient if no more satisfaction could be obtained by making a different choice costing the same. It is to be noted that while we have devoted material and mental resources to the definition and calculation of efficiency in production, no such thing has been done with consumption, where the consumer is deemed sovereign.

The reader is referred to Dr. Mary HIRSCHFELD’s work, quoted above, n. 9.
However, if one subjected one’s consumption choices to the cold light of reason one would discover many inefficiencies: we buy things and services for which we have no real use, and one may suspect that we derive satisfaction from the act of buying itself. In fact, advertising seems to have made the same discovery, which is why a car is no longer advertised as a good, nor a hotel room as a service: both have become “experiences”. Hence an appeal to reason as an exercise in civic virtue is not likely to produce visible results: consumers may simply not be interested in being reasonable, let alone rational.

As Christians we base the exercise of civic virtue on a higher dimension from which it may bring fruit. After all, consumption is a human action, and as such must have a purpose; hence consumption may be called proper if it conforms to the true purpose of human life. This is, in turn, the pursuit of happiness defined, not as the satisfaction of our whims and wishes, but as the pursuit and attainment of the highest good. In this perspective we find the old notion of material goods as instrumental goods, which are of value only insofar as they enable us to fulfil our life’s purpose. Of course the application of this criterion results in a variety of consumption choices, since each of us has a personal way of going after the highest good, but all these choices are proper choices. Application of this criterion is certainly an exercise in civic virtue in an important aspect of life, and it is beneficial not only to oneself but to others to whom it may serve as an example. As a rule of life it rests on a more solid foundation than those based on the desire to be in good physical form, to look thinner or even to live longer, and thus it gives one a stronger
basis from which to act. Of course, Christians do not have a monopoly either of virtue, or of civic virtue; to strengthen civic virtue in society it is both possible and necessary to engage others who pursue the same interests and share the same concerns.¹⁴

Lastly, one may ask, 'Well and good, but how does one promote civic virtue?' Economists will at once recall the motto of our trade: men respond to incentives. Unfortunately, in practice one thinks mostly of material incentives; if what one wants to achieve is a society less dependent on material goods, employing material incentives is a self-defeating exercise. Lord Skidelsky's speech will likely provide us with a broader perspective.

This is then the common thread linking together the themes of this conference: we are facing large problems which affect all mankind, and our Christian faith provides us with solid, dependable guidelines according to which we may shape our actions.