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## **CONFERENZA STAMPA DI PRESENTAZIONE DELLE CONCLUSIONI DELLA XVI SESSIONE PLENARIA DELLA PONTIFICIA ACCADEMIA DELLE SCIENZE SOCIALI**

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DELLA PONTIFICIA ACCADEMIA DELLE SCIENZE SOCIALI

- INTERVENTO DELLA PROF.SSA MARY ANN GLENDON
- CONCLUSIONS OF THE XVI PLENARY SESSION (PROF. JOSÉ T. RAGA)

Alle ore 12.30 di questa mattina, nell'*Aula Giovanni Paolo II* della Sala Stampa della Santa Sede, ha luogo la Conferenza Stampa a conclusione della XVI Sessione plenaria della Pontificia Accademia delle Scienze Sociali sul tema: "*Crisis in a Global Economy. Re-planning the Journey*" (Casina Pio IV, 30 aprile - 4 maggio 2010). Intervengono: la Prof.ssa Mary Ann Glendon, Presidente della Pontificia Accademia delle Scienze Sociali; S.E. Mons. Prof. Marcelo Sánchez Sorondo, Cancelliere della Pontificia Accademia delle Scienze Sociali; il Prof. José T. Raga, Professore di Economia all'Università Complutense (Spagna), Coordinatore della XVI Sessione Plenaria dell'Accademia. Pubblichiamo di seguito l'intervento della Prof.ssa Mary Ann Glendon e le Conclusioni della XVI Sessione plenaria (Prof. José T. Raga):

### **INTERVENTO DELLA PROF.SSA MARY ANN GLENDON**

The annual plenary sessions of the Pontifical Academy of Social Sciences, with many hours of discussion and dozens of papers over four full days, are rather too broad to effectively summarize in a few minutes. Permit me then to choose only a few highlights from our last few days.

The Pontifical Academy of Social Sciences was founded in 1994 by Pope John Paul II. For the entire life of the Academy therefore, the guiding magisterial document was the 1991 encyclical on the social order, *Centesimus Annus*, supplemented in 2006 by *Deus Caritas Est*. The 2010 plenary was the first to follow the publication last year of *Caritas in Veritate*, so our deliberations took account of the directions indicated by Pope Benedict XVI.

In *Centesimus Annus*, Pope John Paul II indicated that the powerful energies of the free economy needed a strong moral and juridical framework. One might suggest that in 1991 Pope John Paul II emphasized the

energies of the free economy. In 2009, Pope Benedict XVI emphasized the moral and juridical framework. In the audience the Holy Father granted to us last Friday, he made this point explicitly:

"[The economic crisis] has also shown the error of the assumption that the market is capable of regulating itself, apart from public intervention and the support of internalized moral standards. This assumption is based on an impoverished notion of economic life as a sort of self-calibrating mechanism driven by self-interest and profit-seeking. As such, it overlooks the essentially ethical nature of economics as an activity *of* and *for* human beings."

Our deliberations were largely occupied with what that "public intervention" and those "internalized moral standards" might be.

### The Economic Crisis

Our plenary addressed itself explicitly to the economic crisis. We have all witnessed the severe upheavals in the financial sector, with its consequences for the real economy, especially regarding unemployment and public sector finances. Moreover, our meeting took place during the Greek crisis, indicating that the questions we examined were as relevant as the daily headlines. Our plenary this year was marked by an analysis of recent events in a manner more immediate than is customary in the rhythms of academic life.

Among many points our academicians and our invited guests made, I would draw attention to three themes that emerged in many interventions.

### Financialization of the Economy and of Common Life

The current economic crisis had its roots in the financial sector. Indeed, one invited speaker, Dr. Luca Cordero di Montezemolo, Chairman of Ferrari and Fiat, former president of Confindustria, spoke of a shift from an economy based in the real production of goods to an economy dominated by speculative activities driven by greed. The fragility of the economic system was partly a consequence of an overreliance on speculative financial activities separated from productive activity in the real economy. Two members of our Academy, Professor Margaret Archer and Professor Partha Dasgupta, spoke more broadly of the danger of the "financialization" of human relations, in which human activities, even in the family, are reduced to a merely commercial dimension. One of our guests, Professor Stefano Zamagni, pointed out the danger of thinking even of business firms in this way, where the corporation ceases to be an association of persons and become a commodity instead. Such a "financialized" approach to the social order not only narrows the vision of the human person, but creates instability in the economy.

### The Consequences of the Crisis on the Poor

A common theme of our deliberations was that the economic crisis took a serious toll on the poor, even if the origin was in the wealthy countries and within the financial sector of the wealthy countries. Those who were not at fault suffered. Members of our Academy, including Professor Paulus Zulu and Professor Mina Ramirez, spoke about the suffering of the most vulnerable. Professor Sabourin of our Academy drew our attention to the fact that, for the first time, our world will soon have 1 billion malnourished people. If one compares the relative cost of the financial bailouts to the amounts needed for basic nutrition, for example, one cannot avoid the conclusion that this crisis has distracted greatly from urgent questions of development. In our attention given to questions of hunger and health, the Academy stressed also that meeting basic needs, especially for children, beginning in the womb, makes a decisive contribution to economic productivity. A focus on financial instrument reform should not distract from basic development policy and investment in rudimentary human capital – nutrition, health and basic education.

### Governance of Economic Activity

A highlight of this year's plenary was a session featuring three invited experts on banking: Lucas Papademos of the European Central Bank, Mario Draghi, Governor of the Bank of Italy, and Ettore Gotti Tedeschi, President of the Istituto per le Opere di Religione (the "Vatican Bank"). Given the presence at our plenary of Hans Tietmeyer, former president of the Deutsche Bundesbank, and Luis Ernesto Derbez Bautista, former Minister of Economics

in Mexico – both members of our Academy – this extraordinary session featured a discussion at the highest level of the economic challenges facing us. The principles laid out in *Caritas in Veritate* about the need for stronger regulation of international finance were discussed with various concrete measures suggested in order to ensure greater transparency in financial instruments and to avoid the moral hazard problems arising from bailouts. With reference to the Greek crisis, our expert guests addressed the recent package of relief measures, as well as the possibility that new European structures might be needed, not excluding the possibility of a new treaty to better secure the foundations of the common currency.

### Conclusion

The Pontifical Academy of Social Sciences customarily publishes the papers of our plenary sessions. The forthcoming proceedings should assist students of Catholic social doctrine to better understand the issues raised by the global economic crisis in view of the guidance offered by *Caritas in Veritate*.

[00647-02.01] [Original text: English]

### **• CONCLUSIONS OF THE XVI PLENARY SESSION (PROF. JOSÉ T. RAGA)**

The production of a true "conclusions" document with all the profundity suggested by the term is a task little short of impossible. It is a moment, therefore, to express gratitude to all for the effort dispensed in the entrusted tasks and also to offer congratulations on the successful manner in which they have been carried out. I believe, and it is a personal opinion, that the objectives set by the Council of the Academy and approved by the Assembly at the final session one year ago have been achieved with the dignity to be demanded of a pontifical institution such as the one to which we belong.

Theologians and moralists, sociologists and political scientists, lawyers and economists from all over the world come together with the common objective of placing their knowledge at the service of the community, at the service of the human family, in the unselfish quest for scientific truth which, as such, coincides with the truth of man. It is this atmosphere of scientific diversity and commitment to the common task which confers greatness on our mission to provide, within our limitations, a contribution to the Church and a service to humanity.

All the papers, I would say without exception, and indeed it is a pleasure to be in a position to make such a statement, take account of, not only the technical features of the crisis in respect of the scientific fields of the presenters, but also the background which made such features possible or inevitable, in addition to the consequences of the economic and financial situation for people, families and for the community as a whole.

Nonetheless, and for purely methodological purposes, I will venture to organise the conclusions synthesis by grouping the most significant contributions into four areas, whose order is not random: a) Economic aspects; b) Moral considerations; c) Social framework; d) Education fundaments.

A) An economic vision of the crisis.- It is evident that economic activity is one aspect of human activity and for this reason is conditioned by the criteria, assessments and objectives of the person who, on a daily basis, takes decisions which cause economic effects both for himself and for society as a whole. We must not forget the words of Benedict XVI: "... every economic decision has a moral consequence..."<sup>1</sup> Therefore, the economic analysis of the crisis has also concentrated on the consideration of man and the values present in his behaviour.

It is evident that man today lives immersed in a materialism that prevents him from seeing the horizon of transcendence that is an integral part of him, to the point where a fall of three percent in GDP can cause upheaval in the life of the subjects. The short term has become the sole acceptable dimension; the immediate benefit in high quantity prevails about the future uncertain penalty, because the discount rate to estimate the present value of both is extraordinarily high. The quantitative has replaced the qualitative and any material element that can be measured, weighted and valued in monetary terms, cancels any consideration or reference of a spiritual nature, those references that are to be found deep in the heart of man. It is, therefore, not surprising that the financial economy has acquired a central role, as opposed to the real economy and both predominate over the spiritual and strictly human values.

Profit, legitimate in principle, is all the more desired in accordance with the brevity of the period required for its attainment. Speculative activities, so deep-rooted in these historic times for the global world, provide a good example of the old financial principle of "*quick in, quick out*".

Hence, the subject relinquishes his very being to become just one more link in the chain of economic activity. At the same time as the worker, the producer, the consumer, the saver, the investor, etc. appears on the scenario, the man of work, the man of production, the subject of consumption, etc. disappears. It is this abstraction that ultimately makes man a slave of the economy, the server of a principle that does not constitute the essence of his very being; we speak of the submission to a new commandment: the ethics of efficiency or, if you wish, of the profit, as the one governing principle of human activity. So it is so, that any mean is valid if it drives finally to the desired end. The deceit, the fraud, the coercion, all them are useful instruments for, turned back to the morals, to get the established goal: the highest benefit and the biggest power.

With good reason, there has been distinction between the important role of economic activity carried out by the businessman who is aware of his life project, a project that tends towards God, and the other type of activity that only takes account of the present, without any other commitment, in accordance with the dignity of the human person. With fortunate terminology, they are recognised as "*sine specie aeternitatis*" businessman, and "*sub specie aeternitatis*" businessman.

When these references disappear, man is inclined towards the immediate satisfaction of his wishes and towards the exploitation of all his possibilities. The shortage of references in economic activity leads to a lack of consideration of the adverse effects of conducts and a still greater failure to consider those who suffer these effects. Let us reflect, in this sense, on the complete lack of consideration for the effects that might be felt in third countries as a result of the distribution through the financial markets of the toxic assets issued in one country and rapidly transmitted for infection to other countries and continents.

Seven reasons have been presented for the probability of that infection: a) the difficulties of the poor countries to access to the external market, as much for the financing as for the insurance; b) the revenues of the exports, will diminish as consequence of the decrease of the external demand for their products, besides for the reduction of the prices of the same ones; c) the value of the foreign securities diminishes, as consequence of the decrease of their yields; d) reduction of the foreign investments; e) reduction of the external aid; f) reduction of the external remittances; and g) reduction of the tourism.

Therefore, in this Plenary Session which has come to an end, there has been a call for more efficient and appropriate regulation of the financial markets, in the belief that it is in these markets that the vulnerability occurs with most frequency and scope. A regulation which should pay sufficient attention to: the demands that financial entities have sufficient capital if they are to be permitted to operate in the market; the improvement in the covering of risk in credit transactions; restricting the leverage rate of financial operations; the development of liquidity requisites that provide security and availability of financing resources: the moderation of the rewards –*bonuses*– received by executives of financial entities and companies in general, which have been scandalous in a time of crisis; the increasing of transparency in the activities of Rating Agencies, etc.

Now then, being these measures necessary, they are not sufficient. When we speak of financing and, mainly of difficulties or disturbances in the financial market, we should not reduce the analysis to that that corresponds to the private sector of the economy, either households or enterprises; the public sector plays, or it can play, also, a significant game in this type of problems. When it happens, it is necessary to pay special attention to the budgetary equilibrium as the basic goal and, certainly, to eliminate excessive deficit by reducing the public expenses, for very unpopular that is, and, in their case, to increase the taxes lightly; those taxes that less distort the market. Next to it, another measure, that in this case corresponds to the real sector, which is the one of increasing the productivity of the public resources, with the reduction of wages, and, in all cases, to reform the labour market, introducing greater flexibility to adjust it, automatically to the requirements of the production.

B) Moral fundamentals of the above considerations on the crisis.- For the Church, the economy is not the centre of human activity and certainly does not constitute the reference which should inform the behaviour of men. In the

words of John Paul II, "...The economy in fact is only one aspect and one dimension of the whole of human activity."2

Man is created as a free and responsible being who is called to gift. "Sometimes modern man is wrongly convinced that he is the sole author of himself, his life and society. This is a... consequence... of *original sin*..."3 It is precisely for this reason that laws are required to penalise actions far removed from the good of man and society. Laws are demanded to penalise corruption, because this shows the triumph of evil over good. It is necessary to distinguish in these norms, two different elaboration procedures: those that come from above (norms of general character) and those that proceed from below (those that are established for specific application in a certain country). It is necessary to recognize that the first, those that fix the international standards, have demonstrated a very low effectiveness, what doesn't authorize to think that the positive experiences at national level, can be translated to the international scale, since in last, the conflicts of interest among the nations are abundant and common.

It cannot be forgotten that man is a social being by nature. This is why man is born, lives and dies in society; moreover, he perfects himself in society when his generous and fraternal commitment tends towards improving the condition of the members of the community. Person, family and society, and in that order, are what give realism to human sociability. Furthermore, a large number of the necessities felt by man can only be satisfied in the family environment or in that of the community to which he belongs. Let us think of companionship, comprehension, the testimony of love, the desire to generate life, to attend to education, etc.

It is true that the market has the capacity to offer a route for the satisfaction of the material needs of people, and to do so efficiently, but it cannot even achieve this efficiency without an ethical reference, a reference within which the conservation of resources is of fundamental importance. It cannot be forgotten that the earth and all that exists on it has been given to man, to all mankind, and to all men. We can now see that, even when we speak of material needs, the market, without moral considerations, is capable of causing damage that is difficult or even impossible to repair.

But along with these situations, there is the wide range of spiritual needs to which the market cannot offer a route to guarantee their satisfaction. In these needs, gratuity rather than exchange shines bright. To be perceived in them is the fraternity that invades the affectionate relationship, without equivalence in respect of compensation. Therefore, the market is no more than an instrument which is correct for a series of objectives, as long as certain circumstances prevail. Does the solution lie in rejection of the market and substituting it with state planning? If we have said that the natural order was person – family – society, it must be added that the State would come after society. The priority is very clear in the words of Leo XIII: "There is no need to bring in the State. Man precedes the State, and possesses, prior to the formation of any State, the right of providing for the substance of his body."4

C) The social framework, result of and constraint on human behaviour.- In effect, faced with the danger of individualism, the solution is not collectivism but rather the aperture to fraternity. This is where man enjoys his human condition, where he opens himself to gratuity and he feels himself the protagonist in the act of promoting the common good.

From individualism, it is conceptually impossible to configure a political or social organisation. The isolation of individualism is contrary to commitment and solidarity. Indeed, solidarity is only conceivable where there exists interdependence between brothers, as children of the same father. A civil society wishing to be strong can only be so with bonds of interdependence that subordinate, without coercion, private and exclusive interest, to the general interest, or better still, to the common good, as the good of each and every member of the community. This common good, configured clearly in the Encyclical letter *Caritas in veritate*, as the comprehensive development of man.

It is this concept that embraces the human family in its entirety which can provide the solution to the lack of trust which seems to be a cornerstone of the current crisis. This lack of confidence cannot be solved in the individual sphere, because confidence exists in somebody, that is to say, that mutuality is necessary. Confidence in

oneself cannot be considered a social value. It cannot be taken as a value for co-existence. It is not necessary to resort to abstract models of society. Society is configured by life in society. This is the seed on which a civil society is based, capable of facing, with the bonds of interdependence, a crisis which has hit the entire human family, not only economically but also in human terms.

D) Education, a seed to germinate.- We speak continually of education, the educational process, the importance of education for a harmonious and responsible society. And, as educators, we underline the nobility of the teacher's function as a qualified task in programmed education. However, faced with the turbulences of life, it seems that the man finds himself without a response, without the instruments to confront adversity.

The response in the face of the crisis is, in an infinite number of cases, depression and discouragement, as opposed to the fight which would lead to decisive action designed to reduce its effects. Therefore, it is interesting to ask ourselves: What is the education that we are providing to young people? What is the real goal of the educational process? Do material elements and short term, continue to be the objectives of educational action?

If we enter even superficially into the process, it will stand out with particular clarity, and even more so in the university period, that the profession is the spotlight that illuminates the educational process. That is to say, in all probability, we are not training persons, but rather professionals, and these we shape free of commitment to the society in which they will exercise their function. It cannot surprise, therefore, that in the current crisis, there has been an abundance of cheating and fraud and excessive regard for the short-term coupled with disdain for that which belongs to the long-term.

Their behaviour has been similar to that of the isolated mercenary who, thinking of himself, lacks any consideration for others. His objective has a very short-term dimension. The concept of community or that of society is absent, "*the other*" does not exist and will never exist. Interdependence has no meaning and affection for persons and institutions lack of realism. The profession is lived aggressively and is based on the position of importance that may be achieved through notable performance and in the shortest possible period.

In this scenario, knowledge and the enjoyment of knowledge and its discovery does not appear to hold a preeminent place. The fact is that knowledge as an input in the formation of the personality is not even considered to be appropriate. Knowledge is defined as what might be considered useful for the practice of the professional activity. Hence, the term most employed in educational policy today is "employability". Everything revolves around the possibility of employment. Employment seekers who lack the basics of who they are and what their purpose is, who lack of their debt to society for the opportunities it has afforded them. If what we sow is materialism, if predominance is granted to utilitarian schemes as opposed to greatness of the heart and commitment to the good of others, we cannot wait anything other than what we have contemplated in the current economic crisis.

It is of course true that the laws can contribute. After all, they have a great pedagogical effect by demonstrating conducts in accordance with an honest and harmonious society, and penalising attitudes which serve to contravene that social project. Exemplariness is an educational channel also, though it has to be acknowledged that it is the last resort of education. To move through the jungle of life, it is necessary to know its paths, to know the equipment required for the journey, to calculate the strength with which one sets out and to understand that any traveller could be of great help at any time of need. That is to say that we need open-minded people, with the capacity to integrate into working teams and with ability for reflection; we aim for people who are convinced that the world is so complex that only with the cooperation of others will we achieve the fruit of our labours; moreover, that only with a joint vision will it be possible to find a solution, through the cooperative interaction of those who commit in it.

The contrary is to expose ourselves to listening to the response received by Queen Elizabeth II of England when, on visiting the London School of Economics, she asked about the crisis, its possible forecast and the instruments to reduce its effects. The compartmentalisation of knowledge cannot produce anything other than dysfunctions in the activity entrusted to us.

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1 Benedict XVI "Encyclical letter «Caritas in veritate»". Rome 29.06.2009, num. 37.2 John Paul II "Encyclical letter «Centessimus annus»". Rome, 01.05.1991, num. 39.3 Benedict XVI "Encyclical letter «Caritas in veritate»". Rome 29.06.2009, num. 34.4 Leo XIII "Encyclical letter «Rerum novarum»". Rome 15. 05. 1891, num. 7.[00648-02.01] [Original text: English][B0279-XX.03]

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