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THE GLOBAL COMMON GOOD: TOWARDS A MORE INCLUSIVE ECONOMY

DISCUSSION PAPER

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PREFACE

In his Apostolic Exhortation *Evangelii Gaudium*, Pope Francis seeks to awaken consciences to the scandal of a humanity which, despite ever greater potential at its disposal, has yet to succeed in overcoming some of the social plagues that humiliate the dignity of the person. In line with the *Magisterium* of his Predecessors, the Holy Father declares his emphatic opposition both to “ideologies” that defend the absolute autonomy of markets and financial speculation, and to an attitude of indifference that characterizes today’s political, economic and social situation.

To such elements of irresponsibility and of social disintegration, one must respond with a determined search for an economy based on respect for the dignity of the human person – an inclusive economy, supported by justice, temperance and the culture of gift and gratuity, capable of marking a substantial change in the conditions, styles and models of life of all humanity, preserving and improving the environment for current and future generations.

1. INTRODUCTION

The first observation of the Social Doctrine of the Church, as well as of social ethics founded on integral human development, is that every political and social action should have a clear anthropological perspective;¹ in fact, economic and social systems do not automatically serve human dignity; rather, they should always be guided by our responsible action inspired by human dignity and, accordingly, carried out with a right intention, oriented by wise national and international policies, and supported by appropriate levels of spiritual, social and material “capital”.

Economic globalization has above all been produced by markets opening up and therefore by the flow of capital and by great migratory movements which often involve unacceptable suffering. This globalization is bringing about a slow but gradual “economic” convergence among States in terms of GDP, even if its realization still seems very far away. This is, however, not always accompanied by a similar “structural” convergence in terms of infrastructure, physical capital, access to new

¹ Cfr. Pope Francis, Apostolic Exhortation *Evangelii Gaudium*; Benedict XVI, Encyclical Letter *Caritas in Veritate*.

technologies and quality of institutions, and still less a “social” convergence of citizens of the various States, in terms of education, social capital, equitable distribution of benefits and quality of life.

On the other hand, while globalization has undeniably helped greatly to increase aggregate wealth in total and of many individual States, it seems just as true that globalization has worsened the gaps between the different social groups. Both political and economic analyses confirm what is clearly observable from the point of view of ethics and moral theology,² namely, that worldwide or global inequality is increasing because of globalization: the averages of national income hide enormous income disparities between those who have the skills and means needed to take advantage of ongoing progress, and those who instead remain marginalized and excluded from the dynamics of the market. The most recent scientific studies show a world divided into three major social sectors, regardless of national borders. In 1% of the world population is concentrated half of global wealth; another 47%, considered the global middle class, controls a little less than the other half; and the remaining 52% of humanity shares the “crumbs” with less than \$2 per person per day.³ International efforts to promote development have successfully favoured economic convergence between States, but have neglected convergence among people within individual States. In the last quarter century, in fact, the rate of growth of the poorer countries has been higher than that of the richer ones, even though inequalities between individuals have dramatically increased.

This rapid synthesis of today’s distribution of wealth at the world level still does not encompass all global problematics, for ecological consequences should also be taken into account, as these risk becoming unsustainable and disastrous.

2. ANTHROPOLOGICAL AND SOCIAL REDUCTIONISMS OF TODAY’S ECONOMIC THOUGHT AND ACTIVITIES

The *globalization of indifference* denounced by Pope Francis is not only a psychological distortion produced by individualistic and utilitarian attitudes but corresponds, more profoundly, to an anthropological vision based upon reductionist views of *man*, of *economic activities* and their related *values*.

The first reductionism is one that sees the human person as an economic agent driven primarily by self-interest or egoism. The social sciences are now confirming what the Social Doctrine of the Church, together with other social-ethical approaches, has always affirmed: self-interest is a less rational form of existence in comparison with cooperation, because being in relationship is an essential part of the human person. Likewise, both traditional ethical doctrines and the new sciences of human behaviour recognize that, in interpersonal relationships, cooperation is not a foregone conclusion but requires the practice of social virtues, which are fruit of each person’s authentic development. Authentic relationship requires trust, which always entails a “social risk” because it means putting oneself in another’s hands, entrusting oneself to his or her responsibility, and running the risk of being let down. Therefore, trust must always be cultivated and sustained. *It is the prime*

² Cfr. Pope Francis, Apostolic Exhortation *Evangelii Gaudium*.

³ Cfr. Branco Milanovic, “Global Income Inequality by the Numbers: in History and Now – An Overview,” The World Bank, November 2012.

responsibility of institutions and civil society to encourage all those initiatives capable of establishing and nourishing these personal and social virtues and putting them into practice.

The second reductionism is to see the subjects of economic activity – enterprises whether private or public – as entities oriented towards simply producing goods and services or maximizing profit for the owners of the capital. This vision can lead to countless injustices, for example, the recent tendency towards relocating production only for the sake of profit, wherever the protection of labour and ecology is weaker, resulting in the widespread erosion of workers’ rights and of the natural environment. In reality, companies (both public and private) are also a particular social and productive unit which deeply affects the lives of all those they touch: investors, employees and workers, suppliers, local communities, consumers, at both national and international levels. Businesses cannot be driven only by the pursuit of the maximization of production or of profit for the owners of capital. Nevertheless, the many existing norms and institutions have still not succeeded in finding a synthesis between the interests of owners of capital and the national and international common good. It seems necessary to favour collaboration among governments, civil society organizations, citizens’ groups and businesses, so that each of these recognize, assume and promote social and environmental sustainability as one of their essential goals.

The third type of reductionism refers to the concept of “value” in economics. The “wealth of nations” is not merely the flow of goods and services produced somewhere during a given measure of time (e.g., GNP or GDP). Rather, it is the pool of cultural, natural, economic, social and spiritual goods that a particular community and its individual members may enjoy. Among these are certain fundamental rights that stand out, including religious freedom, the freedom and possibility to form and maintain a family, and access to education. Accordingly it would be fundamental to develop new composite indicators to serve at both national and international levels as criteria for evaluating the impact of economic policies. Similarly, both economic thought and governmental activity should help the process of globalization to realize its truer and fuller vocation: the integration of humanity as one family, rich in its multiplicity of difference and cultures but freed from dreadful inequalities.

3. TO RECOVER THE HUMAN ROOTS OF THE ECONOMY AND, OVERCOMING THE REDUCTIONISMS, TO CIVILIZE GLOBALIZATION

The market economy has historically represented an important means or instrument for expressing free human creativity, for social inclusion and for support of democratic political culture. However, when the three above-mentioned reductionisms have prevailed, the economic system has lost this potential. History moreover teaches us that the most significant and long-lasting economic experiences are those in which the market has succeeded in respecting and integrating itself with social realities which express all the human dimensions, including the transcendent one, without reducing man to a mere producer and consumer. It is about developing a constructive synthesis – and also integration – of the market (the vocation to entrepreneurship and generation of wealth), civil society (reciprocity), and national and international institutions (redistribution of wealth). Such a harmonious coexistence among economic, political, civil, cultural and religious institutions, aimed also at transforming the interests of the individual into the interests of the common good, is the polyarchy which the Social Doctrine of the Church proposes.⁴

⁴ Cfr. Benedict XVI, Encyclical Letter *Caritas in Veritate*, 47 and 57.

Such a positive integration, moreover, demands a renewed consideration of the dimension of time, a dimension which the logic of today's economy and of its cultural manifestations tends, rather, to ignore. The ICT revolution is constantly reducing the time needed to make economic choices, consequently limiting the possibility of honouring motivations other than profit alone. The depth of time from which we come (history) and to which we are destined (the future) can be missing from today's economic culture and also from civic culture, with a consequent erosion of those institutions that give meaning, significance and substance to social life.⁵ We need to restore a "polyarchic governing" of society with a broad long-term horizon, guided and harmonized by public institutions and inspired by those fundamental values in order to overcome the above-mentioned social and anthropological reductionisms.

Such polyarchic governance is also called to analyse carefully the various facets of finance, trade, labour, work and taxation, and their complex interrelationships.

4. RELATIONSHIPS AMONGST FINANCE, TRADE, LABOUR, WORK AND TAXATION IN THE ERA OF GLOBALIZATION

4.1 FINANCE

Finance is an essential component of national and global economic functioning. It allows using time and trust as fundamental factors of economic development. Finance in fact collects savings in order to use them efficiently and allocate them to the most profitable uses; it anticipates the value of activities and spreads them over space and in time; it creates mechanisms of insurance and risk-sharing in economic activities; and it facilitates the coming together of economic resources or capital, ideas, productive capacity, etc. Without financial activity in the broadest sense, the progress of humanity would not have been possible.

There have however always been distortions, sometimes even severe ones, in the finance area: financial agents have often tended to lend only to those who could provide economic guarantees equal to or greater than the sum of the loan requested and for considerations independent of the results of financial activities, giving rise even to usurious conduct. Modern instruments of finance, meant to facilitate credit or insure eventual risks, have moreover become, in practice, instruments of reckless speculation, encouraged by asymmetric incentives of earnings for finance operators. It is also noteworthy that, in the absence of norms and rules, financial activities do not necessarily tend towards competitiveness but rather towards the formation of oligopolies, with a great capacity to lobby politically,⁶ and this may make their maximization of short-term profits in favour of shareholders

⁵ "A constant tension exists between fullness and limitation. Fullness evokes the desire for complete possession, while limitation is a wall set before us. Broadly speaking, 'time' has to do with fullness as an expression of the horizon which constantly opens before us, while each individual moment has to do with limitation as an expression of enclosure. People live poised between each individual moment and the greater, brighter horizon of the utopian future as the final cause which draws us to itself. Here we see a first principle for progress in building a people: time is greater than space" (Pope Francis, *Evangelii Gaudium*, 222).

⁶ The 2014 Report of *Corporate Europe* highlights the imbalance of power between the financial lobbies and those of civil society and NGOs. Finance spends 30 times as much on lobbying than any other industrial

their sole and primary objective, thus distorting the very meaning of the financial activity and the democratic essence of certain decisions by States at national levels and inter-governmentally, to the grave detriment of the world economy.

In response to these issues, a consensus is emerging on the elements that can guide national and international financial activity so that it always serve human dignity and integral human development. In this spirit, it is necessary to return to the true and legitimate social functions of financial activity, favouring the encounter between saving and productive investments. What would serve this end is not only a true ethical assumption of primary responsibility towards the stakeholders of such activities, but also prudent and responsible reflection on the relationships of the national and international banking system with the central banks and intergovernmental bodies. This may help prevent the financial bubbles and crises with their serious repercussions, not only for the economy generally but even for the more essential availability of basic resources.

The efficiency and velocity of financial transactions are not ultimate goals but intermediate values, that is, features which must necessarily be harmonized with higher overarching values of precaution, stability and the common good in the sense of service to integral human development. Accordingly, the objective of financial regulation cannot be to maximize the velocity of trading and the infinite growth of liquidity. *Finance can and must do better by returning to its own mission of serving the common good.*

4.2 TRADE

As with finance, so trade has always been a part of human social behaviour and a means towards cordial relations among peoples. It has allowed societies to overcome the limitations of autarchy, allowing each region to specialize in those activities that enhance its *genius loci*. Coming together, specializing in unique products and exchanging goods have in turn led to gains in efficiency and a better use of resources. Yet many times in history, trade has been used as a means of ensuring national and cultural supremacy and generally, like all economic activities, becomes an oppressive idol when absolutized and when subordinated to partisan needs and values.

The current world trade system has been an important means of economic convergence between many developing countries and so-called developed ones.⁷ However, it seems that the rules of trade agreements in force have not always benefitted every individual citizen, nor have they really served to prevent international trade from eroding labour rights and environmental sustainability. Moreover, this increased participation of poor countries in trade has sometimes had negative impacts on their local social fabric, through the erosion of economic protection of various kinds of economic-social capital such as crafts, small and local businesses, family farms, special services, etc.

pressure group (according to conservative estimates, Euro 123 million per year with about 1,700 lobbyists at the EU). The relationships between the representation of the financial lobbies and representation of NGOs or trade unions in consultation groups are 95 to 0 in the stakeholder group of the ECB and 62 to 0 in the *De Larosière Group on financial supervision in the European Union*.

⁷ One of the causes of the acceleration of economic growth in developing countries during the last 20 years, more specifically since the end of the Uruguay Round and the creation of the WTO, has been their substantially greater participation in world trade.

In general, the poorest segments of the population have gained substantial benefits from globalization when the positive results of international trade have been accompanied, at the national level, by social policies aimed at guaranteeing all residents a minimum dignity of life and by economic policies aimed at creating decent and sustainable work for all.

4.3 TRADE, SOCIAL RESPONSIBILITY AND LABOUR

One of the aspects of today's global economic system is the exploitation of the international imbalance in labour costs, due to the presence of billions of people living on less than two dollars a day. Not only does this imbalance disrespect the dignity of those who feed this reservoir of cheap labour, but it also destroys sources of employment where labour is more protected without, however, creating new permanent sources of employment elsewhere. Therefore the question is whether the private mechanisms of competition and of the market, together with current national and international regulations, are capable of facilitating the positive convergence of labour rights and environmental protection.

First, the norms of labour law and trade-union freedom, which are by now a legal patrimony of all humanity, must be respected and implemented everywhere. In recent years, the international community has also been developing an important environmental legal corpus that still needs to be strengthened, respected and applied everywhere. In addition, at various national and international levels, there is ongoing reflection on the social and environmental responsibility of companies and other economic operators, which should be promoted and whose conclusions should be applied.⁸

Environmental protection and labour law must always promote the growth of all citizens' dignity and wellbeing in all States, adapting to the structural conditions of the poorest countries and to the heterogeneity of social situations without, however, justifying any attempts at protectionism.

4.4 WORK: AN ESSENTIAL ELEMENT OF HUMAN DIGNITY, BEYOND ANY SORT OF EXPLOITATION

Today's social surveys confirm what the Social Doctrine of the Church has always affirmed: access to work which is useful, meaningful and adequately remunerated is natural to man and essential for a dignified life. Unemployment, or lack of decent work, is accordingly one of the most serious consequences of an economic system disconnected from human dignity. Beyond the high economic costs of such situations, the most dramatic social and personal damage, on the part of those who lack access to decent work, is the loss of their sense of dignity and self-esteem.

The growth in value and productivity generated by technological progress, which often eliminates many jobs, must be accompanied by prudent political orientations in order to create new job opportunities not only in the for-profit sector but also in non-profit areas (science, art, religion, local and international services and development, protection and repair of the environment, etc.). An

⁸ One may think, for example, of a tax on the demand side that favours products from businesses with high social and environmental stewardship (initiatives such as the Social Business Initiative in the EU), or rules for access to contracts that set minimum thresholds of social environmental and fiscal responsibility. One could also stimulate the growth of a market of information on the social, environmental and fiscal quality of businesses that would allow citizens to favour those enterprises which best create socially, environmentally and fiscally sustainable value.

essential component of such guidelines should be a marked improvement both quantitative and qualitative in access to education at all levels.

The defence and protection of decent work cannot be left to market forces alone. One can look again to the previously mentioned polyarchic governance which, in this case, would seek the right balance between capital and labour, thanks also to the indispensable help of responsible business and union organizations.⁹

4.5 TAXATION

Taxes, duties, tariffs, and other indirect levies are used to finance public institutions and activities for the common good and can also serve as a means for correcting or adjusting the processes of financial, commercial and labour-market globalization. Taxation not oriented towards the common good, however, can create artificial and unfair advantages in international trade, and promote international financial speculation and the exploitation of labour.

It is urgent to carry out initiatives that ensure appropriate fiscal transparency nationally and internationally, so as to discourage tax avoidance and evasion, which result in unfair competition between small/medium-sized businesses and large ones. In addition to traditional legal systems of oversight and enforcement of tax laws, it would be helpful to create mechanisms that transform fiscal responsibility into a competitive advantage rather than its opposite,¹⁰ while at the same time promoting responsible public and private consumption.

5. TOWARDS RENEWED INTERNATIONAL FINANCIAL INSTITUTIONS

One of the major paradoxes of the globalized economy and finance is the political inability to foresee and govern the fluctuations in domestic and international markets that have significant world consequences, even for those countries not involved in the concrete finance activities and for the poorest populations. The global financial architecture has to be rethought. International financial organizations, in harmony with governments, must play a prominent role in the governance of international finance in order to mitigate negative externalities and allow the “internalization” of positive outcomes, adopting a vision of the economy and of development founded on the primacy of the human person.

6. THE PERSPECTIVE OF THE SOCIAL DOCTRINE OF THE CHURCH

A new ethical perspective on the world economy, constructed from an integral vision of man, involves a constant effort to overcome the reductionisms of man, of socio-economic organizations, and of values. This requires going beyond the thinking that relies on mere technological development

⁹ Cfr. Benedict XVI, Encyclical Letter *Caritas in Veritate*, 25 and 64.

¹⁰ For example, once the required transparency in accounting were assured, it would be helpful to draw up a system for rating fiscal responsibility. Thus, market mechanisms (civic pressure from below) and institutional mechanisms (minimum levels of fiscal responsibility necessary for submitting tenders) could stimulate fiscal responsibility and turn it into a competitive advantage. Similar results can be obtained by establishing internal systems of fiscal compliance which, when oversight were not exercised, would render the companies or the internal comptrollers responsible for omissions and violations.

("laissez-faire") and on the self-regulation of systems to resolve world economic problems, or on neo-statist approaches which require strong and exclusive regulation at the national government level, converting people into simply passive subjects of the State.

Integral and non-reductionist visions of man, such as proposed by the Social Doctrine of the Church, offer, instead, a fundamental guide for personal behaviour, for collective action, and for policy, in order to build up a national and world economic governance centred on the dignity and responsibility of the human person, on solidarity and on the universal destination of goods.

6.1 DEVELOPMENT, AND THE PROTECTION OF HUMAN DIGNITY, AS WELL AS INSTITUTIONAL AND CULTURAL DIVERSITY, ARE PRIOR AND SUPERIOR TO THE MARKET

Economic estimates and national and international government planning must start from the recognition of the diversity of practices and various types of institutions, result of human dignity and freedom. Global economic thinking based only on free trade or, contrariwise, on a statist view with totalitarian tendencies, will be in irreconcilable conflict with cultural and institutional diversity and will tend to cancel such diversity out, because the only value is to maximize the flow of goods and services and their profits, or otherwise nationalism and class struggle. Therefore, it is necessary to defend all those social forms – the fruit of solidarity and subsidiarity, including social entrepreneurial or community entrepreneurship – which represent a value in themselves, over and above their monetary value on the market or their utility for a social goal defined *a priori*. The market, including the global market, should become that space where local varieties can express themselves, interact and be improved, rejecting a deterministic and reductionist vision of man and of society.

6.2 APPLICATION OF THE PRINCIPLE OF SUBSIDIARITY AT THE TRANSNATIONAL LEVEL

Organizations of civil society including trade unions – characterized by their associative nature, not founded on profit and representing the rich variety of expressions of the human person – should be able to play a rightful role in monitoring the activities of international institutions and of multinational enterprises, in order better to promote a human and ecologically sustainable globalization oriented towards real integral human development.

In this regard, we urge that amendments be agreed to the statutes of international financial organizations, founded to meet the post-World War II challenges, so that they become effective manifestations of the international community understood as the Family of Nations. These renewed international institutions should contribute to rewriting economic rules which convey the idea that efficiency is generated not only by private property and by free trade, but also by policies that ensure competition, transparency, the transfer of technology, and *trust*, founded on a shared notion of the nature and dignity of man which should ground and orient all political and economic actions.

Everyone should agree that development must be equitable, democratic, sustainable, and at the service of the integral dignity of the human person and of families. For the orientation of their actions and for scientific analysis, the agencies of development assistance, international financial institutions and the academic sector, should therefore be encouraged to include and use, among their benchmarks, indicators of the distribution of human wealth, of integral human development, of respect for the environment and of local characteristics.

No single global and comprehensive legal system exists, nor does any global government; given the vast richness and diversity of human beings, it seems difficult that such could ever exist. Nevertheless, this unlikelihood should not make it impossible to conceive of global regulatory regimes involving a multiplicity of actors such as intergovernmental organizations, non-governmental organizations and other international bodies or agencies: a true *polyarchy*, in other words, to deal effectively with issues and problems that cannot be addressed or resolved only by national governments.

Finally, patterns of life and personal consumption, social life, and international relations should be based on respect for a complete notion of human dignity and on the resulting promotion of integral human development and on the establishment of a culture of reciprocity, manifested also in economic organizations marked by reciprocity.

7. CONCLUSION

By way of overall conclusion, seeking to to humanize the economy must also entail an intrinsic requirement to **grasp transcendent dignity of every person, distinct yet inseparable in his/her relationality**. The reduction, by contrast, of human experience to what is “calculable” in utilitarian terms constitutes an *a priori* ideological view which that very experience contradicts.

Social life is much more than simple contractual relationships or hollow political constraints. It is the realization of a range of values and culture expressed in a complex of social relationships (many of which also have economic value) hosted or at least protected by a complex of institutions. Such institutions preserve, increase and transmit those values, allowing for the building up of truly free people.

The reductionism of the person, of action and of economic values to egoism or selfishness, fails to appreciate social virtues such as trust, good will, reciprocity and cooperation, and depreciates them as mere inclinations of nature irrelevant to the building-up of civilization. The technical narrowing of economic thought and the reduction of human sociability to the market allow a hegemonic expansion of purely economic relations, ignoring and destroying those relations which express the spiritual richness of the human person and of our sociability, history and culture. Likewise, political and economic action which, to be effective, needs to strip man of everything that cannot be marketed, opens the way to new forms of statism and tyranny. The great problems arising from globalization can be solved, not in the theoretical radicalization of neo-statism versus neo-liberalism, but in a healthy flowering of those forms of organization which express the richness of human relationality and which can characterize a modern civil economy.

If economic and social research and their consequent political action would effectively address the old and new problems in our society, they can no longer confine themselves to a technical-mathematical approach of economic behaviour radically detached from every anthropological consideration. If the economy only continues to fortify its analytical and technical apparatus without overcoming its self-obsession (its reference only to itself), it will be less and less able to grasp reality effectively, and so to suggest effective lines of action.

In summary, the message that the Social Doctrine of the Church wants to convey in the current debate about global economic governability is the following: market systems are, in essence, organized systems of values. Therefore, a culture of possessive individualism will produce different results from a culture of reciprocity in which individuals, even if motivated by personal interests, get involved in fraternal relationships; or a culture of cooperative competition will lead to different results from a culture of positional rivalry.

Consequently, the criticisms of Pope Francis of the current economic situation, in line with all of his Predecessors, consist of two major elements. On the one hand, today's situation of inequality and of exclusion is in no way acceptable and must be addressed with urgency and sincerity. On the other, social construction, of which the economy is just one component, is possible only on the basis of a culture and human action based on an anthropological perspective that recognizes the full dignity of the human person and all the values and virtues that from it flow.