

Editorial Note

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This current issue of the *Business and Public Administration Studies* introduces new Contributing Editors and new authors joining our Journal Committee as Board Members. Professor Billy Mae comes from White House and the Georgetown University teaching in the nation's capital, of Washington DC. He has been actively helping promoting and marketing the Journal. Additionally, another welcome contributors are Dr. Marco Pani and Professor Frederic Sautet. The Journal introduces also an article by a dynamic young scholar Sergio Martinez Cotto. His article grew out of his final thesis.

Dr. Frederic Sautet, of the CUA, in his essay discusses the role of economic capital and creative empowerment within the framework of an entrepreneurial society. The author deliberately and disruptively challenges us to ponder more deeply on the seemingly simple, yet difficult question asked time and time again: How is it that some people, or nations become rich while others remain poor? This question has been posited for centuries and not only by writers, politicians but also common-sense individuals. Supposedly wife of Karl Marx once lamented that their poor family would be much better off if her husband, Mr. Marx, would focus on making capital (i.e., money) rather than just writing about it (*Das Capital*).

We seem increasingly to get used to a world where difficulties and disruptions affect our lives directly or indirectly. Our world over the last decades has been changing much faster than ever before. It is almost unpredictably causing economic development to become more uneven and even more polarized. While Western economies have witnessed steady growth, decade after decade, many others

stagnated or even have fallen behind. Some countries, such as Latin America, or former Soviet Union have had a strong start but then declined. The author describes the war of ideas over a most fundamental question: what is the nature of human society and the role of freedom? After several decades of both descriptive and proscriptive - or as the author states: "destructive" - approaches to development, things are now changing, and we may have reasons to be optimistic for the years to come.

The essay encapsulates the most recent history of economic ideas where classical giants must give way to modern thought leaders. It aims to apply new knowledge and ideas for betterment of mankind. Here some seminal and novel, though not necessarily new, ideas of Michael Novak are most relevant. It is not the mindset of trade-offs, such as inflation vs unemployment, or monetarists vs Keynesians, but the new and creative modern entrepreneurial mindset of applying the best creative ideas that can contribute to the expansion of the economic "pie". We are conditioned to think that GDP is a rigid, fixed entity. That is an old paradigm of scarcity. And it is still the typical thinking among many policy makers, intellectuals and government officials. Novak has long ago maintained that the best way to predict the future is to create it. It can be done in an entrepreneurial, creative and constructive way with enlightened self-interest as well as the broader: common good. Novak's seminal ideas and practical thoughts seem to bod well (which can and should be expanded further) by professor Sautet, who as a student of Israel Kirzner at NYU, wrote such an insightful and provocative article.

Marco Pani in his essay on the hidden im-

pact and costs of corruption provides a highly relevant, and “timeless” theme regarding our human nature. There are numerous social, political and economic studies on corruption. Most of them deal with their express, or actual occurrence. The essay claims, on the one hand, that critical economic effects arise even when corruption does not actually take place but remains a serious threat. And on the other – it is often *ex post* that the negative effects are discernible. The author states that although corruption can be prevented through intensive monitoring and surveillance or by offering effective disincentives, these measures are costly and create distortions – a situation that may be described as “hidden corruption.” The author uses a quantitative method model to show the effects of corruption. He formalizes corruption as a special principal-agent-client relation. Then he identifies some fundamental economic characteristics of corruption. Furthermore, he distinguishes three different types of equilibria that arise under different circumstances. Whereas corruption actually may occur in only one of these equilibria, some key effects may persist, even if in somewhat reduced a form and magnitude. Significant differences occur instead when the possibility of corruption is removed. Marco Pani also addresses other topics related to corruption as well, such as why corruption is illegal, what are its effects on efficacy and distribution, and the possibility and implications of multiple equilibria. The quantitative analysis employs a well-known version of the Pareto optimality. In this case, the Pareto improvement, to prove the proposition that while monitoring is costly, the possibility of corruption always reduces aggregate utility even when corruption is hidden or repressed. He concludes his article explaining how the legal norms prohibiting corruption, supported by both the principal and agent, may involve a conflict on the distribution of rent and a confrontation of bargaining power and political influence. In terms of efficiency an evaluation of corruption cannot be decided *a priori*, since corruption leads, in

alternative situations, to Pareto-dominated outcomes or to a redistribution of rent between different parties. His model shows that multiple equilibria may arise even in a static context. The results provide interesting suggestions in the interpretations of the historical record of some countries. On one side, countries which have experienced remarkable reductions in corruption may have rationally decided to switch from an equilibrium with actual corruption to one where corruption is hidden or repressed, enjoying only minor increases in utility and social welfare.

A Human Dignity Approach to Business Ethics for Executives is another thought provoking article well worth delving into. The authors: professor William J. Mea and Richard J. Wall introduce perhaps not a new, but a novel approach to business ethics for executives. The central point - too often neglected or conveniently forgotten - is the concept of human dignity. The essay draws on Catholic social teaching as applied to an overall economic sphere of activities. The social doctrine is not primarily the product of theological speculation. It is derived from and builds on foundational sources such as philosophical ethics and the natural law. These are subjects that predate Christianity by several centuries. We all owe a great debt of gratitude to classical, ancient Greek thinkers. As a result, people of various faith traditions (even of no religion) can profitably access both its wisdom and the many practical applications found therein. Rightly ordered, ethical business leaders' guiding decisions shape a desirable, positive corporate environment: one in which creativity is fostered and workers serve both the community and each other. Authors argue that affirming individuals' dignity in the business enterprise does not lead to lack of control or strategic focus. On the contrary, it contributes to the success of a viable business model from which long-term profit can flow. It fosters and allows enterprise to play a role as a responsible contributor to the surrounding society. Authors elaborate on the key models, command-

ments and concepts to bring the idea of human dignity into a relevant contemporary context. Building on the concepts from natural law, then normative and positive business ethics, they place their debate in the context of economic justice, common good, subsidiarity and solidarity.

The authors conclude that by examining recent theories, models, and sources from Catholic social doctrine, the encyclicals seem very relevant for contemporary dialogue. They explain how both philosophical and theological doctrines and documents help identify principles centered on human dignity when applied to work, to workers, and to the world's economic systems. They also state that by studying large and successful companies from Europe and the United States, we see better how these businesses embody ethical practices that reward owners, workers and society at large. Upon examination, many of the examples from business successes in quality initiatives over the past three decades correspond to the unique features of human dignity-centered principles discussed in their essay.

The Effect of Cash Transfer Programs on Poverty Reduction by Sergio Alfredo Martinez Cotto closes the current issue. The author argues that in the global context programs aiming to grant a monetary transference to people in poorer countries where extreme poverty

conditions (with complex issues related to health, vaccinations, nutrition and education) are prevalent and need to be taken into broader consideration. Literature gathered over the past decades gives ample empirical evidence at the household level. It suggests that even small cash transfers bring about accelerating positive impacts on poverty reduction, education and better health care. Whereas the empirical strategies have focused on measuring the outcomes under a difference approach in comparison with counterfactual groups, evidence may continue to grow under time series approach. The essay contributes to the literature detailing impact evaluation by addressing an empirical strategy based on recent data gathered. In the context of global commitments to reduce poverty, as it is the case of the 2030 Sustainable Development Goals (SDGs) Agenda, his article addresses the concerns of evaluating policy instruments. Literature built on empirical evidence at the household level shows that they have yielded positive and significant effects on poverty reduction, school enrollment, and access to health care services.

We sincerely hope you will find the current selection of articles stimulating and thought-provoking and as always, we welcome comments, reactions and criticism. Also, new authors and writers are welcome to contribute to this Journal.