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## **WHY ECONOMIC OPTIMISM COLLAPSES? THE BUSINESS ENVIRONMENT – THE ONLY COMPETENT AND ETHICAL GLOBAL INSTITUTION**

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***Abstract:** The data from the Edelman Confidence Barometer 2023 (23rd edition) is not encouraging at all. The collapse of economic optimism is accompanied by a widening of social gaps against the background of the continuous decline of the population's trust in politicians, the media, and the church. The only global institution currently perceived as both competent and ethical is business. Corporations seem to be at the top of trust, seeming to be, at least for Romania, an underestimated actor so far. The increasingly favorable perception regarding ethics in the business environment makes us advance our hypothesis that there is already a huge pressure on the corporate executive, with expectations even targeting their involvement in solving society's problems.*

**Keywords:** *business environment, climate change, discrimination, economic optimism, immigration, multi-polar world, quartile of income, wealth gap*

**JEL Classification:** *A14, Z10*

### **1. How to face economic fears without a trust safety net?**

The latest Edelman Confidence Barometer cancels, at the beginning of 2023, the views that placed favorably the perception of the recovery of the world economy after the crisis generated by Covid-19, but also after the outbreak of the war in Ukraine.

According to the data, we are recording a real collapse of global economic optimism:

- If in the period 2019-2022 there was a decrease in economic optimism of only 3% (from 53% to 50%), in the last year (2022-2023) the decrease was 10%;

- The Edelman experts report shows that economic optimism has collapsed worldwide from 50% to 40%;
- 13 of the 28 analyzed countries recorded a decrease of at least two digits in the last year (Colombia had the most drastic decrease – 22%);
- No developed country exceeded 36% in terms of economic optimism, 24 of the 28 countries analyzed reached an all-time low in 2023, including states such as the USA (36%), Germany (15%), Great Britain (23%) or Japan (9%);
- Otherwise, in terms of economic optimism the maximum level of trust among the 15 developed countries is reached by the USA (36%).

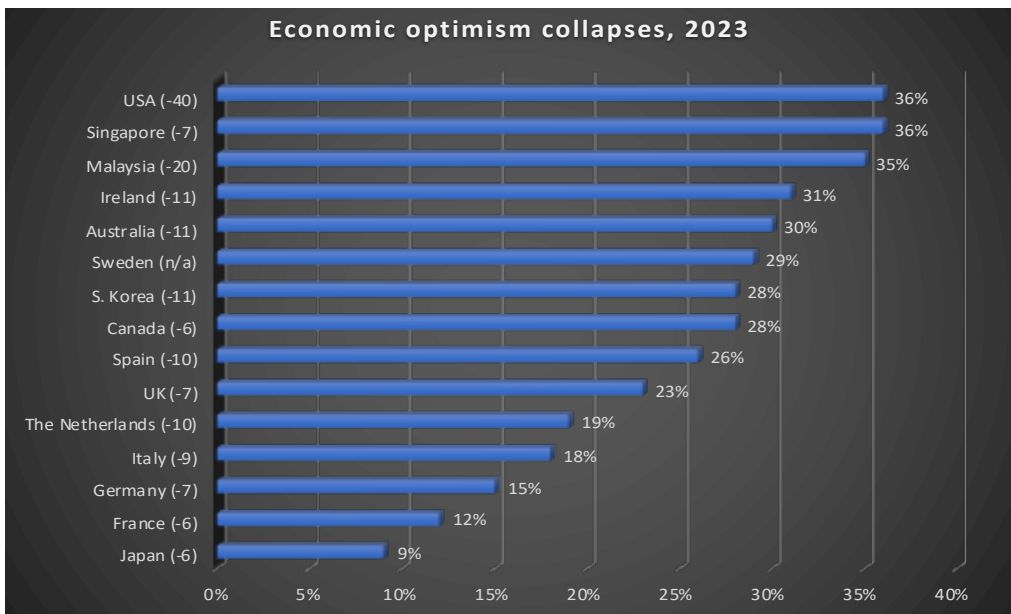


Figure 1: My family and I will be better off in five years

*Source: Author*

It should also be noted that changes in perception are accompanied by a deepening of perception gaps between social classes. „Income-based inequality creates two trust realities. People in the top quartile of income live in a different trust reality than those in the bottom quartile, with 20+ point gaps in Thailand, the United States, and Saudi Arabia” (Edelman Trust Barometer, 2023, p. 4). Thus, in around 75% of the countries analysed, there is a double-digit difference in institutional trust, with people with higher incomes trusting institutions more than those with lower incomes:

- Since 2012, there has been an average increase in the trust of people with high incomes from 50% to 62%, while for people with low incomes the average trust has only increased from 43% to 48%;
- Practically, income based inequality creates two different trust realities;
- Globally, there is a 15% difference between the two cohorts in terms of institutional trust;
- In 21 of the 28 countries the difference in perception is double digits, the biggest being in Thailand (37%).

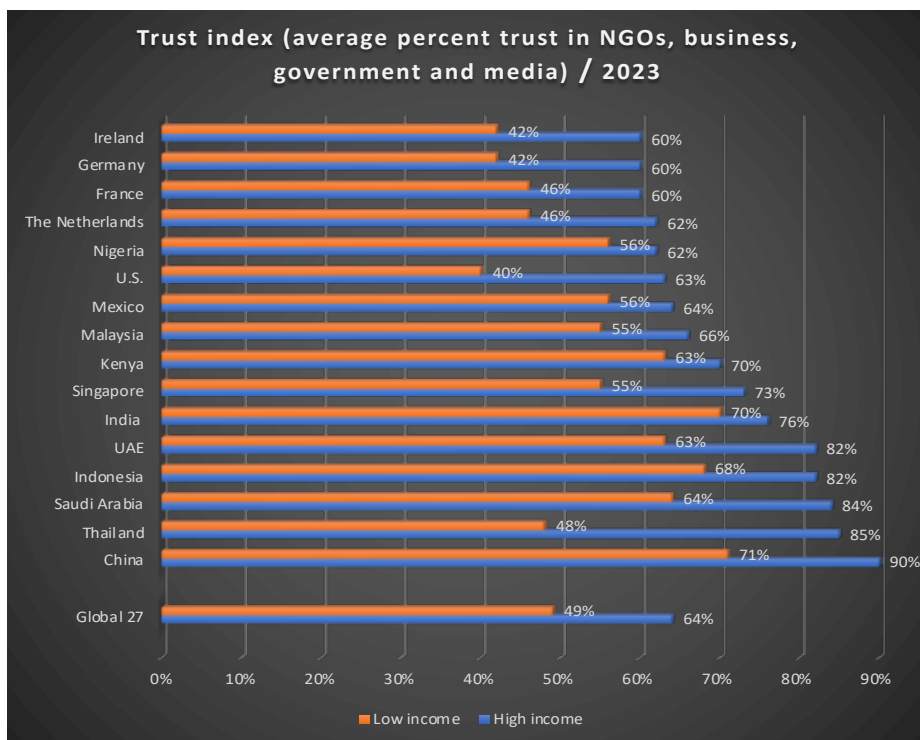


Figure 2: Income-based inequality creates two trust realities

Source: Author

As can also be seen in Figure 3, greatest income-based trust inequality was found in Thailand (37%), U.S. (23%), Saudi Arabia (20%), China (19%), Japan (19%), UAE (19%).

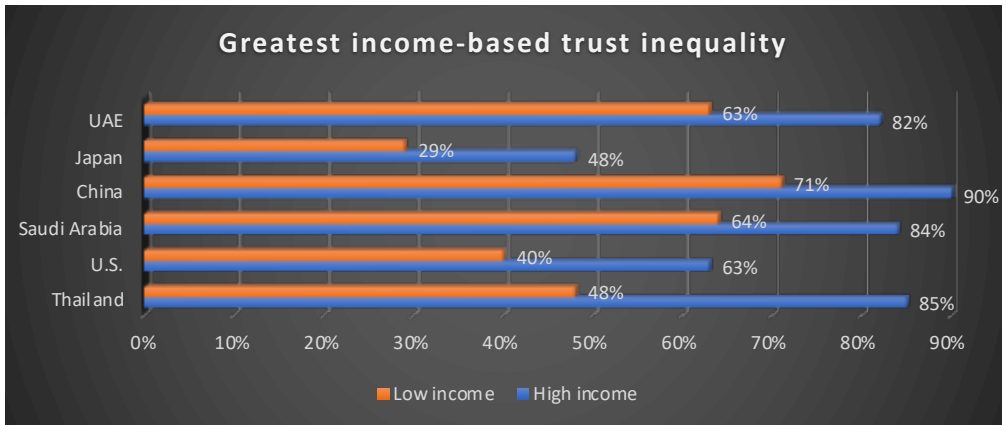


Figure 3: Greatest income-based trust inequality / 2023

Source: Author

According to the Edelman Trust Barometer, government and media fuel cycle of distrust, seen as sources of misleading information.

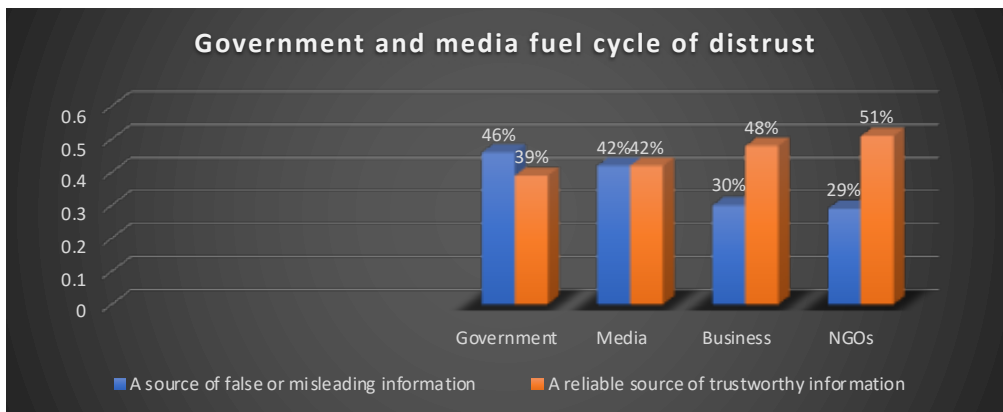


Figure 4: Government and media fuel cycle of distrust / 2023

Source: Author

Otherwise, as seen in Figure 5:

- On the hand, government leaders (41%) and media leaders (47%) are the least trusted institutional leaders;
- On the other hand, scientists (76%), work colleagues (73%) and CEOs (64%) are the most trusted.

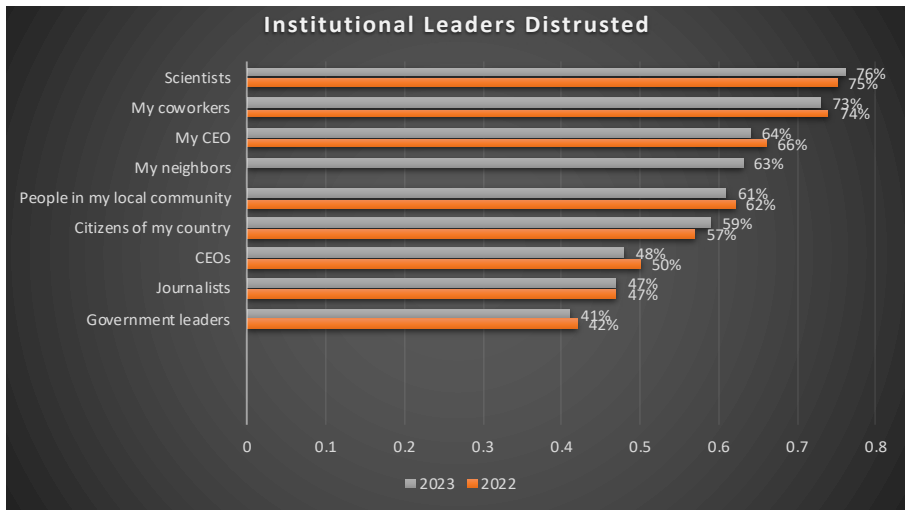


Figure 5: Institutional leaders distrusted / 2023

Source: Author

The countries with the lowest institutional trust, for each individual institution, are the following:

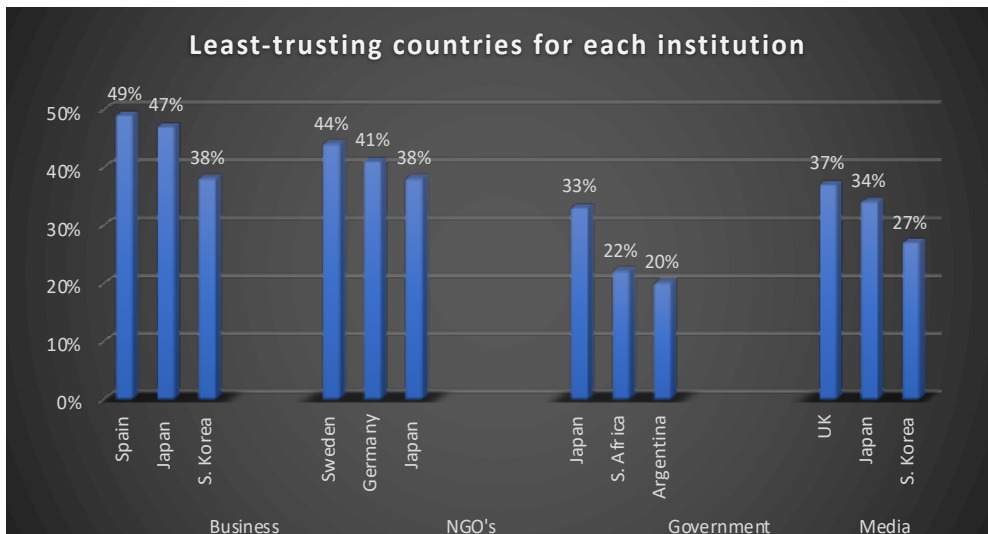


Figure 6: Least-trusting countries for each institution (Business, NGO's, Government, Media) / 2023

Source: Author

We notice a double-digit trust advantage for business in 15 of 28 countries:

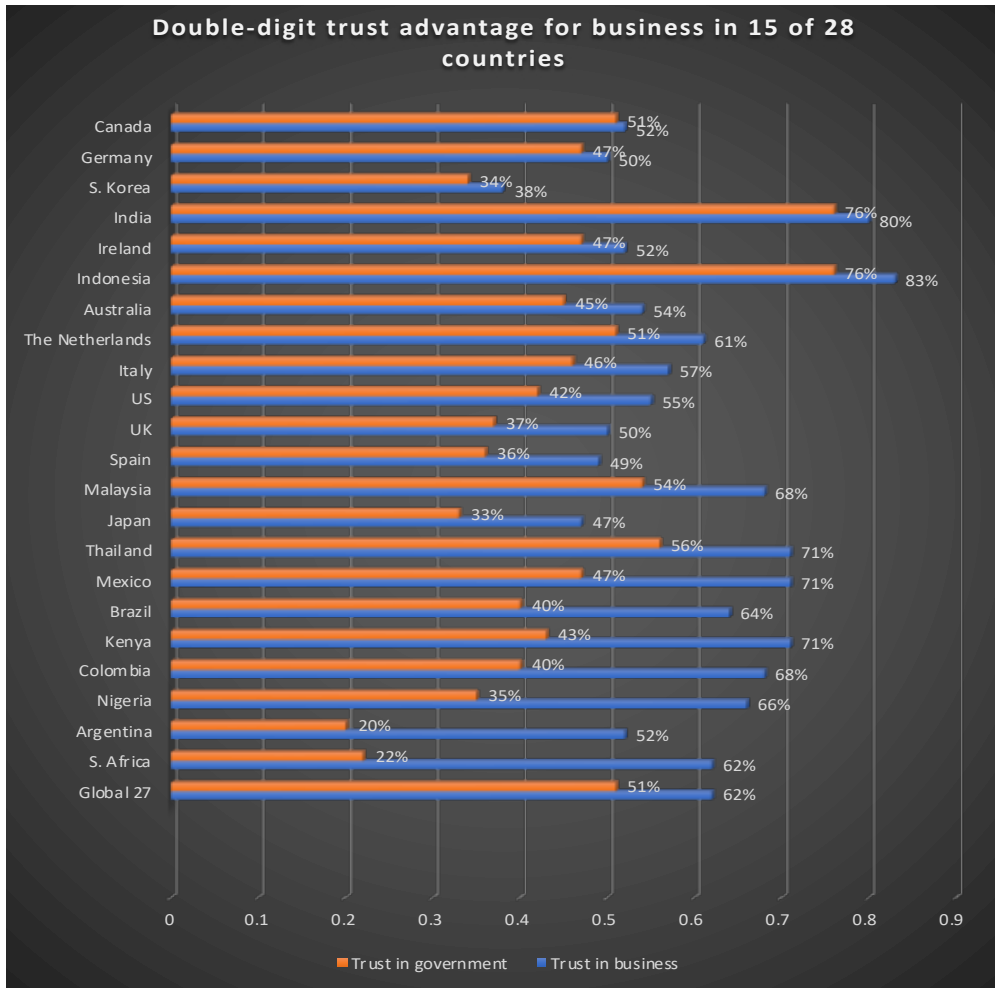


Figure 7: Double-digit trust advantage for business in 15 of 28 countries

Source: Author

It is also worth noting that the collapse of economic optimism accompanied by the huge setback in institutional trust has meant that among the population personal anxieties remain very high and are perceived almost as much as existential fears. We notice a very interesting situation - personal anxieties on par with existential fears.

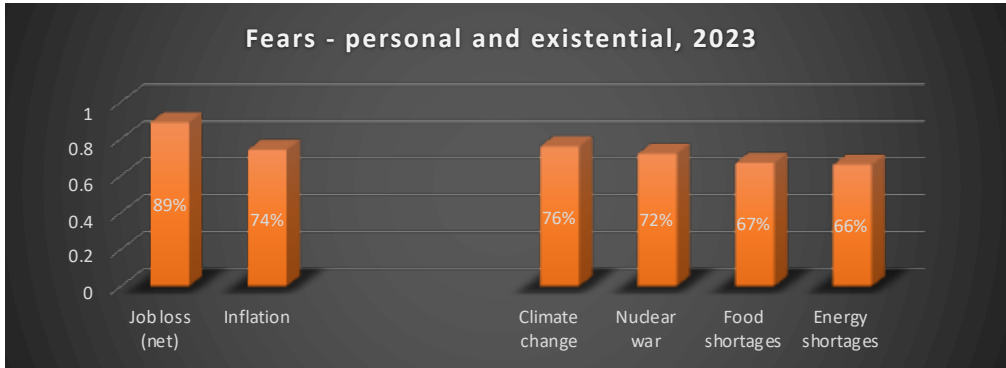


Figure 8: Personal anxieties on par with existential fears

Source: Author

**2. The business environment, the only competent and ethical global institution**

Data provided by the Edelman Trust Barometer 2023, suggests that amid collapsing economic optimism, business is seen as the only trusted institution globally, seen as the only institution both competent and ethical:

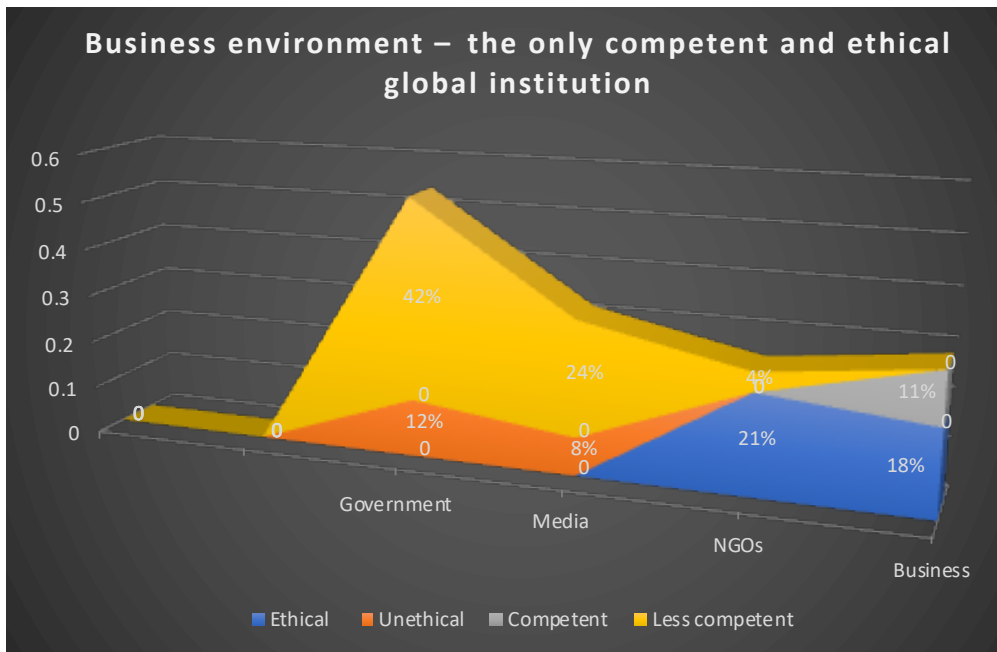


Figure 9: Business environment, the only competent and ethical global institution

Source: Author

- The business environment has a 53% lead over the government in terms of competence and 30% in terms of ethics (government is seen by the population as both incompetent – 42% and unethical – 12%);
  - The jump of the business environment in terms of ethics is 20% in the last three years and is explained, according to experts, by the attitude it had had during the pandemic, but also by the appropriate reaction of the more than 1000 companies that have left Russia immediately after the invasion of Ukraine;
- Even if we observe a 3% advance of NGOs compared to the business environment in terms of ethics, they remained far behind the business environment in terms of competence (-15%), being considered incompetent by the population;
- In comparative terms, the mass media is also far behind the business environment both in terms of competence (-35%) and ethics (-26%), being seen by the population as both incompetent and unethical.

Increased perception of the business environment has brought higher expectations from CEOs who are being asked to become a much more engaged voice in societal issues - by an average of 6 to 1 the population wants them to be more involved in problems that affect a large portion of society and require collective action to address (climate change, economic inequality or retraining of the workforce).

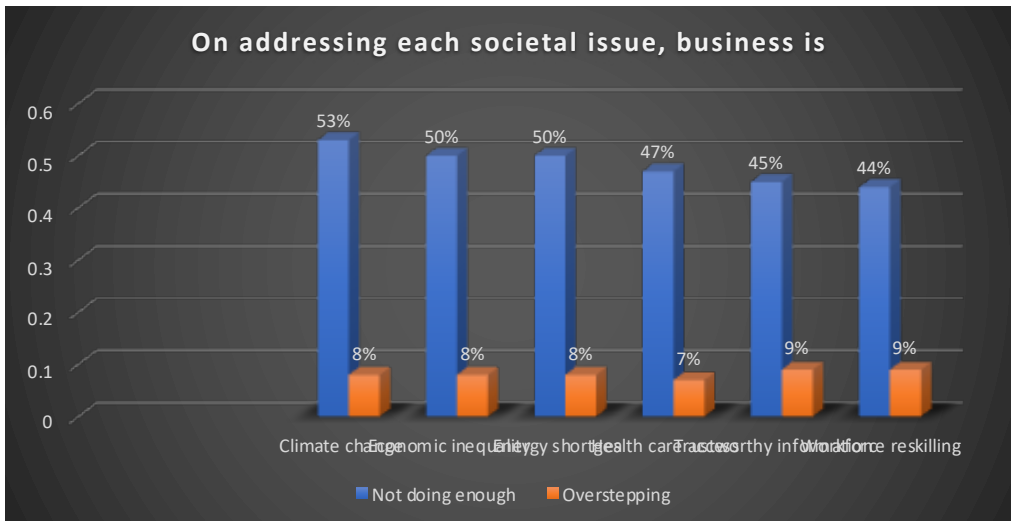


Figure 10: Want More Societal Engagement from Business, Not Less / 2023

*Source: Author*



The Edelman Trust Barometer 2023 data also reveals the population’s fear that societal engagement puts business at risk of being politicized something that should be avoided. To the question “I think business can avoid being political when it addresses contentious societal issues?” less than most agree in 19 of the 28 states surveyed.

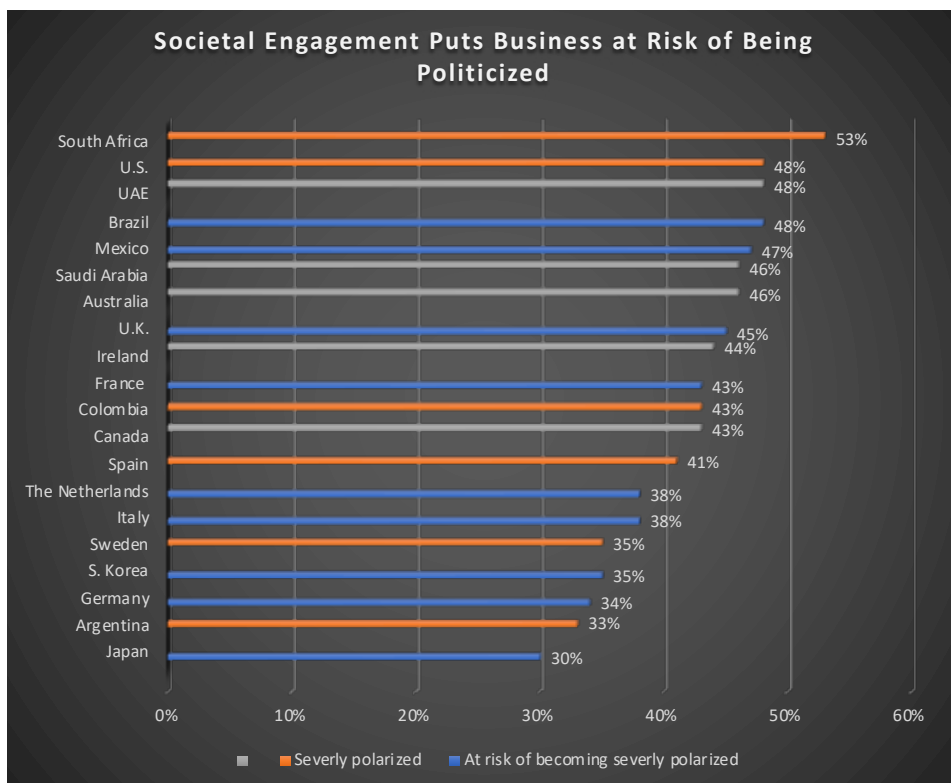


Figure 11: Societal Engagement Puts Business at Risk of Being Politicized, 2023

Source: Author

At the European level, among the states that were the subject of the research, the states with a major risk of becoming severely polarized on this topic are Germany (34%), Italy (38%), the Netherlands (38%), France (43%) and the Britain (45%), and which are already severely polarized are Sweden (35%) and Spain (41%).

It should also be said that more than half (52%) of respondents do not believe that business can avoid politicization when dealing with contentious societal issues.

The other 48% of respondents do not declare themselves so categorically on that issue, appreciating that in order to avoid being seen as politically

motivated when you take a stand to solve the contentious problems of society you should:

- Be a trustworthy information source,
- Base actions on science,
- Don't align with only one political party,
- Act on same values over time,
- Link actions to staying competitive.

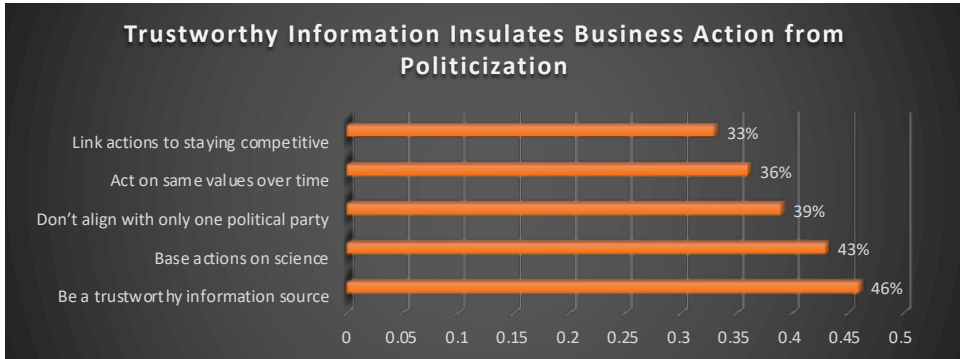


Figure 12: Trustworthy Information Insulates Business Action from Politicization, 2023

Source: Author

In the current context, a very large proportion of respondents believe that the best results for society are recorded when there is a harmonious collaboration between the business environment and the government to solve contentious issues.

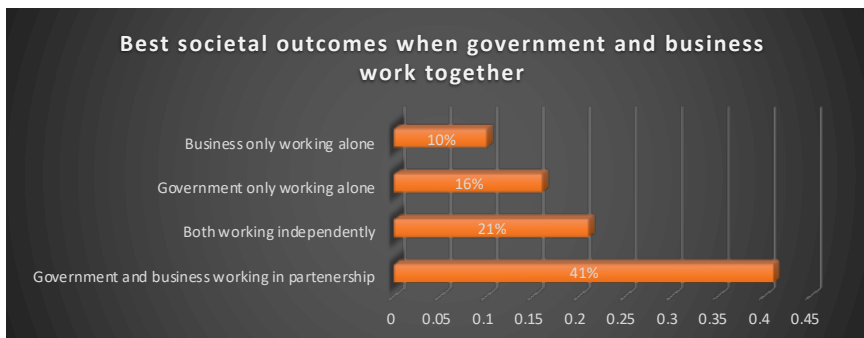


Figure 13: Best societal outcomes when government and business work together, 2023

Source: Author

Practically there are 4 x more likely to yield optimal results from partnership than business alone. In this context of a severe decline in economic optimism and the shift of the trust pole to the business environment, there are very high expectations from the executive directors who should take public positions on issues aimed at:

- Treatment of employees,
- Climate change,
- Discrimination,
- Wealth gap,
- Immigration.

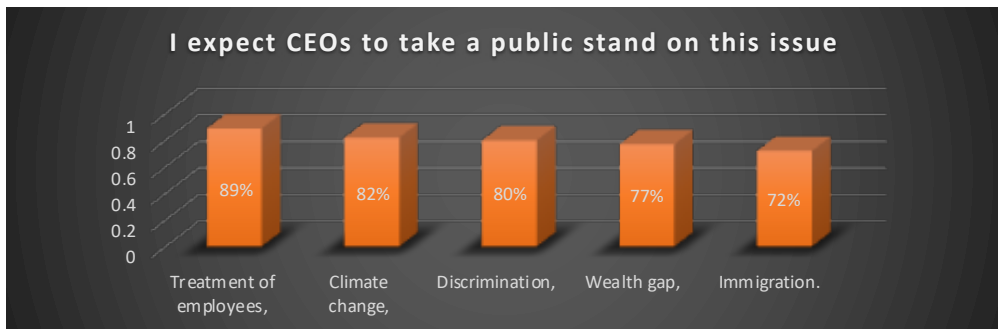


Figure 14: CEOs Most Expected To Act on Employees, Climate, and Discrimination, 2023

Source: Author

The data show that to improve economic optimism, CEOs should invest by fair compensation in community, including skills training.

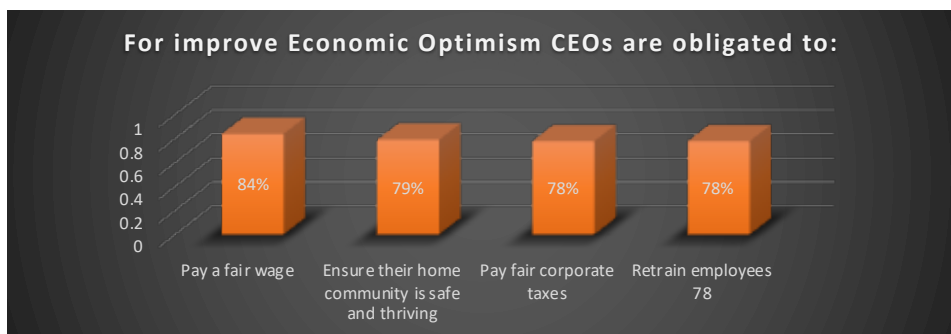


Figure 15: Improve Economic Optimism, 2023

Source: Author

## Conclusions

- The positive perception of the business environment brings, as expected, higher expectations from CEOs who are expected to become an important voice regarding societal issues
- It is appreciated that in an excessively polarized world, the business environment has:
  - **To continue to lead** responding to increasing expectations and responsibilities, being the most reliable institution;
  - **To collaborate with government** the best results being recorded when the two institutions work together and not independently of each other;
  - **To restore economic optimism** by engaging further in the community, investing within the paradigm that opposes the divisive forces that fuel economic grievances;
  - **To play the role of advocate of the truth** - source of reliable information, authority that correct and hold accountable the sources of false information.

In Romania, the role of corporations is currently underestimated. Against the backdrop of the loss of trust in politicians, the media or the church, certainly the role of corporations in Romanian society has definitely increased in recent years

In the introductory part of his book “*Sociability in the space of development. Trust, tolerance and social networks*” professor Dumitru Sandu problematizes the dynamics generated inside the “social-development” equation by asking an essential question: “How to bring the social into the field of development? Or, to put it even more simply, how to make investments, programs and development policies useful as much as possible for as many people as possible?” (Sandu, 2003, p. 9).

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