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TOWARDS A MORE INCLUSIVE ECONOMY**  
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***RESEARCH WORKING PAPER***

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**NOTE:** This Research Working Paper is an academic essay produced independently by Professors: Leonardo Becchetti of the University of Rome “Tor Vergata”, Luigino Bruni of the University “Lumsa di Roma”, André Habisch of the Catholic University of Eichstätt-Ingolstadt, and Stefano Zamagni of the University of Bologna and John Hopkins University, SAIS Europe. The essay does not represent the position of the Holy See and should be attributed only to its Authors.

**0. Premise**

History does not proceed “linearly”. What we are experiencing now is truly an exceptional” period in history. 23% of world output since the time of Christ’s birth to the present was produced after the year 2000, and 28% of the “history of humanity” (if history is defined as the total number of years lived by all human beings who have ever appeared on earth) since the birth of Christ to the present was experienced in the last century. In almost all OECD countries, the period from 1970 to 2011 saw a spectacular increase in life expectancy of around ten years. Humanity seems to be on a launch pad. There is a high risk that this will become a tower of Babel destined to collapse unless we can accompany the irreversible nature of technological progress with an ability to manage these advances in a context of social and environmental sustainability and integral human development.

The phenomenon of globalisation and that of the third industrial revolution make it urgent and necessary to update our principles and values in the light of the *res novae* of a rapidly changing world. It is because of today’s desperate quest for novelty and change that we feel the need for reflection in order to develop and follow up on the insights that Pope Francis has drawn together in the exhortation *Evangelii Gaudium*. The Pope sought to shake the conscience of humanity regarding the scandalous situation in which, although the potential of humanity continues to grow, yet we have not succeeded in breaking down certain disgraceful structures that humiliate the dignity of human beings. Our attention is called to avoid the tendency to find comfort in the erroneous belief that the splendid destiny of progress in markets and finance is almost certain to lead us towards a better future. The economy does not run on autopilot, and Adam Smith’s “invisible hand” that would reconcile the sum of individual self-interests with the common good is valid under conditions that are so hard to satisfy that they have practically never been met. Even competition,

although it brings benefits to consumers, is not the natural outcome of the interaction of market forces but is achievable only through action by the appropriate authorities to combat the slide towards oligopolistic concentration.

That is why Pope Francis warns us that “we can no longer trust in the unseen forces and the invisible hand of the market”. He declares his opposition to “ideologies which defend the absolute autonomy of the marketplace and financial speculation”. On this point we read in *EG*: “*In this context, some people continue to defend trickle-down theories which assume that economic growth, encouraged by a free market, will inevitably succeed in bringing about greater justice and inclusiveness in the world. This opinion, which has never been confirmed by the facts, expresses a crude and naive trust in the goodness of those wielding economic power and in the sacralised workings of the prevailing economic system. Meanwhile, the excluded are still waiting*”. The moral consequence of this insidious determinism is the plague of moral indifference. “*To sustain a lifestyle which excludes others, or to sustain enthusiasm for that selfish ideal, a globalisation of indifference has developed. Almost without being aware of it, we end up being incapable of feeling compassion at the outcry of the poor, weeping for other people’s pain, and feeling a need to help them, as though all this were someone else’s responsibility and not our own*”. The Pope also reminds us that “*as long as the problems of the poor are not radically resolved by rejecting the absolute autonomy of markets and financial speculation and by attacking the structural causes of inequality, no solution will be found for the world’s problems or, for that matter, to any problems*”.

In this context, the Church's social teaching provides a perspective that strives for an inclusive economy, supported by justice, and the culture of fraternity and reciprocity. With the enormous opportunities provided by technological progress and knowledge, if our societies are faithful to the ideal of the full development of the human person, then they can do better, much better. It is this that we wish to explore and consider on the eve of an important occasion like the target date for the Millennium Development Goals in 2015, and the launch of reflection to define the new Millennium Sustainable Goals that will indicate the direction and targets for the years to come.

## **1. Introduction**

The economic system works with immense potentiality and redress mechanisms that are, however, not automatic. They work if activated with the right intention and appropriate levels of spiritual, physical, human and social “capital”. The great global contradiction in history has been the rapid growth of affluence in some areas of the world but not in others that have remained cut off and at the margins. Globalisation has sparked this contradiction by transforming the misery of the latter into a threat to the affluence of the former. The transformation of markets from local to global and the possibility of near-instantaneous transfer of “weightless goods” (audio, data, images and money) from one place to another on the planet, means that one billion people living below the threshold of extreme poverty, with their low cost of labour, compete with workers in countries accustomed to living with much better wages and better safeguards. This gradually erodes those wages and safeguards. High-income countries, therefore, can no longer bail themselves out alone but need the poorest countries so that they can maintain their welfare and youth employment that are threatened by relocation and by the erosion of national production. That is why working for the deprived and efforts to promote their dignity is no longer the heroic choice of missionaries. It is necessary and urgent for all to defend the rights and protections that have been achieved. The good thing about globalisation is that it makes us more and more interdependent by uniting in a common destiny the rich, the emerging and the poor of the planet.

The opening of markets in itself and the related movement of capital and the often distressing movement of migrants have set in motion very slow mechanisms of convergence and adjustment. According to the principle of the “conditional convergence” theory (verified for the most part by econometric studies in recent decades), poor countries on average recover ground compared to rich countries if they can catch up in terms of conditional convergence factors such as

education, social capital, infrastructure and physical capital, access to new technologies and quality of institutions. Average rates of global growth, for years higher in poor countries than in rich countries, confirm this trend. Even if things continue like this for many years, convergence would still take a very long time (many decades, and for larger gaps more than a century if we extrapolate the current growth rates, assuming that they will continue to be the same in the future). In addition, as noted, behind the average national income huge gaps lie concealed. In some cases they are increasing within a country between those who have high levels of education - and therefore have the absorptive capacity to allow them to master information, knowledge and technology - and those who are marginalised and excluded from the market. In the world today, the 85 richest people own assets that approximately equal those of the poorest half (3.5 billion) of the world population. Over the last ten years, five percent of the major income earners in the world (the booming global elite) have increased their income by 60%. Behind them we are witnessing the decline of the global middle class who are being pressed by the low labour costs of the relocating emerging global middle class. Last of all there are still one billion impoverished people living below the absolute poverty line (\$1.35 a day) and altogether 2.7 billion who live on less than two dollars a day. *We cannot accept these figures if we are to avoid the globalisation of indifference.*

The crucial question of our time is, therefore, how long those at the bottom of the pile will have to wait in hope for adjustment mechanisms to be activated more vigorously through the commitment of virtuous citizens, businesses and institutions. The question in reality is much more complex. Emphasis on only one dimension of economic well-being can lead to unsustainable growth that brings about environmental disasters as we try to satiate our craving for more. No doctor can try to solve the problem of a limb by administering a medicine that damages other parts of the body and leads to death. Similarly, we can only think in a multi-dimensional perspective of creation with an economic value that is environmentally and socially sustainable. In this regard, we must rid ourselves of three reductionist views **of human beings, of business and of value.**

As to the first form of reductionism, we know that the economic and social sciences are unanimous in recognising that selfishness is a lower form of rationality with respect to cooperation. It is lower from the point of view of both economic fertility and human flourishing because a person's value lies in that person's belonging to networks of relationships. However, cooperation is not a foregone conclusion in interpersonal relationships because it requires the practice of social virtues that are not innate. Trust is a "social risk" because it means putting oneself in the hands of another and running the risk of being betrayed. To trust and to be trustworthy expose us to the risk of lack of reciprocation, and therefore they must be cultivated and supported. It is the primary responsibility of institutions and civil society to promote all initiatives that can encourage these virtues.

As for the second type of reductionism, we must not think of businesses as being production black-boxes. Productive organisations, as well as producing goods and services, also have a profound effect on the character of all those who have dealings with them: investors, employees, suppliers, local communities and consumers. The companies that move at the international level are driven by the pursuit of profit maximisation to locate in countries where the cost of labour and of environmental protection are lower. Meanwhile, international regulations and institutions that are able to find a new synthesis between individual interests and the common good, are still struggling to emerge. That is why civil society organisations and citizens' groups that carry out vicarious work by respecting a system of global rules that is not yet in place, are asking businesses to join in setting targets for social and environmental sustainability. This is to ensure that globalisation does not change from being a mechanism that produces upward convergence to a mechanism that generates a race to the bottom regarding rights and protection of labour and the environment. If companies play their role properly in the context of a transparent and competitive market, they create value for their stakeholders. We think of the businesses that operate in markets at the "base of the pyramid" (C.K. Prahalad) of the global distribution of income. They meet the needs of poorer consumers that would otherwise remain unmet. In this respect new technologies can play a large role in the dissemination

of information and the acquisition of new knowledge, as is the case with the spread of mobile phones among people in the most marginalised rural areas of the globe.

To address the third type of reductionism, it is necessary to redefine the concept of value in economics. The "Wealth of Nations", a modern Adam Smith would say today, is not merely the flow of goods and services produced in its territory in a given unit of time (GDP). It is rather the stock of spiritual, cultural, natural, economic and social goods which a given community can enjoy. The problem of the economic depression is serious as it greatly aggravates the issue of unemployment and debt, and so too are the risks of growing impoverishment that deplete the real wealth of the community by destroying those stocks. It is for this reason that it seems essential to continue to encourage all those efforts developed at transnational level as well as national to build new composite indicators to be used as reference for impact assessments, environmental and social, of economic policies.

In order to tackle the great problems of our time, it is therefore necessary to resolve the three reductionisms that prevent the release of the full potential and positive energy that people, communities and businesses can unleash in social and economic life. It is a case of helping the process of globalisation to fulfil its authentic vocation to the full: the joining of humanity as one family, rich in its diversity of cultures and differences but freed from appalling inequalities and from a lack of global institutional references. There would be a solid economic and social fabric capable of releasing individual potential according to the logic of the common good, a logic by which the fulfilment of each person is oriented to the development of the community.

In the chapters that follow, we shall detail aspects of this enormous project that involves all of us and in which we are all active participants. In the second chapter the present economic phase will be analysed from a historical perspective focussed on the relationship between the market and institutions, a relationship that highlights the risk that the evolution of economic systems today may lose contact with their roots. In the third chapter we shall address the specific nodes of finance, commerce and work. In the fourth chapter we shall address the question of the functioning of international institutions and their reform. In the fifth there will be some concluding remarks.

## **2. To recover the historical roots of the market economy in order to civilise globalisation**

*"The channels of communication are not only physical, but moral, too. Straight, easy and safe roads: rivers, and ferry routes; utility work machines, these come first. But we need moral channels too" (Antonio Genovesi, Naples, 1765).*

Our time is characterised by extraordinary growth in wealth and technology, unknown to past generations. The human family has achieved huge successes in combating deprivation, in the dissemination of information worldwide, and in life expectancy, wealth and education. At the same time, if we compare our potential with our achievements, we cannot be satisfied at a time when almost one billion people, mostly located in sub-Saharan Africa, are still living in extreme poverty. Extreme poverty, misery, deprivation and exclusion have been the human condition for thousands of years, while welfare and prosperity have remained limited to a very small portion of the population to this day. What is no longer ethically acceptable nowadays, however, is the contrast between our impressive capacity to create wealth and resources and the still too high number of people excluded from the possibility of a decent life in terms of welfare and rights. In other words, the problem of inequality is at the heart of the social question today. This is the social justice that has been at the centre of the Social Doctrine of the Catholic Church from its earliest beginnings – *Rerum novarum*, 1891 – right up to recent documents like John Paul II's *Centesimus Annus* (1991), Benedict XVI's *Caritas in Veritate* (2009) and, finally, Pope Francis' *Evangelii Gaudium* (2013).

The market economy has been one of the main tools of social inclusion and democracy in past centuries, but in recent decades, due to the phenomenon of 'financialization', our economic system

has been reducing its capacity to increase wealth and opportunities. Much of speculative finance is a network of zero-sum games, if not actual gambling, that deny the very nature of market interactions, namely that of a cooperative network of relationships of mutual benefit. This was pointed out by the great economists of the 17<sup>th</sup> to the 19<sup>th</sup> centuries such as Smith, Ricardo, J.S. Mill, Marshall, the Neapolitan Antonio Genovesi and many others.

**2.1. Market and society.** In the under-soil of our civil and economic culture there are two opposing growing trends. The first is a gradual rapprochement between the culture and languages of the many variants of the capitalist economy. The second trend, in contrast, is a growing opposition based on an ethical evaluation of the market. This leads some to see the capitalist market as the solution to all our economic and civil ills, while others consider it to be the cause of all moral, social and political evil.

The first would like a society that is led and managed only, or mainly, by market values and instruments (from the privatisation of common goods to the buying and selling of organs). Others would banish these values and instruments from all morally relevant areas of human life, and keep them controlled and restricted in size. With globalisation and the financial and economic crisis, this ideological confrontation that has lasted at least two hundred years has entered a new phase. We believe that the new synthesis and new constructive dialogue that we need are something different and are not ideological.

We should first recognise that the history of the real world has taught us that the real markets are much more vital, promiscuous, non-ideological and surprising than imagined and described in both views mentioned. The most significant and lasting economic experiences, those that have increased the true welfare of the people, democracy and the common good all over the world, were all experiences that arose from the market and from civil society. The real market worked well when it pervaded social spaces and when it learned to live in and include the peripheries. The great and long history of the relationship between markets and civil life, between contract and gift, is primarily a story of friendship and alliance.

**2.2. Institutions matter.** This working paper, then, is a call for a critical reflection on the relationship between market economy, wealth creation (and hence the vocation of entrepreneurship), poverty and inequality. The methodological starting point of our analysis is however, a positive attitude towards the market as an expression of creativity, freedom and, at least potentially, inclusion. At the same time, we believe that the market alone is not sufficient to ensure wealth creation and social justice, because this requires other equally essential principles and institutions, such as reciprocity (civil society) and the redistribution of wealth (government).

The market economy was the fruit and result of the encounter between Christianity, Judaism and Greek and Roman cultures. A key role was played by spiritual movements like the Franciscans and Dominicans. There was first the Catholic and later the Protestant “spirit”. The market economy became a civil entity thanks to the interplay between the pursuit of individual interests and the action of institutions.

Nowadays the global market economy is suffering from a lack of proper economic and political institutions. The market itself is an institution, and it produces civil benefits if it is accompanied by other institutions. People's lives become poor and nations fall into decline when societies create, select and nurture “extractive” institutions, developing them and making them grow when there are already “inclusive” institutions present (Daron Acemoglu and James Robinson, *Why Nations Fail*, 2012).

On closer inspection, the boundary between extractive and inclusive institutions is not so sharp, because the two forms coexist within the same community or nation, and, more importantly, they can be transformed from one form to another. In all societies there are institutions created for the sole purpose of looking after the interests of a few groups of people. However, it is still true that many institutions that start out inclusive become extractive with time, and institutions that are

created extractive become inclusive. European history gives us clear examples of this, and the present situation of the financial market is equally eloquent.

**2.3. Polyarchy and biodiversity.** The market economy would never have emerged at the end of the Middle Ages without specific institutions: guilds, corporations, courts, banks, big fairs, abbeys and monasteries. Some of these were intentionally oriented towards the common good (brotherhoods, hospices for the poor, pawnshops...), but many others (like corporations) were created to protect and promote the interests of their members (bakers, shoemakers, apothecaries ...), and thus ensure monopoly revenues for certain classes of merchants.

The civil strength of urban communities succeeded, however, in turning the interests of individuals into the interests of many, and not infrequently of everyone. Many achievements of modernity, both political and civil, are the result of both extractive and inclusive institutions.

Many of the economic institutions are extractive and were originally closed, but it is their coexistence with other political, civil, cultural and religious institutions that often opens them up and elevates their original interests. The common good requires more than altruism, benevolence and philanthropy. The "*Wisdom of the Republics*", as the philosopher Giambattista Vico pointed out, lies primarily in being able to create institutional mechanisms capable of transforming even private interests into the Common Good.

This alchemy of interests in the common good, however, works only when there are many other diverse institutions, in a social and political context characterised by what Pope Benedict XVI's *Caritas in Veritate* called an "institutional polyarchy" (CV 57). The "plurality of institutional forms of business" and financial institutions, furthermore, are also essential for the accomplishment and for the freedom of the market (CV 47).

Economic and financial *biodiversity* is essential for fertility and wealth just as diversity is essential in biology. In fact, institutions are likely to become extractive and not become inclusive if there is no pluralism of institutions, if no new institutions come into being or if they are not placed next to all the others.

The "lodge of the merchants", the palace of the "captains of the people" and the convent of Saint Francis often took up the different sides of the same square in the European Middle-Age cities. Each developed in contact with the others, without mergers, confusion or incorporation. Democracy, welfare and rights emerged from this constant mutual exchange, clashes and control, and from the co-existence of peers in the same square. Today, the global economic institutions are experiencing a strong extractive drift because other global institutions, whether political, cultural or spiritual, are having less contact with them on a reciprocal basis.

**2.4. Time.** Finally, institutions were, in all civilisations, the main guardians or "keepers" of time. In the relay race of generations, when the race is over, institutions allow for yet another goal to be reached, ensuring that the rules of the game are respected and maintained, that there is reason to continue to run and that the passage of time continues to make sense (that is, to have direction and meaning).

These institutions, including the economic ones, had and still have an important role. Banks, for example, were the transmission belt of wealth and employment between the generations. They knew how to preserve and increase the value of time. When banks go astray, the value of time is forgotten. It is no longer served, but rather used for speculative purposes. Banks thus tend to act "against nature" and damage the Common Good, both yesterday and today.

Today, however, we are experiencing *an eclipse of time*. The logic of the capitalist economy and its culture that is undisputedly dominating much of social and political life, do not know the dimension of time. Their cost-benefit analyses cover just a few days, months or a few years - under the most generous assumptions. A radical tendency of our financial capitalism is in fact the progressive shortening of the time period available to make economic choices, and therefore to choose policies that are increasingly driven by the same economic culture.

The industrial revolution first, and then the computer and finally the financial revolution, subtracted time from economic choices, until they had reduced the time needed for some highly speculative operations to fractions of a second.

The depth of time from where we come (history) and where we are bound (the future) is absent from our economic culture. As a result it is also missing from our civic culture, from the training of economists and from the education system: *“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).

In the global financial economy the new “lodges of the merchants” have grown too much. They have bought the neighbouring buildings. If economic institutions are left to themselves in the global village, they will eventually be the only inhabitants of squares that in turn will become increasingly more deserted. We must fill our global village squares with new institutions again if we want to see new welfare, new social inclusion and new democracy.

**2.5. Globalisation and humanising markets.** It is certainly true that globalisation is a positive-sum game that increases aggregate wealth. However, it is also true that it exacerbates the contrast between winners and losers. This fact is linked to the emergence of a new form of competition, unknown until recently: positional competition, according to which the “winner takes all and the loser loses everything” – the so-called “superstar effect” as understood by Shermin Rose. Why is literature on the subject so hotly divided? A credible answer comes from a recent work by Branko Milanovic (2011) who distinguishes between *world* and *international* inequality.

International inequality considers the differences in the average incomes of various countries, unweighted (“1<sup>st</sup> concept of inequality” according to Milanovic) and duly weighted to account for the size of the population (“2<sup>nd</sup> concept of inequality”). World inequality, on the contrary, also takes into account the inequalities in income distribution within the individual countries (“3<sup>rd</sup> concept of inequality”). Well, it is world or global inequality that is increasing as a consequence of globalisation. Indeed, in order to decrease the 3<sup>rd</sup> concept of inequality, two conditions must be met: i) poor and densely populated countries must grow at a faster rate than rich countries; ii) this must occur without causing an increase in inequality within these countries.

Now, while the first condition is more or less satisfied, the second condition is virtually absent. In fact, over the last quarter of a century, the growth rate of the poorest countries has been higher than that of the richest countries (4% versus 1.7%). So why should we be concerned about the growth of global inequality? It is because it is a principal cause of conflict and ultimately of civil war. Conflict can be visualized as “trade gone awry”. If a country’s gains from trade are not as high as that country thinks it should receive, this becomes a major determinant of conflict, which might in the end jeopardise peace itself. That is why the search for a system that integrates socially responsible trade, one that is also capable of taking into consideration the “pains from trade” (Verdier, 2005), is a duty from which responsible people must not escape.

A related aspect concerns the relationship between globalisation and poverty. Over the past two decades, poor countries have increased their participation in world trade, so much so that to-day they can be said to be more globalised than rich countries. Yet, there is very little evidence to prove this relationship and even the scanty evidence available only indirectly deals with the link between globalisation and poverty.

Three general propositions deserve special attention: a) contrary to the Heckscher-Ohlin theory of international trade, the poor in countries with a lot of unskilled labour do not typically gain from trade expansion; b) globalisation generates both winners and losers among the poor and this creates social instability to the extent that it destroys social cohesion; c) the poor segments of the population obtain the largest benefits from globalisation when national governments endeavour to enhance welfare policies aimed at improving the capabilities of life of their citizens, rather than improving merely their living conditions.

Humanise the market, don't demonise it: this is the slogan that describes the challenge confronting us to-day. That is why we cannot consider any solution to the many and grave problems now afflicting our societies that would delegitimise the market as a social institution. If people continue to demonise the market, it really will become hell. So, the real challenge is the humanisation of the market. The Social Doctrine of the Church will never be able to accept any step backwards in this regard. Those who cultivate the concept of time as *kairos*, and not merely as *chronos*, know that difficulties are surmounted by transforming visions of the future into reality – and not with operations that would wind back the clock of history. Although the temptation to return to times gone by is understandable, it certainly cannot be justified by those who fully embrace an anthropology based on the human person. While they reject individualism, they can never pass over to the opposite side of communitarianism. In both cases the final outcome would be nihilism.

### **3. Finance. Trade. Work.**

#### **3.1 Finance**

Finance is a tool that has tremendous potential for the proper functioning of economic systems. Good finance allows savings to be pooled in order to use them efficiently and allocate them to the most profitable uses; it transfers the value of assets in space and in time; it implements insurance mechanisms that reduce exposure to risk; it allows those who have disposable income but not productive ideas to meet with those who, conversely, have productive ideas but no funding. Without this coming together, the creation of economic value of a community would remain in a state of potentiality.

Unfortunately, the finance with which we are dealing today has largely escaped from our control. Financial intermediaries often fund only those who already have money (as they can put up collateral equal to or greater than the amount of the loan requested). The vast majority of derivative instruments were constructed potentially to achieve insurance benefits, but instead they are bought and sold for very short-term speculative motives with the opposite result. Paradoxically, they put at risk the survival of the institutions that have them in their portfolio. Systems that use asymmetric incentives for managers and traders (with profit sharing, bonuses and stock options and no penalty in case of losses) are constructed in such a way that they encourage people to take excessive risks. This makes the organisations for which they work structurally fragile and at risk of failure. A further element of dangerous instability is given by the tendency of these organisations to aim for profit maximisation (which is not the same as seeking to attain lawful and reasonable profit) because they place the well-being of shareholders over that of all other stakeholders. Banks that maximise profit through distorted incentives will find it increasingly profitable to channel resources to the business of speculative trading or to activities whose rates of returns are greater than those in lending activities.

The evolution of finance in recent decades has made it clearer than ever before that markets, especially where the returns to scale are increasing, do not at all tend spontaneously towards competitiveness but towards oligopoly. Indeed, the gradual easing of rules and forms of control (such as that on the separation between investment banking and commercial banking), have gradually led to the creation of an oligopoly of intermediary banks too big to fail and too complex to be regulated. The illusion of regulators has therefore produced a serious problem of balance of power for democracy itself. The *Corporate Europe Observatory*<sup>1</sup> issued a report in 2014 that highlights the imbalance of power relations between the financial lobbies and those of civil society and NGOs: the finance lobby spends 30 times more than any other industrial pressure groups

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<sup>1</sup> [http://corporateeurope.org/sites/default/files/attachments/financial\\_lobby\\_report.pdf](http://corporateeurope.org/sites/default/files/attachments/financial_lobby_report.pdf).

(according to conservative estimates, they spend 123,000,000 euro per year with about 1,700 lobbyists in the EU). The relationship between the representation of financial lobbies and the 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*.

This dominance of finance not only in terms of lobbying power but also in ease of access to information, knowledge and technologies has enabled the managers of large financial oligopolies to appropriate huge revenues at the expense of all other stakeholders. In confirmation of how this all distorts the use of resources, there is the recent abandonment of infrastructure projects that would have enabled better mobility of vehicles and people. And, compared to this, the recent construction of a tunnel between New York and Chicago that cost hundreds of millions of dollars in order to reduce by three milliseconds the trading time of some operators that benefit from the laying of the cable to achieve an information advantage that is to the detriment of others.

The disasters produced by this kind of finance are obvious to all. In a recent working paper of the International Monetary Fund,<sup>2</sup> Laeven and Valencia calculate this effect, following the crisis of 2007, to be an increase in the debt / GDP ratio of 70 percentage points in Iceland and Ireland and more than 20 percentage points in Greece, Germany, UK, Belgium and the Netherlands. In Italy, the impact has been more limited (8%), but the risks are very high given the levels of the Italian public debt. It is also estimated that the financial crisis has caused a gap of 65 billion dollars in the budgets of low-income countries.<sup>3</sup> No one can have any doubt that this model of finance is largely ineffective as well as harmful (as evidenced by the authoritative reports by Vickers in the UK and Liikanen in the European Union). Reforms have been introduced out of necessity.

*First*, there has been a return to the separation between commercial banking and investment banking. This is to ensure a sacrosanct greater transparency and effectiveness of monetary policy to stimulate the economy. It is not acceptable for banks to use the resources of depositors in high-risk proprietary trading operations when depositors believe that they have been made available for lending. It is not effective stimulation of monetary policies when central banks provide ample liquidity in the banking system for the provision of credit to businesses when this cash is used for speculative transactions. Countries like the USA, UK, France and Germany have moved in this direction with laws ranging from the prohibition on proprietary trading to rules on ring-fencing between commercial divisions and trading divisions, but such laws remains at the moment largely irrelevant because of the deadlock on implementation regulations.<sup>4</sup> Forms of bank bailouts based on the socialisation of losses borne by taxpayers are not fair. That is why we talk about the primary responsibility of the bank stakeholders (shareholders, bondholders and depositors). On the other hand, it is equally unfair to make depositors responsible, as they are often unaware of the fact that the banks are dedicated to speculative trading instead of traditional banking activities.

*Second*, reform is needed in the systems of remuneration of managers and traders, not only for reasons of equity, but also in order to defuse the incentive for excessive risk-taking that jeopardises the stability of the system.

*Third*, it is essential to complete initiatives already started that ensure appropriate fiscal transparency through country by country reporting mechanisms so as to discourage tax evasion and avoidance. The OECD has calculated that tax avoidance leads to unfair competition between small and medium-sized businesses and large enterprises, resulting in a higher tax burden for the former as they do not manage to exploit the mechanisms of circumvention. Once the necessary accounting

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<sup>2</sup> Fabian Valencia & Luc Laeven, 2012. "Systemic Banking Crises Database: An Update". IMF Working Papers 12/163, International Monetary Fund

<sup>3</sup> <http://www.oxfam.org/en/policy/impact-global-financial-crisis-budgets-low-income-countries>

<sup>4</sup> [http://www.astrid-online.it/Regolazion/Atti-dell-/STRUCTURAL/Comm-UE\\_SWD\\_resilience\\_transparency-impact-assessment\\_en.pdf](http://www.astrid-online.it/Regolazion/Atti-dell-/STRUCTURAL/Comm-UE_SWD_resilience_transparency-impact-assessment_en.pdf)

transparency is secured, it would be useful to establish the rating charts of fiscal responsibility in order to stimulate it through market mechanisms (pressure from citizens at the grassroots) and institutional mechanisms (minimum levels of fiscal responsibility required to participate in invitations to tender), and to turn it into a competitive factor. Similar results can be achieved through the mandatory integration of internal offices for tax compliance that, in case of lack of vigilance, would make companies or internal auditors more directly responsible for violations and omissions.

*Fourth*, it is essential to define rules that restore the balance of power and the representation of interests of different pressure groups in order to avoid the excesses referred to above. The rules define equal representation in the organs of consultation and establish maximum limits on the number of lobbyists who may have access to the institutions.

*Fifth*, it is necessary to discourage, with fiscal mechanisms such as a small tax on financial transactions at global level, the impatient and high-frequency trading of financial capital that produces continuous disturbances on the markets by linking the dynamics of price sensitive sectors, such as those of raw materials, to speculative factors that are completely disconnected from the real dynamics. This produces financial bubbles and crises. On this point it should be emphasised that efficiency and speed of transactions are values but not ultimate ends, insofar as they must be in tune with the superior and higher-level values of precaution, stability and the common good. Nobody would suppose that the purpose of traffic laws is to maximise the velocity of circulation, and likewise the objective of financial regulation cannot be the maximisation of the speed of trade and the infinite increase in (in most cases apparent) liquidity.

It is not a case of setting good finance against bad finance, or of granting certificates for ethical behaviour to deserving operators. It is to understand that finance can and should do better, much better, to serve people and the common good, by returning to its original purpose.

### **3.2 Trade**

Trade has always been considered to be an instrument of rapprochement between peoples. Economic theory teaches us that through trade you can overcome the limitations of autocracies by allowing each region to specialise in those activities that enhance its *genius loci*. Meeting, exchange and specialisation in turn determine the efficiency gains that enable better use of resources. As it unfortunately has happened with other sectors of the economy, in this one too the instruments of trade per se that are providentially placed at the service of human beings, are becoming oppressive idols when they are made absolute and when they are subordinated to partisan values and needs. From this point of view it seems appropriate to seriously revise the rules of free trade agreements. This is to ensure that free trade does not become a goal to which labour rights and environmental sustainability are sacrificed rather than a means that should promote the rights and empowerment of each person.

As previously noted, the fundamental problem of the global economic system is the imbalance in living standards that automatically translate into imbalance in labour costs between different areas of the globe. The presence of hundreds of millions of people living on less than a dollar a day and billions of people living on less than two dollars a day is a formidable reservoir of cheap labour that businesses often have the urge to use and so reduce costs by outsourcing parts of their supply chain. The bottom line today is therefore to check whether the spontaneous mechanisms of competition and the market (relocation, price competition) and the policy rules of national and international institutions are capable of producing mechanisms of upward convergence of labour rights and care of the environment by ensuring social and environmental sustainability.

In order to trigger virtuous mechanisms, the spontaneous force of the relationship between demand and supply of labour is not enough, even though in some areas important processes of wage growth have been initiated due to the process of productive delocalisation. Because there is, and always will be, a worker who is poorer and able to compete with a richer one, it is necessary and

appropriate to accompany these automatic mechanisms with regulations that can accelerate upward convergence. Take, for example, a tax system on the demand side that awards the products offered for sale which come from sectors with high social and environmental responsibility while penalising those that have been obtained through below minimum acceptable standards (as urged by initiatives such as that of the Social Business Initiative in the EU) .<sup>5</sup> There could also be regulations for access to public procurement which set minimum thresholds for social, environmental and fiscal responsibility in order to be allowed compete. It is also necessary to stimulate the growth in marketing information on social, environmental and corporate tax quality of companies that would allow citizens to "vote with their wallet". This would reward those companies at the forefront of efficiency in multiple dimensions, or businesses that are leaders in the creation of economic value that is socially, environmentally and fiscally sustainable.

We know that there are responsible business people operating in various parts of the world who are struggling to define quality standards in the way in which the production process is organised and in the way in which people compete in the market arena. There are also business people (such as the new generation of impact investors) who go further and try to be agents of change for a more inclusive economy and creators of true social innovation for the benefit of the entire community. It is time to recognise their leading role, and awareness of their efforts should reach broad sectors of public opinion. Above all, there should be support, in various forms, for business associations that, despite many difficulties and often misunderstandings, aim to put into practice *The Vocation of Business Leaders* (2012). It is certainly true that virtue is more contagious than vice, but this happens – as Aristotle would say – when virtue is made known.

### 3.3 Work

The availability of more extensive information on subjective data, such as life satisfaction, makes it possible today to substantiate with empirical evidence aspects unexplored until recently by socio-economic surveys. Research on the determinants of life satisfaction gives ample confirmation of the existence of a sort of natural law with regard to the key factors for the flourishing of human life. Of these, the most important appears to be the condition of unemployment. An equally important fact is that these studies show that the cost of unemployment in terms of unhappiness is certainly higher than the wages earned. This is demonstrated by all those cases in which redundant workers reject as unsatisfactory the offer of financial compensation equal to their wages made by employers who are called by the courts to reinstate the workers to their original occupation. What the unemployed lose, in addition to salary, is their self-esteem and social reputation. For this reason, one of the priorities that the organisation of economic life in a global society must set is the creation of conditions for full employment.

The obstacles are many. The first pitfall is paradoxically technological progress as it increases the productivity of capital goods that save work. This unstoppable process is progressively reducing the demand for routine jobs for which increasingly intelligent machines can replace human work at a lower cost. At the same time, growth in value generated by productivity increases and by technological progress should allow for the creation of job opportunities in other sectors and in more creative and leisure activities. Until some time ago, there was optimism that the net balance between the creation of jobs in some sectors and the elimination of jobs in others would be positive. At this stage in which robotics has and will have a growing role and many capital goods will be able to function under the guidance of computer programs without (or with very limited) human intervention, that optimism is disappearing.

At the individual level the challenge posed by these changes is an increasing need for training. This is essential in order to escape from the trap of routine jobs that are in declining demand and subject to competition by reduced labour costs. It is needed in order to access

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<sup>5</sup> [http://ec.europa.eu/internal\\_market/social\\_business/index\\_en.htm](http://ec.europa.eu/internal_market/social_business/index_en.htm)

“creative” jobs and to develop an absorptive capacity which is critical in order to take advantage of advances in technology. All efforts to remove barriers to access to education, from primary to higher education, are therefore urgent and absolutely meritorious. At the aggregate level the challenge of creating jobs is achieved not only and not so much through the alchemy of contractual forms that promote higher or lower rigidity in the creation and destruction of jobs. It is done by supporting investment in infrastructure and removing all the obstacles that make it especially difficult to create social businesses. From this point of view, the most important factors are efficiency in civil justice, a reduction in the costs of bureaucracy and access to network technologies.

A commitment to increasing the number of jobs is not enough if it is achieved through the creation of temporary jobs. These offer little dignity and only increase the worrying phenomenon of the working poor. Another crucial factor to consider is that of the quality of the job. This includes, in addition to salary, a number of important factors such as the physical quality of the work environment, human relationships with colleagues, creativity of the work, and the possibility of harmonising time at work and time for family life.

We must not leave the defence and protection of the dignity of work to market forces alone. The one market mechanism that could promote growth in salaries and quality (labour demand exceeding supply) only works in some limited circumstances, and certainly cannot function when there is a giant "reserve army" of the needy who live below the absolute poverty line. Similarly, globalisation often makes national laws for the protection of the dignity of labour ineffective. Paradoxically, it risks causing greater difficulties in countries that raise the bar for rights and protections thus increasing the likelihood of businesses relocating that hitherto had been producing on the territory. We stress once again the need to integrate both incentives for responsible consumers and public rules (access to contracts, tax rewards for socially responsible supply chains) that can foster processes from the bottom up (and not from top to bottom) in terms of the dignity of labour.

The aim of economic activity is not free trade per se to which labour rights and people's rights are sacrificed. Furthermore, rewarding supply chains that are socially and environmentally sustainable should not overlook the protectionist intent of rich countries towards poor countries. It should rather promote growth in dignity and well-being at work of everyone in all countries. Human beings are the same everywhere in the world! In building a system of regulations and rewards, it is advisable to define standards of quality of work that are modulated to take account of the starting positions of the various countries and the diversity of living conditions and purchasing power in different parts of the world.

#### **4. On the “res novae” of present times: consequences for institutional design**

##### **4.1. The old international economic order**

For some decades now, society has been undergoing continuous change at an increasing pace, both in developed and in emerging and developing countries. We have seen interrelations between people and nations multiply at a growing rate, changes in power balances between countries and blocs, new armed conflicts and terrorist threats, the intensification of migration, a deep financial and economic recession, proposals to reappraise the state's role and suggestions for a new range of corporate social responsibilities, demands for new human rights, a growing awareness of the effects of poverty and economic inequality, and new ways of thinking about leadership in our world.

All of this is changing our view of the sciences that we usually describe as social or human: economics, sociology, social psychology, history, law, political science, human geography, demographics and philosophy.

This change is taking place at an increasing rate due to the multiplication of events that overlap and interfere with each other, calling for a rapid response from experts, politicians and social leaders. Against this background, it is a fact that social scientists – with certain exceptions – continue to be influenced by great ideas developed in the past as well as by the grand narratives of times gone by. Confusion and often despondency result when they realise that the "old" categories of thought and traditional research approaches no longer apply today. Too often, because of mental laziness, and perhaps also for the defense of vested interests, they rely on representations of a reality that has become obsolete. It is a case, then, of resuming the journey with a spirit of humility – there are no definitive and objectively true answers in the social sciences – and above all with willingness to be open to interdisciplinary and intercultural debate, without preconceived exclusions for reasons of “political correctness”.

The emergence of a global economic order is the most characteristic feature of our age. As already mentioned, globalisation entails many dimensions, and the most relevant is the creation of a global financial market. The increasing importance of the financial structure compared to the real situation of the economy is posing a new paradox. At a time when we would need more regulation, precisely because financial markets are intrinsically unstable, we have less. This is because international financial institutions are weaker, in relative terms, than the domestic ones, or even non-existent.

An important implication of the paradox noted above is revealed by the recent financial crisis. It has shown its peculiar nature that reflects a new characteristic in international capital transactions. Although capital and goods markets are increasingly integrated, policy has largely remained a national matter. Most scholars see the importance of institutions in the new global financial environment. The need to introduce a new global financial architecture can be seen as a first step towards the regulation of the international monetary system.

Indeed, the conditions under which institutions such as the World Bank and the IMF were founded no longer exist. There are structural flaws in the current system which was originally designed in 1944 at Bretton Woods for the Western world (and not for developing countries) to regulate the current account imbalances. Yet there are too many different ideas on what institutions should be, what they should do and how they should do it. The frequency and magnitude of international financial crises testify to the huge asymmetry existing between an increasingly sophisticated, yet unstable, international financial system, and the institutions that regulate it. The world lacks the kind of institutions that financial globalisation requires. The case for the provision of emergency lending by the international financial community, such as the International Monetary Fund (IMF), can be addressed on a theoretical basis.

More generally, a world in which large nations direct their macroeconomic policies to domestic goals (and can afford to do so), and where markets are integrated, generates *externalities* for third countries, especially for the smaller developing economies. It is crucial that international economic organisations, international financial institutions in particular, play a leading role in *internalising* the positive *externalities* and in mitigating the negative ones.

#### **4.2. In search of new institutions**

A pragmatic contradiction should be noted at this stage. The proposals so far submitted for a new international financial system, while they assign to the G8 a major role in the steering of the monetary system, they do not contemplate any form of policy coordination, not to mention cooperative behaviour, among the G8 members themselves. Yet, it cannot be denied that the international repercussions of the domestic policies of the largest countries are a major determinant of financial stability.

The rise in economic interdependence, associated with globalisation, means that even large segments of a population may be adversely affected by events that have occurred in ‘distant’ places. For example, side by side with the well known ‘depression famines’, contemporary reality has also

experienced 'boom famines'. The expansion of the scope of the market – in itself a positive phenomenon – means that the capacity of a social group to gain access to food depends, often in an essential way, on what other social groups do. For example, the price of a primary commodity can also depend on what happens to the price of other products. The nation state, by adopting wrong economic policies, can undermine the capacity of certain sections of the population to gain access to food (the Soviet famine of the 1930s and that of Cambodia at the end of the 1970s are clear examples of this).

In short, it should be recognised that today's major social and economic problems are more a question connected to institutional structures than to the lack of resources and know-how. The institutions that are involved are not only economic institutions but also political and juridical institutions. To recognise this means to increase our responsibilities, since institutions are made by human beings. History has shown that a new international order has always been established at the end of a war for supremacy.

We can see the example of the Thirty Years War, the Napoleonic Wars and the Second World War. All of these are events that, after destroying the old order, left behind *tabulae rasae*, on which the victorious powers were able to inscribe the rules of the new order. No such situation exists today.

Firstly, there is no agreement on who actually won the Cold War (assuming that there was a winner). Secondly, there is no agreement on whether we are living in a unipolar or multipolar world, or on which countries should be counted among the great powers today. There is no agreement because we are still far from defining the yardsticks for qualification as a great power.

Another important feature of this age is the number of *agents* that are seeking to play a major part in the process of building the foundations of a new international order. One might say that international affairs have become a 'participatory democracy' issue, which helps to explain why it is becoming increasingly difficult to reach an agreement quickly. Bretton Woods and the Uruguay Round are a case in point. Bretton Woods was completed in a few months with the decisive impulse of two men (J.M. Keynes and H.D. White), while the Uruguay Round took ten years of bitter negotiations among a dozen major parties plus about 100 international governments in the background.

A third feature that is unambiguously typical of the present phase in our history is the radical change that has occurred in the international distribution of economic and military power. For over three centuries the international system was dominated by the Western powers, with the centre of gravity in the North Atlantic. Even the Cold War was a struggle between two 'visions' belonging to the same European civilisation. Today, economic power has shifted towards the Pacific and East Asia areas that are now becoming the centre of gravity of world history, for better or for worse. This means that the emerging Asian powers will increasingly demand a part in designing international institutions.

But these (such as the United Nations Security Council, the World Bank, the IMF, etc.) are dominated by the ideas and the interests of the Western powers that are not doing enough to redress a situation that has now become untenable. As always occurs in international relations, where power and authority coincide, the emerging powers, dissatisfied with the status quo, are doing everything they can to change the situation.

These considerations lead us to address the vast issue of cultural relations in the global village. How are we to distinguish between cultural interaction and cultural imperialism? How can we organise cultural diversity so as to prevent a breakdown in communications and the development of potentially closed communities? The mismatch between centripetal globalisation processes and centrifugal isolation processes, and between interaction and fragmentation, is certainly a danger and threatens to undermine the common destiny of the whole of humanity. It is not enough merely to condemn different forms of 'fundamentalism' without asking how these have come about and without seeking to look at the dark side of our Western universalism.

### 4.3. The perspective of Catholic Social Teaching

So what is to be done? There is a variety of different ways to respond to the challenges of the twenty-first century.

There is the way that we might call 'laissez-faire fundamentalism' that advocates a plan for technological transformation driven by self-regulating systems, with the abdication of politics and above all with the loss of any possibility of collective action. It is not difficult to see the risks of authoritarianism, resulting from the democratic deficit, that are inherent in such an approach.

A second way is the neo-statist approach which postulates a strong demand for regulation at the level of national government. The idea here is to revive, albeit partially renovated and streamlined, the areas of public intervention in the economy and in social spheres. However, it is clear that this would not only produce undesirable effects but could even lead to disastrous consequences in the case of countries in transition. Indeed, the implementation of new free-market policies would, under current conditions, damage the already low levels of prosperity in developing countries.

Lastly, there is the strategy favoured by Catholic Social Teaching. (It may be of interest to recall that for centuries, the Catholic Church used the expression *doctrina civilis* to refer to teachings about the economic and political order. It was only after the pontificate of Leo XIII that *doctrina civilis* become *doctrina socialis*). What are the distinctive features of this approach? Five pillars sustain it.

a) Economic calculation is compatible with diversity of behaviour and types of institutions. It is therefore necessary to defend the weaker kinds of enterprises and to learn from them for the future. This means that the selection filter must certainly be present, but it should not be too fine, precisely in order to make it possible for any solution that exceeds a certain efficiency threshold to survive. The global market must therefore become a place in which local varieties can be improved, which means having to reject the determinist view, according to which there is only one way of operating in the global market.

It should not be forgotten that globalisation inevitably levels down all the institutional varieties that exist in every country. There is nothing surprising about this because the rules of free trade clash with cultural variety, and they consider institutional differences (for example: different welfare models, education systems, views of the family, the importance to be given to distributive justice, and so on) to be serious obstacles to their propagation. This is why it is essential to remain vigilant in order to ensure that the global market does not eventually constitute a serious threat to economic democracy.

b) The application of the principle of subsidiarity at the transnational level. This requires that the organisations of civil society be *recognised* and not *authorised* by states. These organisations should have a function that is more important than mere advocacy and denunciation; they should play a full role in monitoring the activities of transnational corporations and international institutions.

What does this mean in practice? Civil society organisations ought to play public roles and perform public functions. In particular, these organisations should bring pressure on the governments of major countries to get them to sign an agreement that is able to drastically curb the benefits resulting from the sudden withdrawal of capital from the developing countries.

c) Nation-states, particularly those belonging to the G8, must reach an agreement to modify the Constitutions and statutes of international financial organisations, thus superseding the *Washington Consensus* which was created during the nineteen-eighties following the Latin American experience. This ultimately entails writing rules that express the idea that efficiency is not only generated by private ownership and free trade, but also by policies such as competition,

transparency, technology transfer policies and so on. Over-borrowing and domestic financial repression are the unfortunate consequences of the application of this partial, distorted and one-sided view of things.

It should be remembered that in a financially repressed economy, inflationary pressure drives a wedge between domestic deposits and loan interest rates. The result is that domestic enterprises are artificially induced to seek to borrow abroad, while domestic savers are encouraged to deposit their funds overseas.

d) The Bretton Woods institutions, the UNDP and the other international agencies should be encouraged by civil society organisations to include in their development parameters the indicators of the distribution of human wealth as well as the indicators of multidimensional wellbeing that take into account the concept of wealth of nations as presented in the introduction. (It includes not only economic goods, but also spiritual, cultural, environmental and relational goods). These indicators must be taken into adequate consideration, both in the elaboration of international rankings and when drafting intervention and assistance plans. Pressure should be brought to bear in order to gain acceptance for the idea that development must be *equitable, democratic and sustainable*.

It is the lack of institutions (not bureaucracies!) at the global level that makes so many problems of our age hard to solve, especially the environmental problem. As markets become more globalised, the transnational institutional landscape is still that of the immediate post-war world. One could argue that perhaps there are enough international treaties, and enough contracts at the domestic level to regulate relationships between individuals. The analogy is dangerously misleading, because contracts concluded within a country can be enforced by that country's national state, while there is no transnational authority capable of enforcing treaties between states.

On the whole, it is hard to see how the present state of affairs can continue. While the market, in its great variety of forms, has by now become global, the configuration of governments has remained essentially national or at the most international.

What is required is that *International Governmental Organization* (IGOs) be established by national governments. (An example of an intergovernmental network of national regulators is the Basel Committee on Banking Supervision, which includes representatives of 27 national banking supervisory authorities). The fact that there is no single global and comprehensive legal system, and no global government, does not imply that it would be impossible to conceive of global regulatory regimes made up of bodies such as IGOs and NGOs (*Non-governmental organizations*) that deal with issues and problems that cannot be addressed or resolved by national governments alone.

e) Finally, a rich fabric of non-utilitarian experiences should be created on which to base consumption patterns and, in more general terms, lifestyles that are capable of enabling a *culture of reciprocity* to take root. In order to be credible, values have to be practised and not only voiced. This makes it of paramount importance that those who agree to take the path towards a transnational civil society must undertake to create organisations with a *modus operandi* that hinges around the principle of reciprocity.

## **5. In conclusion**

To conclude. We can say that the search for a way to humanise the economy in itself contains a question of a relational nature that should be carefully looked into and satisfied as well as possible, if we want to avoid far-reaching side effects. Indeed, the proper functioning of an economic system depends also on whether certain concepts and certain ways of life have achieved dominance or not. Individual behaviours are embedded in a pre-existing network of social relations that cannot be thought of as a mere constraint, as mainstream economists continue to argue. Rather, they are one of the driving factors that prompt individual goals and motivations.

It seems to us that the central problem in the current transition towards a post-Fordist society is to understand how to act so that individuals may be at liberty to decide on procedures for the supply of goods and services that they themselves require. What is at stake here is not so much freedom to decide the overall *composition* of goods to be produced (more private goods or more public goods; more commendable goods or more relational goods, etc.), but freedom to decide *how* that composition should be achieved. This is why we cannot depend on the efficiency principle alone in deciding what and how to produce.

Many admirers of the free market, understood as a social institution, seem to overlook the fact that it is the very hegemonic expansion of impersonal relations that slowly, but inexorably, is destroying the whole system of social norms and conventions that constitute a civil economy, thereby paving the way for the success of new forms of statism.

Today it is imperative that we admit that the hypertrophic growth of both the state and a market that excludes explains the many problems that cripple our societies. In a situation like this, the solution will not be found in the radicalisation of the public economy versus a private economy, or neo-statism versus neo-liberalism, but in a healthy flourishing of the forms of organisation that shape a modern civil economy.

The most damaging consequence of a narrow-minded (and obsolete) notion of market, still predominant to this day, is to lead us to believe that behaviour inspired by values other than the pursuit of self-interest relentlessly push the economy to disaster. By encouraging us to expect the worst of others, such a vision eventually brings out the worst in us. Moreover, in the end it immensely hampers the enhancement of inclinations such as trust, benevolence and reciprocity, since that vision perceives these inclinations to be merely inborn peculiarities of human nature, unrelated to the civilisation process taking place in our societies. That is why it is essential to promote the presence of different types of businesses (capitalist, public, cooperative, social, benefit corporations, etc.) in our market economies.

It is a fact that the reduction of human experience to the "accountancy" dimension of utilitarian calculus is not only an act of intellectual arrogance; it is belied by actual experience. Today, we have come to the point where even the most "detached" observer cannot but admit that if we want to deal with the new problems in our society – such as the endemic aggravation of inequalities, the scandal of hunger, recurrent and serious financial crises, the rise of conflicts of identity in addition to the traditional clash between interests, the paradoxes of happiness, unsustainable development, and so on – research simply can no longer be confined within a sort of anthropological limbo.

To sum up, the main message that Catholic Social Teaching wants to convey is the following. It is by now a well recognised fact that market systems are consistent with many cultures, conceived as viable patterns of behaviour or, more generally, as organised systems of values. In turn, the type and degree of congruence of market systems with cultures is not without effects on the overall efficiency of the systems themselves: in general, the final outcome of market-coordination varies from culture to culture. Thus one should expect that a culture of possessive individualism will produce different results from a culture of reciprocity where individuals, even if motivated by self-interest, entertain a sense of fraternity. In the same way, a culture of cooperative competition will certainly produce different results from a culture of positional competition. However, cultures must not to be taken for granted. Cultures respond to the investment of resources in specific cultural patterns, and they also depend on the witness given by those who put activities into operation. The proper functioning of an economic system depends also on whether or not certain conceptions and ways of life have achieved a dominant position among the population.

Pope Francis is well aware of the fact that secularism is trying to banish Christianity from public discourse and to make it irrelevant. He is reacting strongly to the attempt of global capitalism, understood as a model of social order, to impose itself as a kind of new immanentistic religion.

Nowadays, efforts to cover up the full extent of the religious nature of global capitalism takes place in two ways. On the one hand, decisions with moral content are presented in technical

terms – e.g. fundamental human rights, it is argued, have to be limited for the sake of efficiency. On the other hand, technical arguments about the choice of means, such as the choice between the option of “more market” and that of “more state” are presented as if they were ideological issues. Efforts to de-mask such projects are one way to demonstrate the intellectual relevance as well as the proactive approach of Catholic Social Teaching in today’s world.