

CHAPTER THREE

FRATERNITY, ECONOMIC DEVELOPMENT AND CIVIL SOCIETY

34. *Charity in truth* places man before the astonishing experience of gift. Gratuitousness is present in our lives in many different forms, which often go unrecognized because of a purely consumerist and utilitarian view of life. The human being is made for gift, which expresses and makes present his transcendent dimension. Sometimes modern man is wrongly convinced that he is the sole author of himself, his life and society. This is a presumption that follows from being selfishly closed in upon himself, and it is a consequence — to express it in faith terms — of *original sin*. The Church's wisdom has always pointed to the presence of original sin in social conditions and in the structure of society: “Ignorance of the fact that man has a wounded nature inclined to evil gives rise to serious errors in the areas of education, politics, social action and morals”[85]. In the list of areas where the pernicious effects of sin are evident, the economy has been included for some time now. We have a clear proof of this at the present time.

The conviction that man is self-sufficient and can successfully eliminate the evil present in history by his own action alone has led him to **confuse happiness and salvation with immanent forms of material prosperity and social action.**

Then, **the conviction that the economy must be autonomous, that it must be shielded from “influences” of a moral character,** has led man to abuse the economic process in a thoroughly destructive way. **In the long term, these convictions have led to economic, social and political systems that trample upon personal and social freedom, and are therefore unable to deliver the justice that they promise.** As I said in my Encyclical Letter *Spe Salvi*, history is thereby deprived of *Christian hope*[86], deprived of a powerful social resource at the service of integral human development, sought in freedom and in justice. Hope encourages reason and gives it the strength to direct the will[87]. It is already present in faith, indeed it is called forth by faith.

Charity in truth feeds on hope and, at the same time, manifests it. As the absolutely gratuitous gift of God, hope bursts into our lives as something not due to us, something that transcends every law of justice. Gift by its nature goes beyond merit, its rule is that of superabundance. **Charity takes first place in our souls as a sign of God's presence in us,** a sign of what he expects from us. **Truth — which is itself gift, in the same way as charity — is greater than we are,** as Saint Augustine teaches[88]. Likewise the truth of ourselves, of our personal conscience, is first of all *given* to us. In every cognitive process, **truth is not something that we produce, it is always found, or better, received. Truth, like love, “is neither planned nor willed, but somehow imposes itself upon human beings”**[89].

Because it is a gift received by everyone, charity in truth is a force that builds community, it brings all people together without imposing barriers or limits. The human community that we build by ourselves can never, purely by its own strength, be a fully fraternal community, nor can it overcome every division and become a truly universal community. The unity of the human race, a fraternal communion transcending every barrier, is called into being by the word of God-who-is-Love. In addressing this key question, we must make it clear, on the one hand, that the logic of gift

does not exclude justice, nor does it merely sit alongside it as a second element added from without; on the other hand, economic, social and political development, if it is to be authentically human, needs to make room for the *principle of gratuitousness* as an expression of fraternity.

35. In a climate of mutual trust, the *market* is the economic institution that permits encounter between persons, inasmuch as they are economic subjects who make use of contracts to regulate their relations as they exchange goods and services of equivalent value between them, in order to satisfy their needs and desires. The market is subject to the principles of so-called *commutative justice*, which regulates the relations of giving and receiving between parties to a transaction. But the social doctrine of the Church has unceasingly highlighted the importance of *distributive justice* and *social justice* for the market economy, not only because it belongs within a broader social and political context, but also because of the wider network of relations within which it operates. In fact, if the market is governed solely by the principle of the equivalence in value of exchanged goods, it cannot produce the social cohesion that it requires in order to function well.

Without internal forms of solidarity and mutual trust, the market cannot completely fulfill its proper economic function. And today it is this trust which has ceased to exist, and the loss of trust is a grave loss. It was timely when Paul VI in *Populorum Progressio* insisted that the economic system itself would benefit from the wide-ranging practice of justice, inasmuch as the first to gain from the development of poor countries would be rich ones^[90]. According to the Pope, it was not just a matter of correcting dysfunctions through assistance. The poor are not to be considered a “burden”^[91], but a resource, even from the purely economic point of view. It is nevertheless erroneous to hold that the market economy has an inbuilt need for a quota of poverty and underdevelopment in order to function at its best. It is in the interests of the market to promote emancipation, but in order to do so effectively, it cannot rely only on itself, because it is not able to produce by itself something that lies outside its competence. It must draw its moral energies from other subjects that are capable of generating them.

36. Economic activity cannot solve all social problems through the simple application of commercial logic. This needs to be directed towards the pursuit of the common good, for which the political community in particular must also take responsibility. Therefore, it must be borne in mind that grave imbalances are produced when economic action, conceived merely as an engine for wealth creation, is detached from political action, conceived as a means for pursuing justice through redistribution.

The Church has always held that economic action is not to be regarded as something opposed to society. In and of itself, the market is not, and must not become, the place where the strong subdue the weak. Society does not have to protect itself from the market, as if the development of the latter were *ipso facto* to entail the death of authentically human relations. Admittedly, the market can be a negative force, not because it is so by nature, but because a certain ideology can make it so. It must be remembered that the market does not exist in the pure state. It is shaped by the cultural configurations which define it and give it direction. Economy and finance, as instruments, can be used badly when those at the helm are motivated by purely selfish ends. Instruments that are good in themselves can thereby be transformed into harmful ones. But it is man's darkened reason that produces these consequences, not the instrument *per se*. Therefore it is not the

instrument that must be called to account, but individuals, their moral conscience and their personal and social responsibility.

The Church's social doctrine holds that authentically human social relationships of friendship, solidarity and reciprocity can also be conducted within economic activity, and not only outside it or “after” it. The economic sphere is neither ethically neutral, nor inherently inhuman and opposed to society. It is part and parcel of human activity and precisely because it is human, it must be structured and governed in an ethical manner.

The great challenge before us, accentuated by the problems of development in this global era and made even more urgent by the economic and financial crisis, is to demonstrate, in thinking and behaviour, not only that traditional principles of social ethics like transparency, honesty and responsibility cannot be ignored or attenuated, but also that in *commercial relationships* the *principle of gratuitousness* and the logic of gift as an expression of fraternity can and must *find their place within normal economic activity*. This is a human demand at the present time, but it is also demanded by economic logic. It is a demand both of charity and of truth.

37. The Church's social doctrine has always maintained that *justice must be applied to every phase of economic activity*, because this is always concerned with man and his needs. Locating resources, financing, production, consumption and all the other phases in the economic cycle inevitably have moral implications. Thus every economic decision has a moral consequence. The social sciences and the direction taken by the contemporary economy point to the same conclusion. Perhaps at one time it was conceivable that first the creation of wealth could be entrusted to the economy, and then the task of distributing it could be assigned to politics. Today that would be more difficult, given that economic activity is no longer circumscribed within territorial limits, while the authority of governments continues to be principally local. Hence the canons of justice must be respected from the outset, as the economic process unfolds, and not just afterwards or incidentally. Space also needs to be created within the market for economic activity carried out by subjects who freely choose to act according to principles other than those of pure profit, without sacrificing the production of economic value in the process. The many economic entities that draw their origin from religious and lay initiatives demonstrate that this is concretely possible.

In the global era, the economy is influenced by competitive models tied to cultures that differ greatly among themselves. The different forms of economic enterprise to which they give rise find their main point of encounter in commutative justice. *Economic life* undoubtedly requires *contracts*, in order to regulate relations of exchange between goods of equivalent value. But it also needs *just laws* and *forms of redistribution* governed by politics, and what is more, it needs works redolent of the *spirit of gift*. The economy in the global era seems to privilege the former logic, that of contractual exchange, but directly or indirectly it also demonstrates its need for the other two: political logic, and the logic of the unconditional gift.

38. My predecessor John Paul II drew attention to this question in *Centesimus Annus*, when he spoke of the need for a system with three subjects: the *market*, the *State* and *civil society*[92]. He saw civil society as the most natural setting for an *economy of gratuitousness* and fraternity, but did not mean to deny it a place in the other two settings. Today we can say that economic life must

be understood as a multi-layered phenomenon: in every one of these layers, to varying degrees and in ways specifically suited to each, the aspect of fraternal reciprocity must be present.

In the global era, economic activity cannot prescind from gratuitousness, which fosters and disseminates solidarity and responsibility for justice and the common good among the different economic players. It is clearly a specific and profound form of economic democracy. Solidarity is first and foremost a sense of responsibility on the part of everyone with regard to everyone^[93], and it cannot therefore be merely delegated to the State. While in the past it was possible to argue that justice had to come first and gratuitousness could follow afterwards, as a complement, today it is clear that without gratuitousness, there can be no justice in the first place. What is needed, therefore, is a market that permits the free operation, in conditions of equal opportunity, of enterprises in pursuit of different institutional ends. Alongside profit-oriented private enterprise and the various types of public enterprise, there must be room for commercial entities based on mutualist principles and pursuing social ends to take root and express themselves. It is from their reciprocal encounter in the marketplace that one may expect hybrid forms of commercial behaviour to emerge, and hence an attentiveness to ways of *civilizing the economy*. Charity in truth, in this case, requires that shape and structure be given to those types of economic initiative which, without rejecting profit, aim at a higher goal than the mere logic of the exchange of equivalents, of profit as an end in itself.

39. Paul VI in *Populorum Progressio* called for the creation of a model of market economy capable of including within its range all peoples and not just the better off. He called for efforts to build a more human world for all, a world in which “all will be able to give and receive, without one group making progress at the expense of the other”^[94]. In this way he was applying on a global scale the insights and aspirations contained in *Rerum Novarum*, written when, as a result of the Industrial Revolution, the idea was first proposed — somewhat ahead of its time — that the civil order, for its self-regulation, also needed intervention from the State for purposes of redistribution. Not only is this vision threatened today by the way in which markets and societies are opening up, but it is evidently insufficient to satisfy the demands of a fully humane economy. What the Church's social doctrine has always sustained, on the basis of its vision of man and society, is corroborated today by the dynamics of globalization.

When both the logic of the market and the logic of the State come to an agreement that each will continue to exercise a monopoly over its respective area of influence, in the long term much is lost: solidarity in relations between citizens, participation and adherence, actions of gratuitousness, all of which stand in contrast with *giving in order to acquire* (the logic of exchange) and *giving through duty* (the logic of public obligation, imposed by State law). In order to defeat underdevelopment, action is required not only on improving exchange-based transactions and implanting public welfare structures, but above all on gradually *increasing openness, in a world context, to forms of economic activity marked by quotas of gratuitousness and communion*. The exclusively binary model of market-plus-State is corrosive of society, while economic forms based on solidarity, which find their natural home in civil society without being restricted to it, build up society. The market of gratuitousness does not exist, and attitudes of gratuitousness cannot be established by law. Yet both the market and politics need individuals who are open to reciprocal gift.

40. Today's international economic scene, marked by grave deviations and failures, requires a *profoundly new way of understanding business enterprise*. Old models are disappearing, but promising new ones are taking shape on the horizon. **Without doubt, one of the greatest risks for businesses is that they are almost exclusively answerable to their investors, thereby limiting their social value.** Owing to their growth in scale and the need for more and more capital, it is becoming increasingly rare for business enterprises to be in the hands of a stable director who feels responsible in the long term, not just the short term, for the life and the results of his company, and it is becoming increasingly rare for businesses to depend on a single territory.

Moreover, the so-called outsourcing of production can weaken the company's sense of responsibility towards the stakeholders — namely the workers, the suppliers, the consumers, the natural environment and broader society — in favour of the shareholders, who are not tied to a specific geographical area and who therefore enjoy extraordinary mobility. Today's international capital market offers great freedom of action. Yet there is also increasing awareness of the need for greater *social responsibility* on the part of business. Even if the ethical considerations that currently inform debate on the social responsibility of the corporate world are not all acceptable from the perspective of the Church's social doctrine, **there is nevertheless a growing conviction that business management cannot concern itself only with the interests of the proprietors, but must also assume responsibility for all the other stakeholders who contribute to the life of the business: the workers, the clients, the suppliers of various elements of production, the community of reference.**

In recent years a new cosmopolitan class of *managers* has emerged, who are often answerable only to the shareholders generally consisting of anonymous funds which *de facto* determine their remuneration. By contrast, though, many far-sighted managers today are becoming increasingly aware of the profound links between their enterprise and the territory or territories in which it operates. **Paul VI invited people to give serious attention to the damage that can be caused to one's home country by the transfer abroad of capital purely for personal advantage^[95].** John Paul II taught that *investment always has moral, as well as economic significance^[96]*. All this — it should be stressed — is still valid today, despite the fact that the capital market has been significantly liberalized, and modern technological thinking can suggest that investment is merely a technical act, not a human and ethical one. There is no reason to deny that a certain amount of capital can do good, if invested abroad rather than at home. Yet the requirements of justice must be safeguarded, with due consideration for the way in which the capital was generated and the harm to individuals that will result if it is not used where it was produced^[97].

What should be avoided is a speculative use of financial resources that yields to the temptation of seeking only short-term profit, without regard for the long-term sustainability of the enterprise, its benefit to the real economy and attention to the advancement, in suitable and appropriate ways, of further economic initiatives in countries in need of development. It is true that the export of investments and skills can benefit the populations of the receiving country. Labour and technical knowledge are a universal good. Yet it is not right to export these things merely for the sake of obtaining advantageous conditions, or worse, for purposes of exploitation, without making a real contribution to local society by helping to bring about a robust productive and social system, an essential factor for stable development.

41. **In the context of this discussion, it is helpful to observe that *business enterprise* involves a wide range of values, becoming wider all the time. The continuing hegemony of the binary model of market-plus-State has accustomed us to think only in terms of the private business leader of a capitalistic bent on the one hand, and the State director on the other.** In reality, business has to be understood in an articulated way. There are a number of reasons, of a meta-economic kind, for saying this.

Business activity has a human significance, prior to its professional one[98]. It is present in all work, understood as a personal action, an “*actus personae*”[99], which is why every worker should have the chance to make his contribution knowing that in some way “he is working ‘for himself’”[100]. With good reason, Paul VI taught that “everyone who works is a creator”[101]. It is in response to the needs and the dignity of the worker, as well as the needs of society, that there exist various types of business enterprise, over and above the simple distinction between “private” and “public”. Each of them requires and expresses a specific business capacity. In order to construct an economy that will soon be in a position to serve the national and global common good, it is appropriate to take account of this broader significance of business activity. It favours cross-fertilization between different types of business activity, with shifting of competences from the “non-profit” world to the “profit” world and vice versa, from the public world to that of civil society, from advanced economies to developing countries.

Political authority also involves a *wide range of values*, which must not be overlooked in the process of constructing a new order of economic productivity, socially responsible and human in scale. As well as cultivating differentiated forms of business activity on the global plane, we must also promote a dispersed political authority, effective on different levels.

The integrated economy of the present day does not make the role of States redundant, but rather it commits governments to greater collaboration with one another. Both wisdom and prudence suggest not being too precipitous in declaring the demise of the State. In terms of the resolution of the current crisis, the State's role seems destined to grow, as it regains many of its competences. In some nations, moreover, the construction or reconstruction of the State remains a key factor in their development. The focus of *international aid*, within a solidarity-based plan to resolve today's economic problems, should rather be on consolidating constitutional, juridical and administrative systems in countries that do not yet fully enjoy these goods. Alongside economic aid, there needs to be aid directed towards reinforcing the guarantees proper to the *State of law*: a system of public order and effective imprisonment that respects human rights, truly democratic institutions. **The State does not need to have identical characteristics everywhere: the support aimed at strengthening weak constitutional systems can easily be accompanied by the development of other political players, of a cultural, social, territorial or religious nature, alongside the State.** The articulation of political authority at the local, national and international levels is one of the best ways of giving direction to the process of economic globalization. It is also the way to ensure that it does not actually undermine the foundations of democracy.

42. **Sometimes *globalization* is viewed in fatalistic terms, as if the dynamics involved were the product of anonymous impersonal forces or structures independent of the human will[102].** In this regard it is useful to remember that while globalization should certainly be understood as a socio-economic process, this is not its only dimension. Underneath the more visible process,

humanity itself is becoming increasingly interconnected; it is made up of individuals and peoples to whom this process should offer benefits and development[103], as they assume their respective responsibilities, singly and collectively. The breaking-down of borders is not simply a material fact: it is also a cultural event both in its causes and its effects. If globalization is viewed from a deterministic standpoint, the criteria with which to evaluate and direct it are lost. As a human reality, it is the product of diverse cultural tendencies, which need to be subjected to a process of discernment. The truth of globalization as a process and its fundamental ethical criterion are given by the unity of the human family and its development towards what is good. Hence a sustained commitment is needed so as to *promote a person-based and community-oriented cultural process of world-wide integration that is open to transcendence.*

Despite some of its structural elements, which should neither be denied nor exaggerated, “globalization, *a priori*, is neither good nor bad. It will be what people make of it”[104]. We should not be its victims, but rather its protagonists, acting in the light of reason, guided by charity and truth. Blind opposition would be a mistaken and prejudiced attitude, incapable of recognizing the positive aspects of the process, with the consequent risk of missing the chance to take advantage of its many opportunities for development. The processes of globalization, suitably understood and directed, open up the unprecedented possibility of large-scale redistribution of wealth on a world-wide scale; if badly directed, however, they can lead to an increase in poverty and inequality, and could even trigger a global crisis. It is necessary to *correct the malfunctions*, some of them serious, that cause new divisions between peoples and within peoples, and also to ensure that the redistribution of wealth does not come about through the redistribution or increase of poverty: a real danger if the present situation were to be badly managed. **For a long time it was thought that poor peoples should remain at a fixed stage of development, and should be content to receive assistance from the philanthropy of developed peoples.** Paul VI strongly opposed this mentality in *Populorum Progressio*.

Today the material resources available for rescuing the peoples from poverty are potentially greater than before, but they have ended up largely in the hands of people from developed countries, who have benefited more from the liberalization that has occurred in the mobility of capital and labour.

The world-wide diffusion of forms of prosperity should not therefore be held up by projects that are self-centred, protectionist or at the service of private interests. Indeed the involvement of emerging or developing countries allows us to manage the crisis better today. The transition inherent in the process of globalization presents great difficulties and dangers that can only be overcome if we are able to appropriate the underlying anthropological and ethical spirit that drives globalization towards the humanizing goal of solidarity. Unfortunately this spirit is often overwhelmed or suppressed by ethical and cultural considerations of an individualistic and utilitarian nature. Globalization is a multifaceted and complex phenomenon which must be grasped in the diversity and unity of all its different dimensions, including the theological dimension. In this way it will be possible to experience and to *steer the globalization of humanity in relational terms, in terms of communion and the sharing of goods.*