



FONDAZIONE CENTESIMUS ANNUS  
PRO PONTIFICE

CENTESIMUS ANNUS PRO PONTIFICE FOUNDATION (CAPPF)

## SUMMARY OF 2015 INTERNATIONAL CONFERENCE

### *Rethinking Key Features of Economic and Social Life*

What does the latest Catholic social teachings imply for business and economic practice? How does CST combine with the latest academic research, on the one side, and with real experience on the other? These questions have led CAPPF's work for the last 22 years. For the 2015 international conference (details and list of speakers attached), the Foundation had chosen two issues at the frontier of mainstream economic thinking: *Can Growth Continue without Compulsive Consumption?* and *The Future of Employment and the "informal" Economy*. The conference concluded by trying to answer another, more general question: *Can Catholic Social Teaching be spread even without the Christian Faith?* The following pages present a summary of speeches and panel debates during the Conference.

### **Growth and consumption**

#### The economists' view

Several groups of members had asked themselves in preparation to the conference whether anything had changed in consumption patterns after the *Great Recession* surprised everyone in 2008 and a more critical attitude developed in rich countries about the market economy, its use of resources and its distributive capacity. But consumption habits don't change quickly: while lower consumption during the recession years was obviously due to the plague of unemployment and to a general fear of the future, as soon as the private and public debt crises seemed to be left behind, consumption slowly recovered from recession and things appeared to return to the previous situation.

Economist's basic truth is that growth depends on investment and consumption; if growth is based on wasteful consumption behaviour, this can be interpreted as an inefficient use of resources in that it does not necessarily satisfy a real need. But defining wasteful consumption is problematic. Projections of recent trends show that global purchasing power will increase dramatically as the overall share of the middle class continues shifting away from Western countries to other parts of the world: the aspiration towards higher levels of consumption will probably become more, not less diffused. If the aim is to curb wasteful consumption, for example for environmental reasons, what then are the possible ways of action?

Governments have the possibility to influence volume and nature of consumption through taxation. But there are strong industrial and employment interests which often have more social and political weight than environment sustainability concerns. And the price disincentive is not always effective, since consumer goods are not just useful, but are increasingly looked for as signs of identity and status.

An important source of problems, both from an economic and a moral point of view, is the tendency of households – and, *mutatis mutandis*, of governments – to overspend in consumption and run into large debts. Financial education is essential to increase the capacity of household autonomous management. As regards the public debt burden, a correlation can be found between growth in welfare spending and the level of budget deficits; there is therefore an economic and a moral argument for savings in welfare spending by limiting the safety nets to those who really need help.

At present however, the economic future is uncertain; some economists think that the world might be entering a period of secular stagnation; if this is true, consumption priorities may be forcefully revised as the expectations for future growth recede.

### The psychological context

But is consumption “compulsive”? In *Evangelii Gaudium*, Pope Francis explains that “*the great danger in today’s world, pervaded as it is by consumerism, is the desolation and anguish born of a complacent yet covetous heart, the feverish pursuit of frivolous pleasures, and a blunted conscience*” (EG2). When consumption begins to impinge upon one’s psychological health, when it becomes impulsive or addictive, such that one consumes without self-control or personal freedom, then it has become a pathological limitation of human freedom.

Marketing is an essential part of business activities everywhere; but what are the ethics of marketing? There is a need for self-critical reflection by business about the contents of the messages sent to consumers, and a more general discussion is needed in civil society about the ability of the public to decipher these messages and avoid being manipulated.

Paradoxically, one can argue that compulsive consumption in fact prevents sustainable future growth. In the tradition of Catholic Social Teaching, a deep understanding of human freedom is essential, not just as freedom from constraint, but principally for the good. Both sides of the economy, demand and supply, are driven by human freedom. A market economy is degraded when mechanistic behaviour dominates. The discoveries in neuroscience and psychology can be used for manipulation, but they can also be used, in an authentically ascetic tradition, as practical wisdom and discipline to regain self-mastery and freedom.

### Purpose oriented economy

In the best Christian tradition, economic goods are always instrumental. Whether consumption is ‘good’ or ‘bad’ depends on whether it contributes to full human life. Economic and sociological scholars are making progress in factual studies on the understanding of authentic human wellbeing; this will generate new criteria which can progressively influence statistics and policies.

The main key to these questions lies in education, in civil society and especially in the Churches, where mature reflection about sustainable consumption and the contents of a ‘good life’ should occupy more space and time. Growth of income and purchasing power is a valuable thing and free initiative will continue to be its moving force. The ethical approach and the Church’s educational efforts should not deal only with distribution and overcoming inequality – whatever importance one attaches to these themes – but also develop new ways of moral progress specifically designed for consumption-seeking, relatively wealthy families and individuals.

## **Employment and the “informal economy”**

There is a direct link between the previous thoughts on consumption and the following question: what does the “informal economy” mean in terms of work, the state of the economy (its strengths and weaknesses), and the real wellbeing of people?

The “informal” economy raises in the first place a question of definitions - which are never independent from culture – and of measurement. Measuring is important because we tend to measure what we think matters and, if we have the wrong measure, then we may have the wrong policies.

GDP growth is probably not a good measure, because it does not take into account the key elements of an emerging new economic *paradigm* based on economic capital building and consumption, but also on natural capital, on human capital and on social capital. There is a need for new measures of wellbeing which include environmental impact, health, work/life balance. Significant work on this has been launched by academic research and by international organisations like United Nations and OECD, but the new ideas have still to make their way in politicians’ minds and public debate.

The “informal economy” includes substantial unmeasured or insufficiently measured amounts of work, basically unpaid family work, volunteering and irregular work. A radical approach to liberalizing work contracts - the “Zero Hours Contracts” are an extreme example - has brought back forms of casual low wage employment, which workers’ organisations denounce as exploitation and abuse, especially in the construction, hotels, agriculture and food industries. This may have disastrous effects by postponing professional training and apprenticeship and destroying career development for young people who find themselves unemployed and seriously unprepared when the economy recedes.

Irregular work often represents a substantial threat, either because it includes criminal trades of different types, or because it undermines the vital network of small enterprise through counterfeiting and unfair competition.

But on the other hand, some sociologists argue that the formal economy can learn from the informal economy, especially from enlarged, intergenerational family groups: family life has a conscience of limits, as opposed to technological “unlimited” growth expectations; it works through the recognition of reciprocal needs and through resilience based on capacities; its economy results from inter-action between all family members, who are full “contributors”, far from the producers/consumers separation pattern and the “unlearning” and passive attitude of consumers which seem to prevail in the formal economy... All these actual facts of family life can be a source of inspiration in the “laboratory” for a new, relational and solidary economic paradigm.

At a time when secular stagnation is seen as a real threat, economic growth may not be strong enough to provide employment to all in the traditional sense. Unemployment in general is a cause of depression and violent exclusion; poverty is often transmitted from one generation to the next. If the hope for an improved income disappears for many, and we still want to avoid leaving people permanently excluded from society, then we need a different approach in social policies, employment policies and even in macro-economic policies. The central argument must be human growth and wellbeing, and not just money-measured short-term action. We have to face questions for which we don’t have prepared answers, something politicians never like to do. Civil society and the Churches have an essential role and must speak out. We need to think in terms of family values, schooling, professional education, sharing initiatives and social

impact investment. And for that, in the words of Paul S. Kenny, leader of the GMB Union in Britain and the first trade union leader to participate in a Centesimus Annus Conference, “the real argument is not Right versus Left, but Right versus Wrong”.

### **Can Catholic Social Teaching be spread without the Christian Faith?**

The obvious answer to this question is ‘yes’: all Popes since *Rerum Novarum* have addressed their social message, implicitly or even explicitly after St. John XXIII, “to all people of good will”. In fact, the influence of Catholic Social Teaching was decisive at different points in history, for example for the creation of cooperative finance or industrial companies in the early 20<sup>th</sup> century or the starting blocks of European institutions after 1945. Today the Holy See on occasions has to face strong arguments at the United Nations, especially on family ethics, but the founding documents of international institutions were inspired in values of both Greek philosophy and the Christian tradition. For example, most of the principles at the root of disarmament negotiations and the search for peace, and most of the International Labour Organisation conventions are aligned with the social teaching of the Church. Economic international institutions are constructed on a universal idea, which is also Christian: at the heart of the market there is the human person, full of dignity, and deserving justice.

#### The human frame and the efficiency logic frame

But when we turn to business and professional like, many believers – Christians, but also Jews, Muslims and others – perceive a contradiction, in today’s economy and in their own life, between the human framework and the efficiency logic of decisions. The question then should be, not so much whether Catholic Social Teaching can be spread in words, but in how far it translates in *practical life* and whether it has any meaning beyond exhortation.

In theory, how do faith and human values intersect with the practice of business? In the best tradition of Adam Smith and his predecessors, the Italian Franciscans and the Spanish School of Salamanca, market relations are a primary activity that distinguishes man from animals. Markets form the very fabric of human society and are a fundamental part of human creation. Markets are *human* in their heart. Still, as every economic institution, markets can be efficient, but they are neither wise, nor are they kind or necessarily fair on their own. Profit-making and human values need not be at odds. But it is people who make markets fair or wise: they are wise only when humans use them in ways that create better goods and value for society. And the wider dimension poses specific problems, because scale and interconnectedness can lead to dehumanisation and to a mechanical logic, far from the human framework.

The distance between the human framework and the efficiency logic has probably widened as a consequence of the greater relevance of finance in the economy: investors universally look for the highest possible return on investment, whereas industrial leaders, by nature have a longer term perspective. Debt leverage and the discipline of stock markets transparency often impose “profit maximization” as the only objective. Whereas management experience shows that the application of Christian inspired principles is compatible with better job satisfaction and can also lead to better returns in time, a more financially oriented view would see a trade-off between profitability and social impact investment, where the more human-based projects do sacrifice some financial return. This is an important debate which is not specific to Christian thinking.

Banks and the financial industry face a double challenge. They have lost trust, especially due to the wrongdoings of some and the heavy public cost of bail-outs. The fines being applied are

probably correct in that wrongdoing must incur the burden of a heavy cost. Banks need to recover trust, and this is a long process. But they also have the difficult job of reviewing their business model and principles in a deeply changed regulatory environment. Some are up to that, others not so much. Politics and banking were probably too close in many cases, now they may be too far apart. Here again, the question is to make profit-making responsible and sustainable. The search for new leaders is changing, from a profile seeking pure professional ability to one that combines both professional and ethical capacity. New regulations make it difficult for small institutions to remain in business, this causes concentration and centralisation with big financial institutions becoming bigger and creating difficulties for small business to access funding. In this whole new context, the Church should be ready to understand changing trends and support commitment for remedying action. There is a hunger for a moral force, for ethical wisdom, and this is a reason why so many people are paying attention to Pope Francis. CST needs to answer such demand and accompany detailed ethical discussion, beyond generic statement.

### Social teaching and faith

Social teachings and faith are deeply related when seen from a different perspective: we all need to go back to faith – be it Catholic or other – as a source for the right action. Words as solidarity or common good are often devalued in today's media. The challenge is not so much that of publicizing principles but to give them space to be applied in daily life. Men and women of faith are necessary to revitalize society: faith is a source of deep innovation. Pope Benedict XVI wrote: "Development needs Christians with their arms raised towards God in prayer, Christians moved by the knowledge that truth-filled love, *caritas in veritate*, from which authentic development proceeds, is not produced by us, but given to us" (CV, 79).

The dialogue among different faiths is possible without renouncing any part of one's conviction. Dialogue does not mean neutrality, but it requires a capacity to really listen to what others have to say. The Catholic Church made a Copernican turn at the 2<sup>nd</sup> Vatican Council, more than fifty years ago, when *Gaudium et Spes* affirmed that Catholics and other Christians can also learn from non-Christians. This does not mean that we have to ignore differences; as mentioned by Pope Francis in *Evangelii Gaudium*, conflict should not be ignored or hidden. But experience shows that inter-religious dialogue can be especially fruitful when dealing with social and ethical matters.

On the international scene, in the words of Archbishop Silvano Tomasi, Holy See Permanent Observer to the UN in Geneva, "if the States were to follow what the Pope says, we would have a world of peace and prosperity". The evidence unfortunately is not moving in that direction. True, the voice of Pope Francis is listened to very carefully and there is wide acceptance of his moral leadership. For example, on the environment, his pronouncement had raised great expectation on issues of climate change on the human person and nature. *Laudato si* was published a few weeks after the last CAPPF conference and it had substantial influence on the negotiations and the December 2015 Paris agreement). But Pope Francis's striking expression of *the Third World War in pieces*, his untiring call for respect of minorities, refugees and migrants, his refusal of any abuse of religion as an offensive weapon continues to challenge us all, an unbelieving crowd.

### Action is possible

Catholic Social Teaching is more and more recognized, but its effectiveness remains questionable, partly because of a language which needs translation in business terms, but also

because one might consider it to be too general: the universal acceptability of Catholic social thinking is perhaps a function of its high level of generality. One cannot expect the Pope to give a precise guide on how to reform the market economy and finance. But organisations like CAPPF are there precisely to do that and have to be prepared to accept the challenge.

As demanded by CST, business and social policies can and should move from the purely efficiency logic to one where human objectives are taken into account in each and every decision. But can't we do something more immediate to promote redistribution and capacity development among the poor? Taxation is not an answer because there is no certainty that additional funds raised by the State will be used for such aims. There is a need for new answers which stem from civil society.

American business corporations and wealthy individuals are more comfortable with philanthropy than with other means of redistribution. Some business initiated actions tend to create a class of organisations designed for profit-making while also trying to address certain social needs. Corporations are good at managing and their experience can be of great use for social impact investments and organisations. These trends are slowly developing also in Europe. Could the Catholic Church support a decisive effort in that direction, by promoting an effective dialogue between corporate philanthropy and religious led charities, and by launching new solidarity funds financed through money commitments from Church members in different countries? As one speaker put it in the final session: "We know that pools of money spur innovation in places like Silicone Valley. Why wouldn't pools of Catholic money spur innovation on creating for-profit solutions to social problems?"

The *Centesimus Annus pro Pontifice* Foundation has set up an expert group to discuss these ideas in detail and concrete proposals on solidarity funds will be proposed to participants in its 2016 international conference, to be held at the Vatican from May 12<sup>th</sup> to 14<sup>th</sup>.

## CONFERENCE INFORMATION

The annual international conference organized by the *Centesimus Annus pro Pontifice* Foundation (CAPPF) was held at the Vatican from May 25<sup>th</sup> to 27<sup>th</sup> 2015 under the title:

*Rethinking Key Features of Economic and Social Life.*

During the conference, the *Economy and Society* international awards were given to the winning works: *Finance, un regard chrétien. De la banque médiévale à la mondialisation financière* by Pierre de Lauzun, and two doctoral theses by Arturo Bellocq Montano and Alexander Stumvoll.

The conference was prepared by groups of FCAPP members in different countries. Papers were available from groups in Bologna, Milan, Rome and Turin in Italy; and from London, Madrid, Malta and CAPP-USA.

The list of speakers, chairpersons and rapporteurs included:

Andrea Bardavid, Bank director, President of Keren Hayesod in Italy  
Sally Blount, Kellogg School of Management  
Michael Bonello, previous Governor of Central Bank, Malta  
Joseph Borg, industrialist, Malta  
Cardinal Domenico Calcagno, President of APSA  
Archbishop Claudio Maria Celli, FCAPP international Counsellor  
Alfonso Carcasona, entrepreneur, Madrid  
Paul H. Dembinski, University of Fribourg  
Fr Robert A. Gahl, Pontificia Università della Santa Croce, Rome  
Franco Gallo, Former President of Italian Constitutional Court  
Enrico Giovannini, Italian former Minister of Labour and Social policies  
Paul S. Kenny, United Kingdom GMB Workers' Union  
Pierre de Lauzun, Association française des marchés financiers, Paris  
Mauro Magatti and Chiara Giaccardi, Università Cattolica del Sacro Cuore, Milan  
Fr Walter Magnoni, Diocesi di Milano  
Giovanni Marseguerra, Secretary of FCAPP Scientific Committee, Milan  
Cardinal Reinhard Marx, Archbishop of Munich  
Cardinal Pietro Parolin, Secretary of State  
Alfredo Pastor, IESE, Barcelona  
Alberto Quadrio Curzio, Chairman of CAPPF Scientific Committee  
James E. Rice, Brody Wilkinson law firm, New York  
Francesco Sansone, Valore Consulting, Milano  
Ulrich Schröder, Kreditanstalt für Wiederaufbau  
Ondrej Socuvka, Google, Brussels  
Domingo Sugranyes Bickel, Chairman of CAPPF  
Archbishop Silvano Maria Tomasi, Holy See Permanent Observer at the UN, Geneva  
Joseph F.X. Zahra, MISCO consulting, Malta