

Friday, June 12, 2015, 00:01 by Lawrence Zammit

Reforming the market economy

Last week's contribution focussed on the publication of the Centesimus Annus Pro Pontificie Foundation – A reformed market economy – entrepreneurship for human development. The main thrust of the contribution was that we must create a new economic model whereby the market economy is reformed by empowering the individual to operate for the benefit of the common good.

One of the positive aspects of this publication is that more than 50 per cent of its content is about solutions, grouped under three main headings – solidarity in business decisions, finance and the common good, and the responsibility to protect others.

I would like to take some of these solutions and comment about them. The first is the need to develop a corporate culture of service to society. Living up to one's corporate social responsibility will need to stop being the exception but becomes the only accepted way of doing things. This will become so not because the law says so but because this is what society expects.

Another element is connecting entitlements with duties. With the current high level of unemployment, some countries are running the risk of having a generation of persons who have got used to living on benefits. Such persons find it difficult to understand and accept the virtue of work.

Businesses must support governments in ensuring that the percentage of persons not in education, employment and training be reduced significantly.

There is also the proposal to build co-responsibility at the corporate level. The economic crisis has forced employers and employees to cooperate more and have a less adversarial attitude. This level of cooperation should not stop once the crisis is over, but rather should be used as a model to extend it to other sectors.

In business there needs to be a continuing sharing of responsibilities between employers and employees, as well as businesses and their customers, businesses and their suppliers (especially their bankers) and businesses and their regulators.

The need to develop inter-generational solidarity systems has long been felt. There is the need to understand fully the implications of a number of developments. These include the high level of debt that is being passed on to generations, the ageing population in a number of developed economies, the increasing life expectancy with the demands that this will bring to health and welfare systems, the lack of sustainability in the use of resources.

There is both an individual and a collective responsibility to protect the rights of future generations.

The publication also proposes a stringer and more effective approach to the fight against fraud, corruption and abuse. The lack of action by governments in addressing these three ills has led to disenchantment with the political class in a number of countries. This is undermining democracy as it is not encouraging the active participation by the individual in the political sphere. The drop in voter turnout experienced by several countries is a proof of this.

However, we can fight fraud, corruption and abuse only if we as individuals decide to fight it. We cannot expect to fight fraud, corruption and abuse, while at the same time insisting on finding means of evading tax, expecting favours from persons wielding power and also expecting to get a higher pay for as little work as possible. The issue needs to be addressed not only at the top but also at the grass roots level.

To reform the market economy, we must also take a long term view of investment. We often blame politicians for being too short-termist and for thinking only in terms of how to get themselves re-elected while ignoring the long-term implications. I think that the business sector is not much better. The obsession with the share price and interpreting shareholder value only in terms of that share price or this year's profits, discourages long-term investment.

The players in a reformed market economy must also take responsibility to protect those who are more vulnerable in society. In this regard we are called to support not only the traditional poor, but also the new poor which excessive consumption and the weakening of Christian values have created.

With regard to the responsibility to protect the vulnerable segments of society, one needs to note the issue of hunger. A report by the Food and Agriculture Organisation claims that 30 per cent of the food produced ends up being thrown away.

Two areas that I would like to link to all of these solutions are the need to support family businesses and the promotion of the third sector.

We are fully aware of the strong contribution that family businesses make to an economy, especially the developing economies. We are also aware of the benefits of family values to society. Supporting family businesses is a means of empowering the individual in the economic sphere.

Moreover, the state should leave as much space as possible for the third sector to operate. It is a model that can be applied not only to charitable and philanthropic activities, but also to business activities. The not-for-profit concept is an important element of solidarity.

At times we find ourselves in a catch 22 situation, where we allow market conditions to dictate our economic and social policies not to run the risk of creating unpleasant consequences.

The paper produced by the Centesimus Annus Pro Pontifice Foundation provides a great deal of food for thought as to how the market economy can be reformed for the good of society.

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**Karm Farrugia** · 5 days ago

The 'marketplace' and the 'common good' do not co-exist, unfortunately. Worse, they are mutually-exclusive.

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**Steve Caruana** · 5 days ago

Karm Farrugia is right however barring a revolution away from "the market" the proposals in the document referred to by the columnist remains the only way. However, as long as the ultimate objective of this mode of production, "the market" , remains the "bottom line" this evolution can only happen over decades if not more (or if ever). Without sacrifices by society in general to our freedoms, one of which being that of choice, the ultimate objective, I doubt, can ever be reached. The efficiency of "the market" (growth) will have to be tempered (sacrificed, compromised) too to make the common good the ultimate beneficiary of our endeavors.

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**Steve Caruana** ↗ Steve Caruana · 4 days ago

With a structural unemployment level of 10.2%, which has been trending upwards over the last decade, Europe itself, somewhat paradoxically, is a victim of the efficiency of the market. Again, paradoxically, if this trend continues to deteriorate, the structural changes necessary to the market mechanism to make it the servant of the common good might start to be introduced. Such changes can only be introduced or even imposed by A first world, wherever that might be in the future.

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