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How to teach strategic management is the subject of the contribution by professors of strategy from the Ateneo de Manila, the Philippines, and Deusto University, in Northern Spain. Maria Assunta Cuyegkeng, Nekane Aramburu Goya, and Jake Allan de Guzman are the authors. Their “reinvigorated” strategy course flows directly from a collaborative effort consisting of business professors from Jesuit schools that included Mexico, Peru, Brazil and El Salvador.

A special thanks to the authors who contributed to this issue of the Journal, and to Stephen Porth and his editorial committee—Paul Buller, Joan Lee, Molly Pepper and Nicky Santos—for their ongoing commitment to Jesuit education and their contributions to Jesuit business education in particular.

From Neoclassical Economics to the Economy of Francesco

Jeffrey D. Sachs¹

Abstract

We need a new framework for economics that is based on a realistic understanding of human nature and that is grounded in ethics, meaning the concern for human wellbeing. The current model of free-market economics that we teach to students, which is also reflected in public policies, is profoundly flawed. It contributes to mass suffering and endangers our very survival, despite the vast wealth of modern society. This article identifies and discusses the flawed assumptions underlying the prevailing model of economics education and economic policies and proposes a way forward, consistent with the Inspirational Paradigm for Jesuit Business Education.

Keywords: The Economy of Francesco, Neoclassical Economics, Catholic Social Teachings, Virtue Ethics, the Universal Declaration of Human Rights

The prevailing framework of economics as taught in universities and transmitted in textbooks is neoclassical economics. Broadly speaking, neoclassical economics champions a market economy based on private ownership (with opposition to cooperative, social, and public ownership), corporate organization as the predominant form of enterprise, and limited government intervention in the economy, mainly to protect private property. Businesses are encouraged to maximize the wealth of the owners, and individuals are encouraged to maximize personal utility through consumer purchases. Most importantly, in the view of neoclassical economics, the mostly unregulated free-market economy is

¹Jeffrey D. Sachs is University Professor at Columbia University and President of the United Nations Sustainable Development Solutions Network. I would like to thank Monsignor Marcelo Sanchez Sorondo, Dr. Anthony Annett, Mr. Jesse Thorson, and Ms. Julie Bartels, for very helpful comments.

efficient, leading to high levels of wealth, and therefore wellbeing, based on the allocation of scarce resources according to market signals (that is, market prices as determined by supply and demand).

There are many important insights in neoclassical economics, yet the overall framework is profoundly flawed and even dangerous in view of our 21st century challenges. We urgently need a revised economic ethics and economic pedagogy in our schools and universities.¹ A grave weakness of neoclassical economics is that it ignores and often contradicts the great Western ethical teachings from the times of ancient Greece and Jerusalem.²

Neoclassical refers to economists of the second half of the 19th century and onward till today who follow in the “classical” tradition of the 18th century Scottish economist and philosopher Adam Smith. It was none other than Karl Marx who named Smith as the leading “classical economist.” Labeling 18th century economics as “classical” hints at the problem. The real “classical economics” in the Western tradition dates back to the teachings of Plato and Aristotle, the Jewish prophets, Jesus, and the early Christian fathers. These are the thinkers and teachers who first opined about economic justice and established the core principles of Western ethics. Yet the ancient teachings and great doctrines of Western ethics are largely ignored by neoclassical economics. To renovate economic ethics for the 21st century, we will need to recapture much of the ancient wisdom, and to combine it with the insights of the modern human sciences, notably psychology, neuroscience, evolutionary biology, and anthropology.

I will refer to the new economics – the economics we need for the 21st century – as the Economy of Francesco. This is the name suggested by Pope Francis in his call to the world’s young people to devise a new economics

²Dr. Anthony Annett and I are currently engaged in a project to rethink the pedagogy of introductory economics on the basis of the new economic ethics summarized in this paper. In the 2021 spring semester at the Gabelli School of Business at Fordham University in New York City, we are co-teaching a new course, “Modern Economics for a Sustainable and Inclusive Planet,” and preparing an accompanying textbook. Unlike standard economics pedagogy, our approach emphasizes universal human dignity, economic rights for all, the role of government in overcoming poverty, and environmental sustainability. We emphasize how our national and global economic institutions should be designed in order to achieve the Sustainable Development Goals and the Paris Climate Agreement. We find the new approach promising. Students are keenly interested in an economics that emphasizes human rights, sustainable development, and global interconnectedness.

³For a superb new account of how the Catholic Church’s social teachings can and should inform economic ethics, see Anthony M. Annett, *Cathonomics: How Catholic Tradition Can Create a More Just Economy* (Washington DC: Georgetown University Press, 2021).

that serves the common good in the spirit of St. Francis of Assisi.³ The new economics should address the pressing economics challenges that we face in the 21st century, including environmental sustainability, the future of work, income and wealth inequality, healthy diets for all (while curbing food loss and waste), global interdependence, and the new digital technologies.

In this brief note, I aim to sketch the assumptions that underlie neoclassical economics and the very different assumptions that should underlie the Economy of Francesco. I will then briefly describe why this change of perspective is so important in the 21st century.

Neoclassical economics is based on six key precepts about human nature and the economy that are largely adopted from the British philosophers of the 17th and 18th centuries, including Thomas Hobbes, John Locke, David Hume, and Adam Smith:

First, human beings are egoistic individuals with unlimited desires (or wants), notably for tangible goods. Social relations, including friendship, family life, and citizenship, are incidental to economic activities. Because wants are unlimited while goods are scarce, economics is a science of efficiency: to maximize individualistic human desires against the reality of scarcity.

Second, individuals have rational preferences for goods and services that (under some technical conditions) can be described mathematically by a “utility function.” Higher “utility” signifies higher wellbeing, meaning that more of the individual’s (unlimited) desires are satisfied.

Third, individuals maximize utility by choosing the correct “basket” of goods and services as consumers (buyers) of market products and sellers of labor. Each individual’s utility function is personal, idiosyncratic (that is, distinctive for the individual), and should not be judged morally by others. In Latin, “De gustibus non est disputandum;” that is, tastes are not for debate.

Fourth, an individual’s wellbeing is a wholly subjective matter that cannot be objectively observed or measured. We therefore cannot judge whether a rich person is indeed happier or sadder than a poor person, and whether a redistribution of purchasing power from the rich person to the poor person would raise the wellbeing of the poor person by more than it reduces the wellbeing of the rich person. Because of this, the ethics of redistribution are largely unknowable.

⁴An online summary of the first meeting of young people on the Economy of Francesco can be found here: <https://www.ncronline.org/news/earthbeat/economy-francesco-imagines-inclusive-sustainable-world>

Fifth, the market economy tends to spread wellbeing widely, at least to able-bodied individuals who can work. Rich people, for example, share their wealth inadvertently when they buy the goods and services produced by poorer people. Adam Smith noted that this benevolent spread of wellbeing through market activities (or “trickle down,” in modern usage) operates as if by an “invisible hand.”

Sixth, government intervention in the economy tends to hurt more than it helps. Individuals enjoy the highest utility when they are left free to pursue their individual desires. Moreover, a state that intervenes in the market economy is a grave threat to personal freedom, even a “Road to Serfdom,” as declared by the free-market economist Friedrich Hayek in a book of that name in 1944. The rigorous protection of private property by the state is among the most powerful ways to promote societal wellbeing.

Each of these six precepts of neoclassical economics is deeply flawed. The six precepts lead to poor economic thinking and misguided economic policies. The new Economy of Francesco requires a deep reformulation of these six assumptions.

First, human beings are transcendent persons and have the rational capacity and the need to moderate their desires to what is needed for a good life including social relations (friends, family, fellow citizens) and non-market goods. Rather than maximizing utility based on unbounded desires, human beings should learn to moderate (or order) their desires according to the classical virtue of temperance. This is especially true in the 21st century when unbounded desires can lead to profound ecological and social crises. The very good news is that our advanced 21st century technologies are sufficient to ensure that every human being can meet all basic economic needs—recognized as economic “rights” in the Universal Declaration of Human Rights (UDHR, 1948)—including a nutritious diet, access to education and healthcare, and a decent livelihood.

Second, as per Aristotelian philosophy, Judeo-Christian wisdom, and modern psychology and neuroscience, individuals do not maximize a stable utility function, but rather act according to many competing motivations, some rational and others irrational and instinctive.⁴ Non-rational motivations include instincts, addictions, stimulus-response behaviors, and other unconscious processes. Rational decision making is based on a careful consideration of the individual’s current and future needs and social responsibilities, and is a learned skill, not a natural aptitude. The key to wellbeing (*eudaimonia* in

ancient Greek, *beatitudo* in Latin) is to act under the guidance of rationality, a virtue (or excellence) that the Greeks called *phronesis*, the Romans called *prudencia*, and modern philosophers call “practical wisdom.” As the wise teachers of all times such as Socrates, psychologists and neuroscientists have shown, the virtues of moderation, pro-sociality, empathy, and self-control, can be inculcated through education, training, and practice.⁵

Third, to fulfil the happiness to which all aspire individuals should be helped to develop the virtues, such as the moderation of desires, the prudent balancing of present and future needs, and beneficence towards others. Guiding the cultivation of the virtues is the main aim of the science of ethics. The ancient Greeks emphasized four cardinal virtues of prudence, courage, temperance, and justice, to which Christian church fathers added the three theological virtues of faith, hope, and charity and the gifts of the Holy Spirit. The Economy of Francesco should be based on the *Cultivation of Virtue* rather than the *Maximization of Utility* to achieve a good life and happiness.

Fourth, all human beings have the same core economic needs to achieve a good life, notably the economic rights enumerated in the UDHR. Societies should therefore ensure the universal access to those core economic rights to ensure that “no one is left behind.” Individuals deprived of economic rights (e.g. lack of access to sufficient food, safe water, housing, education, or healthcare) suffer a serious loss of wellbeing. In general, survey data on happiness and other measurements of subjective wellbeing reported directly by individuals provide invaluable evidence regarding basic economic and social needs.⁶

Fifth, the market economy promotes wealth but does not distribute it justly, producing a high degree of inequality, including poverty in the midst of wealth. There is no “invisible hand” that ensures that every person achieves a decent standard of living, or even is able to access all basic economic needs.

⁵Jeffrey D. Sachs, “Aristotle, eudaimonia, neuroscience and economics,” in *A Modern Guide to the Economics of Happiness*, ed. Luigino Bruni, Alessandra Smerilli, and Dalila De Rosa (Cheltenham: Edward Elgar Publishing Limited, 2021).

⁶See, for example, Cortland J. Dahla, Christine D. Wilson-Mendenhall, and Richard J. Davidson, “The plasticity of well-being: A training-based framework for the cultivation of human flourishing,” *PNAS*, December 22, 2020, vol. 117, no. 51, 32197–32206

There are many possible causes of destitution in a market economy, including bad luck; physical and mental disabilities; natural disasters; business cycles; ethnic, racial, and gender discrimination; lack of access to quality education; chronic stress during childhood; and the loss of income resulting from monopoly power, such as penury due to over-priced medicines and healthcare treatment in monopolized markets.

Sixth, a strong government is necessary to ensure a just distribution of income (one in which nobody is left behind) and to overcome “market failures” including environmental harms, monopoly power, underinvestment in knowledge generation, and efficient provision of public goods. Hayek’s argument in *The Road to Serfdom* that an activist state threatens political liberty has been disproven by experience; for example, by the nations of northern Europe that have very interventionist states.

By holding profit-making in higher regard than ethics of holistic happiness (*eudaimonia*), modern capitalism has generated or tolerated great cruelties, including slavery, bonded labor, child labor, and other crimes against humanity. These great crimes have often been pursued in the quest for wealth, and justified as normal business activity. As a result of ideological complacency, modern capitalism is characterized by extreme poverty in the midst of great wealth, famine in the midst of plentiful food, pervasive addictions fostered by consumerism, and profound environmental degradation by companies pursuing profits through the destruction of nature.

The new Economy of Francesco must overcome this complacency, and aim for a new Virtue Ethics, in which the path to happiness is achieved by the cultivation of the virtues.⁷ Moderation, rather than maximization, is the path to happiness and to the escape from self-defeating addictions, the cruel excesses of greed, and the rampant destruction of nature.

Societies everywhere must ensure basic economic rights – to nutritious diets, safe water and sanitation, safe environment, healthcare, and education – for all their citizens. The global ethical starting point should be the Universal Destination of Goods, which is the principle that the Earth’s beneficence should be shared by all, with nobody left behind. When governments in low-income countries cannot afford an adequate quality of social services and public investments, rich countries should help them to do so. Individuals must also play their parts too ensure these economic rights for all; every individual – especially

rich individuals – must pay their taxes fully and fairly, respect the law, and avoid behaviors (such as fraud or the exercise of monopoly market power) that impose economic damages on others.

The Economy of Francesco should support a globally interconnected economy and society, in which each part of the world helps the other parts of the world to meet their needs for a good life. A core virtue for the 21st century is the readiness of individuals to encounter and respect different cultures, ethnicities, nations, and belief systems. Our economic ethics must respect the universal dignity of all peoples everywhere as well as safeguarding the planet. These are core messages of Pope Francis’ remarkable encyclicals *Laudato si’* (2015) and *Fratelli Tutti* (2020).

The great biologist Edward O. Wilson describes the human condition in our era in this way:

“We have created a Star Wars civilization, with Stone Age emotions, medieval institutions, and godlike technology. We thrash about. We are terribly confused by the mere fact of our existence, and a danger to ourselves and to the rest of life.”⁸

Our challenge is to align our emotions, our institutions, and our technologies for the common good. The new Economy of Francesco, building on the great Catholic Social Teachings, the ethical wisdom of the ancient Greeks, and the modern insights of psychology, neuroscience, economics, and other key disciplines, can help us to do so. What can emerge is a new humanistic economics that fosters the virtues of wisdom, compassion, and justice, to promote wellbeing throughout the world.

⁸A forthcoming book from Columbia University Press captures the multi-religious vision of sustainable world and the ethics and virtues needed for a just and inclusive society. This vision was the result of the two-year initiative called Ethics in Action, hosted by the Pontifical Academy of Sciences, in partnership with the Center for Sustainable Development at Columbia University and the United Nations Sustainable Development Solutions Network. See Jeffrey D. Sachs, Marcelo Sanchez Sorondo, Owen Flanagan, William F. Vendley, Anthony Annett, and Jesse P. Thorson, *Ethics in Action for Sustainable Development* (New York: Columbia University Press, 2022).

⁷The annual *World Happiness Report*, which I co-edit with Professors John Helliwell (University of British Columbia), Richard Layard (London School of Economics), and Jan-Emmanuel de Neve (Oxford University), report annual survey data on wellbeing for more than 150 countries.

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The Sustainable Development Goals and The New Paradigm in Business and Economics Education

Anthony Annett¹

Abstract

The Sustainable Development Goals (SDGs) map out the contours of a global common good. They are in accord with a humanistic vision and with the insights of Catholic social teaching. Hence the new paradigm of business and economics education should place a high priority on the SDGs in all courses. Given the encompassing scope of these goals, this means moving away from a vision of economics centered solely on efficiency and economic growth, and on business as solely oriented toward private profit.

The Sustainable Development Goals (SDGs) are the world's goals. Adopted in 2015 by all members of the United Nations, at a session addressed by Pope Francis, these goals are designed to guide policies through 2030. A main philosophy behind the SDGs is that economic growth can no longer be seen as an isolated goal of economic policymaking. From now on, it must always be twinned with both social inclusion and protection of the environment. As such, the SDGs have clear relevance to business and economics education.

There are 17 SDGs, subdivided into 169 specific targets. For our purposes, what matters is the top-level goals (see Box 1 on next page).

As can be seen, the SDGs are built on four pillars—economic, social, environmental, and governance. The first pillar calls for ending extreme poverty and hunger; promoting inclusive economic growth consistent with full employment and decent work; and fostering infrastructure, industrialization,

⁹Edward O. Wilson, *The Social Conquest of Earth* (New York: W.W. Norton, 2012).

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