

ABCDEconomy "I" as in "Investment "

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He who hopes invests well

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We continue with Luigino Bruni's handbook: a guide to rereading the key words of economic behavior, after breaking down the myths and bursting a few bubbles. The topics already analyzed are: Happiness, Profit, Market, Bank and, now, Investment.

In one of the first economy lessons, one explains to his students that spending (on which the GDP and development depends) is comprised of purchases and investments. One spends by consuming goods and services, and especially, investing. Today, those who would encourage spending in order to support the economy should be reminded of this first economics lesson: the economy is also and especially sustained by investments.

Investment is a typically entrepreneurial act, even though not exclusively so. One thinks of investments in human capital, instruction, on behalf of private citizens or public investments, that is a co-essential element in a any good economy.

Everyone can consume and many save, but in a market economy, investments primarily depend on entrepreneurs.

Investment is an expenditure that is not focused on satisfying a need (as in the case of consumption), as its objective is instead the creation of future wealth that can, in turn, satisfy other future needs, both personal and of others. Therefore, investment is a propagator of wealth, an instrument for redistributing it, and which in any society based solely upon revenue and consumption remains blocked in the hands of the very same people. But what are the sense and the nature of investment? When an entrepreneur buys new technology, builds a facility, hires new workers or does research, he is saying to himself and to society: "I believe in the future - I have hope."

Making an investment, then, is substantially an act of hope, of faith that "what is to come will be better than the past" (to use a nice expression of the theologian Teilhard de Chardin). Who invests gives up the consumption of currently available resources, takes on a debt with the bank and/or with families, because he has hope, because he has good expectations that tomorrow this choice will bear fruit.

On what, then, does the amount of investments (and so innovation, research and development) in an economy depend? Certainly its cost in money, but, especially as Keynes showed us in the 1930s, investment mostly depends on the expectations of entrepreneurs, on their vision and interpretation of the world.

Here is why a country with pessimistic and cynical entrepreneurs doesn't invest, even when interest tax might be very low (like today) - precisely because there is a lack of hope in the future.

In order to get out of today's crisis, the economy above all needs entrepreneurs capable of imagining a better future. It needs that great virtue of hope.

In fact, hope is a virtue because it requires moral strength to not succumb when faced with trial and to go ahead. Without hope, there is only consumption, consumerism and depression. But hope, even an economic virtue, isn't born and isn't regenerated inside the economy, in the markets. This is born and is nourished in civil society and in the life of the polis.

This is why the economy today has an urgent need of entrepreneurs that invest because they rediscover reasons to hope again, but these reasons are always bigger than just economy. Politics serves the economy not so much by sustaining consumption, but by accompanying entrepreneurs in the activity of building and rebuilding hopeful scenarios, in which investments are imaginable and possible. This is the only way to get out of the crisis.

Next week, Luigino Bruni will analyze the word "Responsibility".