STUDIA SELECTA 1

INCLUSIVE SOLIDARITY AND INTEGRATION OF MARGINALIZED PEOPLE

Stefano Zamagni
Marcelo Sánchez Sorondo *Editors*

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The Pontifical Academy of Social Sciences Studia Selecta 1

The Proceedings of the Workshop on

Inclusive Solidarity and Integration of Marginalized People

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Against the globalization of indifference "there is a need to work together and across boundaries in creating 'waves' that can affect society as a whole, from top to bottom and vice versa, moving from the periphery to the centre and back again, from leaders to communities, and from small towns and public opinion to the most influential segments of society".

Statement By His Holiness Pope Francis To The "Judges' Summit on Human Trafficking and Organized Crime" (Vatican City, 3-4 June 2016)


C. HALAS
M. KITUYI

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Introduction

1. The distress that comes from many tragic events and cases of destitution leads us to carefully consider the notion of "social inclusion" and to identify it with the litmus test of the seriousness of our declarations. Including means sharing, participating, moving from being a stranger and misfit to be an integrated and active person, from a subject to a sovereign citizen. Above all, today, inclusion means considering that in the last decades there has been a sharp increase in the number of people that have been "expelled" from the productive sphere in most parts of the world. These are "surplus people" to be warehoused, displaced, trafficked, reduced to mere labouring bodies and body-organs. Even Princeton economists Anne Case and Angus Deaton suggest (via correlations) that recent patterns of mortality and morbidity go hand in hand with exclusion from marriage, children, religious congregations and political society.

The term "inclusion" expresses the common thread that binds all the reflections of Pope Francis on CST and allows us to design a bridge that connects the social teaching of the last three Popes. Social inclusion can take place only on the grounds of the formal recognition of equal opportunities to participate in the strategic decisional and operative moments that make a social aggregate an active civil society, polyarchical and solidarious. It should never be forgotten that the principle of inclusion does not originate in satisfying debts by exchange or distribution. Rather, distribution operates within an already given social inclusion. One does not become a member of society as a result of being given something. Even Leo XIII worried that all of the so-called "necessary societies" would gradually be reduced "to the genus of commercial contracts, which can rightly been revoked by the will of those who made them".

It is noteworthy that the distinguished demographer N.N. Eberstadt recently coined the expression "our miserable 21st century" to indicate that miseries arise not so much from plagues and natural disasters as from exclusion from the basic social forms of living together.

2. Part of the problem of why poverty has proved to be such an intractable issue is that experts cannot agree on a definition. Differences over measurement reflect and fuel confusion over what it means to be excluded. Even more importantly, there is little agreement as to whether poverty is largely caused by structural factors (poor fundamentals, be they poor insti-

tutions and endowments or low skills and abilities at the individual level) or by personal failings (i.e. lack of effort on the part of people), or by the poverty trap, understood as self-reinforcing mechanisms, whereby poor individuals or countries remain poor.

This leads to disagreement about how best to tackle the problem. Poverty and destitution are never neutral. They are a product of cultural habits, social structures, economic institutions, politics and invariably divide opinions. This same consideration applies to the notion of inequality as a major cause of exclusion. In the large literature on multidimensional inequality a commonly used label for such inequalities is "social inequality". However, this remains a vague concept compared with the many notions of inequality in individual dimensions, such as income, wealth, skills and training, health and so on. This implies that it is not sufficient to know which people are poor and where. We need to know how they are poor: in which indicators they are deprived simultaneously. The fact is that there are different intensities of poverty, as some people are disadvantaged in more indicators that others. To this regard, I should refer to the work of C. Binelli, M. Loveless, S. Whitefield, which advances an innovative proposal about the multi-dimensional thinking and measurement of inequality. The suggestion is that individuals' well-being and effective freedom to achieve depends not only on what a person has actually achieved, but also on what a person expects to be able to achieve in the future. Clearly, what individuals expect from their future has significant behavioural consequences now.

3. The present workshop aims to complete two tasks. On the one hand, to understand why, despite the rapid economic growth achieved globally over the last quarter of a century and the many initiatives prompted by the UN's Millennium Development Goals, the outcomes have been so meagre. On the other hand, the workshop takes as its lighthouse the "how question": how to implement a feasible strategy, also at the grass-root level, in order to eradicate exclusion. In other words, the focus will be on therapy, rather than on diagnostics.

Pope Francis recognizes the great contributions made by entrepreneurship and innovative finance to human development over the centuries. The world's economic leaders "have demonstrated their aptitude for being innovative and for improving the lives of many people by their ingenuity and professional expertise" (July 2014). The challenge today is how the economy can extend benefits and reverse gaping inequalities and worsen-

ing exclusions. Catholic Social Teaching (CST) does not, in any way, resist a market-based economy, provided it is oriented toward the common good – not merely the total good – where the free market develops with inclusivity, stability, transparency. What CST demands is to reform the market social order against some of its ills.

4. This last point deserves further thought. It is an acknowledged fact that in our time the market and the culture of contract on which the market is based have progressively become more important in our lives. There are those who believe that the global market will now recreate social obligation and rebuild human relationships, and they want everything in our social, political and cultural life to be directed to the efficiency of mechanisms and the effectiveness of procedures. The "good news" of competition and globalization seems to have become, in recent years, the true ideology of the post-Fordist society, a sort of "single thought". Christians, instead, believe that a new human dimension to all this integration of the economies through the market is needed and that a model of development is a good one *not only* for the efficiency of the results it achieves, but also for its ability to take into account the *whole* human being – in all its dimensions – and *all* human beings. While CST underlines this aspect it does not in any way, as some would wish, reject the market, the social role of private enterprises, profit, finance and so on.

Rather, CST holds that everyone can help establish rules and build institutions, in order to select the aims and decide the priorities by which the economy is governed. And, if the recent teachings of the Church make critical reference to the dominant model of development, this is not because the enormous potential and benefits it has brought to humankind are not acknowledged, but it is because such potential is too often exploited to create inequalities rather than to enhance solidarity; to increase what is superfluous rather than to redistribute necessities; to impose the dominance of one particular model of development rather than to acknowledge the resources of the many diverse models.

In the depths of our civil and economic culture there is an opposing tendency growing. This is a growing opposition based on the ethical evaluation of the market. This leads some to see the capitalist market as the only 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 privatization of common goods to the buying and selling of or-

gans). Others would banish these values and instruments from all morally relevant areas of human life, and keep them controlled and restricted in size. With globalization 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 necessary synthesis and novel constructive dialogue are something different and are not ideological. We should first recognize that the history of the real world has showed us that real markets are much more vital, promiscuous, non-ideological and surprising than imagined and described in both the 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 great and long history of the relationship between markets and civil life, between contract and gift, is mainly a story of friendship and alliance.

5. Contrary to conventional belief, market economies do not follow a unilinear path over time. In fact, after a rising phase, they stagnate and eventually decline. It is important to understand the dynamics of the successive phases of the cycle: how it happens that the market in certain historical periods becomes the dominant system of exchange and allocation of both outputs and factors of production; and how it manages to supersede non-market systems such as those offered by the state, associations, corporations, manorial systems. In a relevant contribution, Bas van Bavel shows that such a process in neither the result of the detrimental effects of non-market forces, nor of external shocks of a climatologic, epidemic or military nature. Rather, the causes of that process are mainly endogenous; i.e. they are the effect of the forces called forward by dominant markets themselves and the market elites they have created. In turn, dominant groups use their economic strength to acquire status and political leverage that allow them to obtain means of coercion to compensate for the reduction of productive investments. This explains why and how the dominating rise of factor markets is self-undermining. Success in terms of economic growth enables a few market elites to privatize and accumulate financial assets, natural resources and machinery. Over time, this induces social polarization and a reduction in welfare for marginalized people. The ensuing escalation of wealth inequality leads to institutional sclerosis due to an increase of rent-seeking behavior. In turn, as the organization of factor markets becomes more and more skewed towards the interests of the market elites, economic growth turns into stagnation.

People start to retreat from the market, looking for alternative systems of exchange and allocation. The process thus ends with the decline of the market economy.

An interesting confirmation of this process comes from the work of the French anthropologist Germaine Tillon who lived in the Aures region (Algeria) in the 1930s. She returned to the region after the war, to discover that the society she described as "balanced and happy in its ancestral tranquility" had become impoverished. What happened? Believing it would help the Aures community, the French government dispersed DDT in ponds to combat malaria and built a road to Algiers to overcome the region's isolation. These two policies, more than legitimate and useful *per se*, produced a chain reaction. The eradication of malaria stimulated a demographic explosion and this caused shepherds' livestock to rapidly destroy the soil. At the same time, thanks to the road, a small number of people were able to bring surplus livestock to the markets of the capital city. The final result was that a few people became richer and richer, while the rest of the local population suffered.

The determinant responsible for these kinds of processes is the absence of any corrective mechanism, at least after the point of no return has been reached. The accumulation of changes in power and property, as a result of the negative feedback cycle, slowly pushes the system to a tipping point (the so-called catastrophic bifurcation in natural sciences) despite the fact that each of these changes in themselves is fairly small. From that point onwards, the system loses its self-correcting ability and a return to the previous situation is no longer possible. Of the factor markets, the financial one is generally the last to emerge and grow, but it rises very quickly during the last phases of the cycle. At first, the rise of financial markets may have positive effects; but as increasing surpluses are accumulated, the rise of these markets becomes unstoppable and inextricable, while at the same time their nature changes, as they become self-referential. This means that financial markets, rather than promoting economic growth, are promoted by growth and wealth accumulation. Indeed, one of the least disputed lessons of the recent financial crisis is that "systemic risk" not only exists, but really matters. Systemic risk appears when multiple interactions between a system's components create feedback loops impossible to control. Systemic risk emerges when unsolved local problems are amplified and multiplied by an unchecked network of feedback loops, to the point of bringing the system to the verge of collapse. The recent financial crisis risked putting the world economy at near collapse.

6. What makes us think that bringing back the principle of "common good" to the public sphere (not to be confused with the government sphere), and particularly to the economic sphere, is not just a soothing utopia? The answer lies in two factors, both of them verifiable. The first involves understanding that capitalist economy is based on a serious, pragmatic contradiction – clearly not a logical one. To be sure, capitalist economy is a market economy, in other words an institution based on the two basic principles of modernity: (1) freedom of action and enterprise, and (2) equality before the law. Yet at the same time, the key institution of capitalism – capitalist business – has continued to develop over the past three centuries on the principle of hierarchy. This has created a production system with a centralised structure to which a certain number of individuals voluntarily surrender – in exchange for a price (wages) – their work which, once it enters the firm, is no longer under their control.

We know well from economic history how this happened, and we also know the remarkable economic progress that this institution has achieved. However, the fact is that in the present transition – from modernity to postmodernity – more and more voices are being raised to point out the difficulty of reconciling democratic and capitalist principles. The main problem is the "privatisation" of the public realm: capitalist businesses increasingly control the behaviour of individuals – more than half of one's lifetime is spent at work – at the expense of the government or other agencies, and above all at the expense of the family. Notions such as freedom of choice, tolerance, equality before the law and participation, which developed and spread during the period of civil humanism and were then strengthened during the Enlightenment, as an antidote to the (almost) absolute power of the monarch, are being co-opted and suitably recalibrated by capitalist businesses to turn individuals, who are no longer in thrall, into purchasers of the goods and services they themselves produce.

The dyscrasia here is that, if there are cogent reasons to see the greatest possible extension of the democratic principle as a good thing, we must then start to look at what happens *inside* businesses, rather than just look at the relations between businesses interacting in the market. A society in which the democratic principle is only applied in the political sphere can never be fully democratic. A good society does not force its members to make awkward dissociations between being democratic as citizens, but not democratic as workers or consumers. The second consideration concerns the ever-increasing dissatisfaction with the way in which the principle of freedom is interpreted nowadays. There are three constitutive dimen-

sions of freedom: autonomy, immunity and capability. Autonomy means freedom of choice: we are not free if we are not in a position to choose. Immunity means the absence of coercion by any external agent; it is essentially the negative freedom (or 'freedom from'), as spoken by Isaiah Berlin. Finally, capability, as posited by Amartya Sen, means our ability to achieve our goals, at least partly or to some extent. We are not free if we can never – or can only partly – put our own life plans into effect.

Now, whereas the neo-liberal approach ensures the first and second dimensions of freedom at the expense of the third, the statist approach, whether in the mixed-economy version or the market socialism version, tends to promote the second and third dimensions at the expense of the first. Liberalism is certainly able to act as a flywheel for change, but less able to deal with its negative consequences that are due to the high degree of asymmetry in time between distribution of the costs of change and that of its benefits. The costs are immediate and tend to fall on the segments of the population that are least equipped to cope with them; the benefits arise over time, and accrue to the most talented. As Joseph Schumpeter was one of the first to recognise, the creative destruction mechanism is not only the heart of the capitalist system – which destroys the "old" to create the "new", and creates the "new" by destroying the "old" – but it is also its Achilles' heel. On the other hand, although market socialism – in its many versions – assigns government the task of dealing with the aforementioned asymmetries, it does not undermine the logic of the capitalist market; it merely restricts the area in which it can operate and take control. The essence of the common good paradigm, favoured by CST, in contrast, lies in attempting to maintain all three dimensions of freedom united. That is what makes it worthwhile investigating and accompanying to implementation.

7. There are two wrong ways – warns Pope Francis in *Evangelii Gaudium* (2013) – of facing up to these major challenges. One is to give in to the temptation of remaining out of touch with reality through utopia; the other is to resign faced with reality. But if society is to be a match for today's challenges, it must avoid such pitfalls. It must not waver between the blithe optimism of those who see historical processes as a triumphant march of humanity towards its full realisation, and the despairing cynicism of those who believe, in Kafka's words, that "there is a destination, but no way there".

Hence the need for a new message of hope. The certainties that technical and scientific progress offer us are not sufficient. Our ability to find

the means of attaining all manner of goals has certainly increased over time and will continue to do so. However, although the problem of means now seems far less serious than it used to be, we cannot assume that the same will be true of the problem of ends – a problem that can be stated as "What should I want?" rather than "What should I do to obtain what I want?" Today human beings are afflicted by the need to choose their ends and not just their means. Hence, the need for new hope: faced with an ever-stronger chain of means, people today seem unable to find any alternative to submitting or rebelling. Things were different when the chain of means was weaker. It is understandable that the have-nots will focus their hope on having: this is the "old hope". But it would be wrong to continue believing this today. Although it is true that it would be foolish to abandon the pursuit of means, it is even more true that the "new hope" must be focused on the ends. The definition of hoping today is precisely the following: not considering ourselves either as the mere result of processes that are beyond our control, or as a self-sufficient reality that does not need relationships with others.

Prof. Stefano Zamagni
Pontifical Academy of Social Sciences

Programme

Friday, 28 October 2016

OPENING SESSION
Chair: Margaret Archer

9:00 *Word of Welcome*
President Margaret Archer
H.E. Msgr. Marcelo Sánchez Sorondo

9:10 *Introduction to the Workshop*
Stefano Zamagni

9:20 *Mercy As a Path Toward Social Inclusion in the Light of the "Laudato Si'"*
H.Em. Card. Oscar Andrés Rodríguez Maradiaga

9:50 Discussant: Anthony Annett

10:05 *Solidarity and Subsidiarity*
Jeffrey D. Sachs

10:35 Discussant: Paolo G. Carozza

10:50 Coffee break

11:10 *"Io sono forestiero e di passaggio in mezzo a voi" (Gen. 23): Lessons for our times*
Joseph H.H. Weiler

11:55 Plenary Discussion

13:00 Lunch at the Casina Pio IV

Chair: H.E. Msgr. Roland Minnerath

15:00 *Building a Culture of Inclusive Solidarity*
Elżbieta Hałas

15:30 Discussant: H.E. Msgr. Roland Minnerath

15:45 *Democracies Without Citizens: How Can Nominal Democracies Become Real?*
Janne H. Matlary

16:15 Discussant: Hsin-chi Kuan

16:30 Coffee break

17:00 *The Sharing Theory: A Pathway to an Inclusive and Suitable Economy?*
Mukhisa Kituyi

17:30 Discussant: Juan José Llach

17:45 Plenary Discussion

19:15 Dinner at the Casina Pio IV

Saturday, 29 October 2016

Chair: Hsin-Chi Kuan
9:00 *Attacking Inequality to Fight Poverty*
Francisco H.G. Ferreira
9:30 Discussant: Rocco Buttiglione
9:45 *Poverty and Inclusion in a Warming Planet*
Gaël Giraud
10:15 Discussant: Stefano Zamagni
10:30 Coffee break
11:00 *What Policies Against Poverty?*
Gérard-François Dumont
11:30 Discussant: H.E. Msgr. Marcelo Sánchez Sorondo
11:45 Plenary Discussion
13:00 Lunch at the Casina Pio IV
Chair: Stefano Zamagni
15:00 *The Civil Economy Strategy Against Marginalization: Theory and Practice in the Last Years*
Leonardo Becchetti
15:30 Discussant: Jeffrey D. Sachs
15:45 The Solidarity Motive
Christoph Engel
16:15 Discussant: Margaret Archer
16:30 Coffee break
17:00 *The Expansion of the Immaterial Dimension and its Impact on Social and Economic Exclusion*
Stefano Quintarelli
17:30 Discussant: Rocco Buttiglione
17:45 Plenary Discussion

CLOSING SESSION
Chair: H.E. Msgr. Marcelo Sánchez Sorondo
18:30 Formulation and Approval of Final Statement
19:30 Dinner at the Casina Pio IV

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Scientific Papers

La misericordia como vía para la inclusión social a la luz de la *Laudato Si'*

Oscar Andrés Cardenal Rodríguez Maradiaga, SDB

1. La Misericordia es siempre una vía que recorrer

Nos ha dicho el Papa Francisco que "siempre tenemos necesidad de contemplar el misterio de la misericordia... Misericordia: es la palabra que revela el misterio de la Santísima Trinidad. Misericordia: es el acto último y supremo con el cual Dios viene a nuestro encuentro. Misericordia: es la ley fundamental que habita en el corazón de cada persona cuando mira con ojos sinceros al hermano que encuentra en el camino de la vida. Misericordia: es la vía que une Dios y el hombre, porque abre el corazón a la esperanza de ser amados no obstante el límite de nuestros pecados" (*Misericordia vultus*, 2). A partir de esta cita, es fácil identificar cuál es la noción de misericordia según el concepto del Magisterio papal de Francisco. En ella ofrece 4 dimensiones que se marcan en el horizonte en forma de cruz, como señalando los cuatro puntos cardinales, señalando al cielo, partiendo del corazón y mirando al prójimo, a los hermanos.

Por lo tanto, la misericordia es una realidad divina con derivaciones humanas; por eso la invitación a seguir como lema del Jubileo: "misericordiosos como el Padre", imitando a Cristo que es el rostro de la misericordia divina. Ya que la fuente de la misericordia es el misterio de la Santísima Trinidad, que se acerca a nosotros en Jesucristo, de ahí nace la necesidad imperiosa de profesar y proclamar la misericordia y reclamarla como centro de la actividad de la Iglesia.

El Papa Francisco nos dice que la Misericordia es el lazo de unión entre Dios y el hombre "porque en la misericordia tenemos la prueba de cómo Dios ama. Él da todo de sí mismo, por siempre, gratuitamente y sin pedir nada a cambio..." (*Misericordiae Vultus*, 14), y abre a la esperanza de ser amados no obstante el límite de nuestro pecado. La misericordia de Dios ensancha el corazón humano para que todo prójimo, todo hermano, también el mundo creado, tengan acogida en él.

La Virgen María dice en el cántico del Magnificat: "Su misericordia llega a sus fieles de generación en generación" (Lc 1,50), y se hace portavoz de todos los creyentes, que, en su Hijo Jesucristo, encuentran la Miseri-

cordia de Dios. Para el papa Francisco, el concepto de Misericordia es entrañablemente bíblico, sapiencial y teologal, y sigue las mismas intuiciones de San Isidoro de Sevilla, de San Beda el Venerable, de San Buenaventura, de San Juan Pablo II y el Papa emérito, Benedicto XVI. Pero tenemos en sus gestos y en sus acciones conocidas por todos y difundidas por los Medios de Comunicación, una sorprendente manera de hacer ver al mundo que la Misericordia no es solo compasión, va más allá de la benevolencia y la filantropía, porque es esencialmente, divinamente, Amor.

El mundo se conmueve cuando ve estos gestos del Papa cumpliendo creativamente con las obras que inspira la Misericordia, porque pareciera que la Misericordia se hubiese detenido en el pasado, en los tiempos más gloriosos del cristianismo, y no abarcase también a nuestras generaciones, a este tiempo de ciertas oscuridad en los que nos asalta la duda y el temor de que el Señor se haya alejado de nosotros. Sin embargo, el Papa, inspirado en el mismo cántico de María, quiere hacernos ver que la Misericordia del Señor se prolonga "de generación en generación". Y debemos reconocer que, si miramos a nuestro alrededor con los ojos sencillos y limpios de la fe, podemos percibir la misericordia de Dios a través de signos sensibles. Y es a estos signos sensibles a los que el mundo mira e interpreta como gestos proféticos inspirados en el Amor. Ya sabemos que Profeta es aquel que percibe su existencia forjada por la fuerza de la Palabra de Dios. Este es el caso del Papa Francisco.

Ahora entendemos por qué la reiterada preocupación del Santo Padre porque el mundo perciba de la Iglesia su naturaleza misericordiosa. Y porque el lenguaje, a veces, hace prisionero al pensamiento doctrinal y las mismas expresiones lingüísticas no dejan transparentar toda la riqueza del mensaje, por eso el Papa "hace" como dice, porque sabe que el mundo tiene que ver para comprender, pues el testimonio es lo que se ve y el discurso es lo que se dice. Así entonces, las duchas y servicios sanitarios para los mendigos, el comedor, la hospedería, la acogida de Migrantes, su gusto por visitar las cárceles, y tantas formas más de mostrar al mundo que el amor se proyecta en actos concretos, es lo que más avala y fortalece el ascendiente de la figura del Papa ante el mundo. Y aunque nos parezca paradójico, hay todavía algunos muy reverendos Prelados de la Iglesia, que dicen que el Papa debe ser estudiado psicológicamente porque esas acciones denotan que no está bien clínicamente. A mí me parece que, siguiendo con la misma paradoja, son esos gestos de ruptura con formas y maneras hieráticas de corte monárquico lo que más acerca al Papa a la figura de Pedro que a la imagen de un Rey. Y hay notables Obispos y Cardenales que todavía no lo han entendido.

La historia de la revelación de Dios a los hombres, del trato de Dios con su pueblo, de la cercanía de Dios a cada uno de nosotros es una historia de Misericordia. Y así como "eterna es su misericordia" es el estribillo que acompaña cada verso del Salmo 136, mientras se narra la historia de la relación de Dios con los hombres (Cf. MV, 7), todos estamos llamados a prolongar la Historia de la salvación, incorporando, por la misericordia de Dios, nuestra propia historia y exclamar: "eterna es su misericordia".

Y es eso lo que El Papa Francisco nos ha querido enseñar: que si bien la Misericordia no es el único rasgo de Dios, sí es el rasgo capital. Todas las demás cualidades de Dios están al servicio de la Misericordia. Si Dios es eterno es para tener Misericordia eternamente, de "generación en generación". Si Dios es omnipotente, lo es para poner su omnipotencia al servicio de su misericordia. Si Dios es sabiduría, estas tiene por objetivo principal dirigir y orientar la misericordia de Dios. Quien no percibe y siente la misericordia de Dios no sabe nada de él y tampoco comprenderá a quienes nos la quieren mostrar.

2. Para la inclusión Social

El argumento de la inclusión es recurrente en el Papa Francisco, no es un concepto que él ha mencionado aisladamente. Durante la misa ofrecida en el Parque Bicentenario de Quito, Ecuador, el Sumo Pontífice llamó a reconocer al otro y ayudarnos mutuamente a llevar las cargas y resaltó la necesidad de luchar por la inclusión a todos los niveles, evitando el egoísmo e incentivando la comunicación.

El Papa en Quito dijo que los seres humanos no pueden tener unidad si "tenemos una búsqueda estéril de poder, prestigio, placer o seguridad económica, a costilla de los más pobres, de los más excluidos, de los más indefensos, quienes no pierden su dignidad pese a que se la golpean todos los días... Dios es el padre de todos: somos hermanos, nadie es excluido, no se fundamenta en tener los mismo gustos, somos hermanos porque por amor Dios nos ha destinado a ser sus hijos". Por eso la noción bipolar de exclusión-inclusión, más allá de su contenido lógico, tiene una consistencia antropológica y una irradiación o derivación social.

El 8 de julio de 2015, en La Paz, Bolivia, dijo que "Bolivia está dando pasos importantes para incluir a amplios sectores en la vida económica, social y política del país", tras ser recibido por el presidente Evo Morales en el aeropuerto internacional El Alto, que sirve a la ciudad de La Paz. Según el pontífice, "el progreso integral de un pueblo" debiera transcurrir "sin excluir ni rechazar a nadie". El acto de rechazar a alguien, estigmatizarlo, li-

mitarlo en el acceso a la libertad plena y condicionarlo a no tener igualdad de oportunidades para desplegarse como ser humano, es exclusión.

En el Discurso del Santo Padre en el Palacio Nacional de la Ciudad de México, el 13 de febrero del presente año (2016), dijo a los dirigentes de la vida social, cultural y política de México que a ellos "... les corresponde de modo especial trabajar para ofrecer a todos los ciudadanos la oportunidad de ser dignos actores de su propio destino, en su familia y en todos los círculos en los que se desarrolla la sociabilidad humana, ayudándoles a un acceso efectivo a los bienes materiales y espirituales indispensables: vivienda adecuada, trabajo digno, alimento, justicia real, seguridad efectiva, un ambiente sano y de paz". Es claro que esta idea es fuente que inspira su magisterio, porque son "todos los ciudadanos" los que deben tener la oportunidad de ser "dignos actores de su propio destino", si esto es posible entonces la inclusión social se convierte en el derecho inherente a todo individuo, a toda población y a toda sociedad humana.

Para el Papa, la falta de inclusión se puede dar también en el acceso a la educación de calidad, por eso cuando el Papa Francisco era el Arzobispo de Buenos Aires dijo: "¿No ha sido una práctica antiquísima de la Iglesia llevar la educación a los más olvidados?" (Jorge Bergoglio, abril, 2013). Y así, invita a los educadores cristianos a trabajar por la inclusión, a favorecerla en la escuela. Su inspiración llega más allá, llega a las obras, por eso es que con el apoyo de la Academia Pontificia de las Ciencias Sociales co-inició el proyecto de las *Scholas Occurrentes.* ¡La educación es tan importante! Es que a través de la Educación se pueden propiciar caminos hacia la inclusión que hagan posible una cultura del encuentro y de paz. La inclusión no es sólo facilitadora de la tolerancia. La tolerancia es solo un peldaño inferior que es necesario escalar; hay que subir al nivel de una convivencia real respetuosa y constructiva y de ahí elevarse a la cumbre de la concordia y la Paz estables. Sin inclusión no es posible hablar de paz, porque "sin igualdad de oportunidades, las diversas formas de agresión y de guerra encontrarán un caldo de cultivo que tarde o temprano provocará su explosión" (EG, 59).

En el capítulo final de la *Laudato Si'*, el Papa Francisco toca frontalmente el núcleo de la conversión ecológica, porque la raíz de la crisis cultural es profunda y no es fácil rediseñar hábitos y comportamientos. La educación y la formación siguen siendo desafíos básicos: «todo cambio necesita motivaciones y un camino educativo» (LS, 15). Y para lograrlo, deben involucrarse los ambientes educativos, ante todo «la escuela, la familia, los medios de comunicación, la catequesis» (LS, 213).

En su momento, el Cardenal Bergoglio – englobando las categorías pueblo y solidaridad – en su respuesta a la responsabilidad social propone a la escuela como el principal mecanismo de inclusión ya que "la escuela es el lugar donde los jóvenes pueden elaborar un proyecto de vida, si bien la escuela puede no lograr evitar todos los problemas de la exclusión, la misma parece constituir la última frontera en que el Estado, las familias y los adultos se hacen cargo de los jóvenes, en el que funcionan, a veces a duras penas, valores y normas vinculados a la humanidad y la ciudadanía y en el que el futuro todavía no ha muerto" (16 de octubre de 2010). Y en continuidad con ese pensamiento, en la Encíclica *Laudato Si'* vuelve a decir que "La educación será ineficaz y sus esfuerzos serán estériles si no procura también difundir un nuevo paradigma" (LS, 215).

La inclusión es en el pensamiento de Su Santidad, una preciosa oportunidad para compartir con el excluido; es abrir espacio para su participación, y remover barreras y condicionamientos para que la persona, vista como "diferente" o a quien se le han desconocido sus derechos plenos como individuo digno y libre, pueda convertirse en un ciudadano activo y corresponsable de la suerte de la sociedad. Y aunque la sociedad tecnocrática, burocrática y crematística de hoy, bajo el imperio del dinero y el mercado, clasifica y desclasifica a las personas en base a los rendimientos y ganancias, la producción y el capital, sin embargo es necesario un regreso antropológico a la persona humana, fundamento de toda acción humana, también de la economía. Pues el Papa Francisco dice, sin circunloquios ni eufemismos, que es el poder económico de la tecnología que niega la inclusión de todos (LS, 109).

Con mucha autoridad Su Santidad dice que en el campo de la economía, "Una vez más, conviene evitar una concepción mágica del mercado, que tiende a pensar que los problemas se resuelven sólo con el crecimiento de los beneficios de las empresas o de los individuos. (LS, 190) y que más bien, "Tenemos que convencernos de que desacelerar un determinado ritmo de producción y de consumo puede dar lugar a otro modo de progreso y desarrollo" (LS, 191).

Es normal y corriente, casi admitido como un hecho incuestionable, que la riqueza excluye de la comunidad internacional a muchos países y a pueblos enteros, pero el camino que nos hace ver Jesús y que nos enseña Jesús es otro, es lo contrario: es incluir.

El Santo Padre agrega que "no es fácil incluir a la gente porque hay resistencia, está esa actitud selectiva. Por esta razón, Jesús relata dos parábolas: la de la oveja perdida y la de la mujer que pierde una moneda. Tanto

el pastor como la mujer hacen todo lo posible para encontrar lo que han perdido. Y cuando lo encuentran están llenos de alegría" (11.05.2015, en Santa Marta). Entonces, "recuperar" al hombre, redescubrir al hermano, atraer al prójimo alejado, es una tarea que inspira la Misericordia y que se traduce en inclusión.

El tema globalizado de la dialéctica inclusión-exclusión, no sólo es a gran escala. El Santo Padre nos hace aterrizar en lo concreto de la vida cotidiana, dentro de la misma realidad eclesial, quizás clerical, que conocemos, en nuestros pequeños mundos también, cuando dijo que algunos cristianos desprecian y excluyen al prójimo formando un "grupito". "Dios nos ha incluido a todos en la salvación" y "si yo excluyo estaré un día delante del tribunal de Dios y deberé rendir cuentas de mí mismo" (Homilía en Santa Marta, 05 Nov. 15). Esto hace mucho daño, contradice el movimiento de la caridad que debe inspirar la acción y la vida del creyente y de la comunidad de fe, pues contrario a toda forma de segregación, exclusión y acepción de personas, Cristo, "con su sacrificio en el Calvario" une e incluye "a todos los hombres en la salvación" (Ibidem).

Con cuánta fuerza el Papa nos dice que "La actitud de los escribas, de los fariseos es la misma: excluyen. 'Nosotros somos los perfectos, seguimos la ley. 'Estos son pecadores, son publicanos'. La actitud de Jesús es incluir". Este criterio de fraternidad, horizontalidad, "projimidad" (neologismo netamente de Francisco), nos enfrentan decisivamente ante la opción o el rechazo del ser humano, pues – dice el Papa – que "Existen dos caminos en la vida: el camino de la exclusión de las personas de nuestra comunidad y el camino de la inclusión".

Por lo tanto es imprescindible para la responsabilidad social trabajar por la inclusión, para crear a una mentalidad y una práctica verdaderamente incluyente y universal y a una sociedad que brinde posibilidades no a algunos, sino a todos los que estén a nuestro alcance, a través de los diversos medios que tengamos, pues la exclusión, es una de las forma más crueles que se practican en contra de la vida, la "economía de la exclusión y la inequidad" es intolerable "el juego de la competitividad y de la ley del más fuerte, donde el poderoso se come al más débil", deja grandes masas de la población excluidas y marginadas: sin trabajo, sin horizontes, sin salida" (Cfr. EG, 53).

3. La *Laudato Si'*

El Papa Francisco en su carta Encíclica *Laudato Si'*, Sobre el Cuidado de la casa común, de la creación, contiene un auténtico tesoro de ideas y

soluciones para nuestro mundo actual, en profunda crisis. El texto de la Encíclica, como dice el pontífice, es para todos, creyentes y no creyentes; si bien contiene mensajes muy claros para el mundo cristiano y, especialmente, para los católicos. Hoy me detendré en un concepto que utiliza el Papa Francisco: la ecología integral. En la Encíclica resulta esencial la idea de que todo está íntimamente relacionado y los problemas actuales requieren una mirada que tenga en cuenta todos los factores de la crisis mundial. Pues "una ecología integral implica dedicar algo de tiempo para recuperar la serena armonía con la creación, para reflexionar acerca de nuestro estilo de vida y nuestros ideales, para contemplar al Creador, que vive entre nosotros y en lo que nos rodea, cuya presencia no debe ser fabricada sino descubierta, desvelada" (LS, 205).

Al hablar de ecología integral, la *Laudato Si'*, conjuga los términos ambientales, económicos, sociales, culturales y de la vida cotidiana, incluso haciendo referencia al bien común y a la relación entre generaciones diversas.

El hecho de "cultivar y custodiar la creación" – dice el Papa –, ha sido una indicación de Dios, "dada no solo al principio de la historia, sino a cada uno de nosotros; es parte de su proyecto". Por lo tanto es tarea de todos hacer crecer el mundo con responsabilidad, "transformarlo para que sea un jardín, un lugar habitable para todos".

Tomando en cuenta las enseñanzas del Papa emérito Benedicto XVI, quien recordaba que "la tarea confiada por Dios Creador a nosotros requiere captar el ritmo y la lógica de la creación", advirtió que a menudo el hombre se deja llevar "por la soberbia de la dominación, de las posesiones, del manipular, de aprovecharnos (y) no la 'custodiamos', no la respetamos, no la consideramos como un don gratuito al cual cuidar".

Dice el Papa Francisco que este "cultivar y custodiar" no solo tiene relación entre la personas y el medio ambiente, sino tiene que ver también con las relaciones humanas, pues la persona humana que "está en peligro". La exclusión es una manifestación externa de la crisis ética, cultural y espiritual de la modernidad, y superarla solo es posible a través de una "valiente revolución cultural".Y la crisis del hábitat global de nuestro planeta es «una consecuencia dramática» de la actividad descontrolada del ser humano [y] corre el riesgo de destruirla y de ser a su vez víctima de esta degradación. (LS, 4)

El Papa Francisco insta a todos – personas, familias, comunidades locales, naciones enteras y a la comunidad internacional – a una «conversión ecológica», de acuerdo con la expresión de san Juan Pablo II, es decir, a «cambiar de dirección» asumiendo la belleza y la responsabilidad de la tarea del «cuidado de nuestra casa común», confiesa la esperanza en la posibilidad

de revertir la tendencia: «pues la humanidad aún posee la capacidad de colaborar para construir nuestra casa común» (LS, 13). «Los hombres y las mujeres todavía son capaces de intervenir positivamente» (LS, 58). «No todo está perdido, porque los seres humanos, capaces de degradarse hasta el extremo, también pueden sobreponerse, volver a optar por el bien y regenerarse» (LS, 205).

No es creíble ni coherente un sentimiento de simpatía y comunión con los demás seres de la naturaleza si al mismo tiempo en el corazón no hay ternura, compasión y preocupación por los seres humanos» (LS, 91). Es necesaria la conciencia de una comunión universal: «creados por el mismo Padre, todos los seres del universo estamos unidos por lazos invisibles y conformamos una especie de familia universal, [...] que nos mueve a un respeto sagrado, cariñoso y humilde» (LS, 89). Y si entendemos que "todos" significa no excluir a nadie y supone más bien incluir absolutamente a quienes son parte de la familia humana, entonces la "inclusión" no es algo opcional sino un compromiso que implica una tarea éticamente vinculante porque es permanente.

El Papa Francisco nos habla de ecología cultural, ambiental, económica y social. Además presenta como un tema de absoluta necesidad la "ecología de la vida cotidiana". De esta forma impregnando la vida de ecología, también podemos alcanzar la trascendencia, a través de la ecología espiritual y de ella pasar a un compromiso de vida, sanando la raíz humana de la crisis ecológica, que tiene tanto de excluyente porque es injusta.

Queridos miembros de esta venerable Academia: el compromiso que nace de la misericordia se proyecta incondicionalmente al prójimo, quien en paridad de oportunidades nunca debe quedar excluido de la mesa abundante de los frutos de la tierra y requiere de nosotros asumir los postulados fundamentales de la *Laudato Si'* hasta la consecuencia última, aquella que toca nuestra conciencia y nuestro modo de vivir y nos compromete hasta la radicalidad de una auténtica conversión del corazón, a la que el Santo Padre llama "conversión ecológica" y que supone un amor que "...lleno de pequeños gestos de cuidado mutuo, es también civil y político, y se manifiesta en todas las acciones que procuran construir un mundo mejor. El amor a la sociedad y el compromiso por el bien común son una forma excelente de la caridad, que no sólo afecta a las relaciones entre los individuos, sino a «las macro-relaciones, como las relaciones sociales, económicas y políticas» (LS, 231). Muchas gracias.

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Laudato Si' and Inclusive Solidarity: The Ideology of the Market and the Reality of Inequality

Anthony Annett

I. Introduction

Inclusive solidarity is a leitmotif of *Laudato Si'*. Both in this document and in *Evangelii Gaudium*, Pope Francis expresses deep concern about an economy of exclusion – whereby great plenty co-exists alongside great poverty and deprivation, and people seem numb to moral dimensions of these disparities.[1] In *Laudato Si'*, he ties the plight of the poor and excluded to the plight of the earth through the principle of integral ecology – the notion that human beings are intimately connected to each other and to the natural world. Accordingly, he argues that there are not separate social and environmental crises, but merely different aspects of a single crisis stemming from the same roots.

Inclusive solidarity – the notion that all are responsible for all[2] – is indeed the correct response to this interconnected global crisis. And in an increasingly interdependent world where economic, social, and environmental problems do not respect national borders, this solidarity must have an ever more global dimension. Without such solidarity, globalization becomes – in the words of Pope Francis – a "globalization of indifference". *Laudato Si'* offers an expansive vision of solidarity that extends across space, to envelop the poor and excluded; across time, to encompass future generations; and even across species, given the deep interconnections between human beings and nature and the fact that all creatures have their own inherent value. We are called upon to respect the rights of today's poor, tomorrow's poor, and the environment.

Yet in the current global economy, inclusive solidarity faces major impediments. One of the great and perhaps underappreciated strengths of *Laudato Si'* is that it diagnoses these impediments with great depth and subtlety.

[1] References to either *Laudato Si'* (LS) or *Evangelii Gaudium* (EG) from 2013 will be made in the text by paragraph number. All other references will be footnoted.

[2] See Pope John Paul II, *Sollicitudo Rei Socialis* 38 (1987).

In what follows, I will argue that Pope Francis's diagnosis of the human roots of the crisis – a cult of human power rooted in individualism and the technocratic paradigm – can be traced to the abandonment of the common good as the locus for political and economic deliberation. In turn, this loss created the space for the rise of market ideology, which nurtured the rise of social norms antithetical to solidarity. At the same time, market ideology unmoored from the common good is a driving force behind inequality and exclusion – and this further undermines the common good. Finally, I will give some thought as to how a renewed orientation toward the common good brought about by the habituation of inclusive solidarity might be achieved.

II. The diagnosis of *Laudato Si'*

For Pope Francis, whether we talk about social marginalization or environmental degradation, the roots are the same – they lie in the technocratic paradigm twinned with a culture of disconnected individualism.

The technocratic paradigm, so dominant in our global economy today, invites people to think of all economic intervention solely in terms of utility, productivity, and efficiency – negating any inherent dignity or value either in the human person or in creation. In doing so, it brackets the questions that used to task philosophers – questions related to the ultimate purpose or end of human life. Instead of deliberating on the ends, it focuses narrowly on the means – or more accurately, it turns the means into the ends. Immediately, the ethical horizon is narrowed.

Laudato Si' stresses that this technocratic paradigm dominates both politics and economics. It leads politicians to discount deeper questions related to collective purpose. It leads economists to brush aside ethical and other "normative" concerns on the basis that their discipline is value-neutral. This in turn justifies a narrow focus on economic growth, paying no heed to the limits of, or fallout from, such a strategy. And the technocratic paradigm leads businesses and financiers to believe that the only value worth considering is financial value, reducing their goal to the one-dimensional maximization of profits.

By disconnecting human activity from questions of ends or purpose, the technocratic paradigm exalts human power. It becomes an inherently confrontational vision, looking upon creation merely as an external object to manipulated and controlled, driven by the ruthless logic of "possession, mastery and transformation" (LS 106). This leads to what Pope Francis terms "modern anthropocentrism", predicated on a Promethean vision of

mastery. It leads *Laudato Si'* to conclude that "immense technological development has not been accompanied by a development in human responsibility, values and conscience" (LS 105).

When the technocratic paradigm is attached to this cult of unlimited human power, the result is a "relativism which sees everything as irrelevant unless it serves one's own immediate interests" (LS 122). This mentality gives absolute priority to immediate convenience, driving people to treat their fellow human beings – and indeed all of creation – as mere objects to be taken advantage of. It elevates self-centeredness and self-absorption as the yardsticks of human interaction. It leads to a "self-centered culture of instant gratification", which *Laudato Si'* sees as the root cause of so many social problems (LS 162).

This relativism has many practical manifestations in today's world. *Laudato Si'* lists some of them: forced labor, modern forms of slavery, abortion, the sexual exploitation of children, the abandonment of the elderly, human trafficking, the sale of organs, organized crime, the drug trade, and commerce in blood diamonds and endangered species. These might seem like extreme cases, but this same mindset is active in more mundane situations too. We see it, for example, in the "disordered desire to consume more than what is really necessary" (LS 123). We see it in the mindset of those who put their full faith in "invisible forces of the market", regarding any harm done to society and to nature as acceptable collateral damage (LS 123). And we see it in the mindset of powerful multinational companies that treat the environment in developing countries in a way they would never treat their own homes (LS 51).

All of this leads to Pope Francis' signature diagnosis – the throwaway culture, in which both people and things are used to satisfy gratification and discarded when they serve no further use. The throwaway culture gives rise to the ultimate economy of exclusion, in which "those excluded are no longer society's underside or its fringes or its disenfranchised – they are no longer even a part of it. The excluded are not the 'exploited' but the outcast, the 'leftovers'" (EG 53). They are merely an "afterthought … treated merely as collateral damage" and "frequently remain at the bottom of the pile" (LS 49). As Gustavo Gutiérrez put it, channeling Hannah Arendt, the excluded do not even have the right to have rights.[3] The throwaway culture drives a dagger through the heart of solidarity.

[3] See Kaitlin Campbell, "Gustavo Gutiérrez awarded President's Medal at Fordham", *Commonweal*, May 7, 2015.

III. The loss of the common good

The question remains: where does the mentality driving the economy of exclusion come from? *Laudato Si'* hints at the answer when it denounces what it refers to as the "myths of a modernity grounded in a utilitarian mindset" – which it lists as individualism, unlimited progress, competition, consumerism, and the unregulated market (LS 210).

The emphasis on modernity directs us to the sweeping changes that took place with the Enlightenment. Before the Enlightenment, most political philosophies were predicated on the notion that human beings were oriented toward some conception of the good life, defined not merely by material standards but in the sense of holistic human flourishing. Aristotle, for example, held that human beings sought after *eudaimonia*, identified with a life lived in accord with what is intrinsically worthwhile – including purpose, meaningful relationships, and contribution to the community. And a necessary condition for attaining *eudaimonia* – or complete human flourishing – was exercising the virtues in accord with excellence. Moral development is essential to this process, which is really about transitioning from "man-as-he-happens-to-be" to "man-as-he-could-be-if-he-realized-his-essential-nature".[4] And therein lies the true source of happiness.

In this virtue ethics tradition, human beings are social animals who can really only flourish and find fulfillment in the social context. Accordingly, people attain the good life by contributing to, and benefitting from, the good of the community – which Aristotle identified as the highest good. Hence the focus of deliberation was always on the common good, understood as the good arising from a shared social life that is not divisible into the sum of individual goods. The common good is, in the words of theologian David Hollenbach, "the good realized in the mutual relationships in and through which human beings achieve their well-being".[5]

And indeed, modern evidence seems to affirm the essential validity of this ancient idea, tying human flourishing to such factors as the quality of relationships and sense of purpose.[6] For example, analyses of subjective wellbeing show that money does not buy happiness beyond a certain point,

[4] Alasdair MacIntyre, *After Virtue*, (London: Gerald Duckworth and Co. Ltd, 1981).

[5] David Hollenbach, *The Common Good and Christian Social Ethics*, (New York: Cambridge University Press, 2002).

[6] For a review, see Anthony Annett, "Human Flourishing, the Common Good, and Catholic Social Teaching", in *World Happiness Report 2016: Special Rome Edition* (Vol. II), ed. Jeffrey Sachs, Leonardo Becchetti, and Anthony Annett (New York: UN Sustainable Development Solutions Network, 2016).

affirming the Aristotelian idea that wealth is not an end in itself. This literature endorses the fundamentally relational nature of the human person, showing that social engagement and support are primary determinants of well-being.[7] Likewise, the "positive psychology" movement links flourishing to such factors as quality relationships, engagement in the sense of matching highest strengths to highest challenges, meaning and purpose, and accomplishments and achievements.[8] In other words, the life of an individual only really makes sense in the context of its relationship to the broader community.

An even deeper insight is that as social animals, human beings are endowed with strong pro-social inclinations such as altruism and fairness. Once again, studies point to strong social norms of reciprocity, whereby people reward trust and kindness and punish cheating and callousness – even at a personal cost to themselves. They find that human beings are wired to seek cooperation for mutual benefit – this can often entail an element of sacrifice for the common good, trusting that such a gesture will be rewarded.[9] In this way, social capital is generated and nurtured. Biologists tell us that these instincts come down to us as an inheritance of evolution, in the sense that groups exceling at cooperating and upholding moral norms gained an advantage over other groups.[10] The implication is that we are not only social animals, but also moral animals.

Yet this ancient understanding of human purpose directed to the common good broke down with the Enlightenment. The community was no longer seen as a body composed of connected parts that worked in harmony toward a greater good. Instead, people were regarded as radically disconnected from each other. The idea of the common good withered away, leaving only individuals with individual purposes directed by human power.

Breaking it down further, the Enlightenment was built upon two pillars.[11] The first is the emphasis on using science to gain knowledge and

[7] See John Helliwell, Haifang Huang, and Shun Wang, "The Distribution of World Happiness", in *World Happiness Report 2016 Update* (Vol. I), ed. John Helliwell, Richard Layard, and Jeffrey Sachs (New York: UN Sustainable Development Solutions Network, 2016).

[8] Martin Seligman, *Flourish: A Visionary New Understanding of Happiness and Well-Being* (New York: Atria, 2012).

[9] See Luigino Bruni, *The Wound and the Blessing*, (New York: New City Press, 2012).

[10] E.O. Wilson, *The Meaning of Human Existence,* (New York: Norton, 2014).

[11] Ian Shapiro, *The Moral Foundations of Politics,* (New Haven: Yale University Press, 2003).

control over the natural world – and in doing so, achieve progress and better the lives of people. The second is the shift to the autonomous individual, where individual freedom is exalted for its own sake rather than directed toward the common good. These positions, for example, can be found in the thought of René Descartes. So when *Laudato Si'* takes aim at the anthropocentrism that flows from the technocratic paradigm, or at the ethos of individualism, it is really taking aim at a mindset honed by the Enlightenment.

This mindset has dominated western political philosophy over the past few centuries. And as the twentieth century progressed, the process of globalization was also accompanied by a form of intellectual globalization, as these very western concepts of the person and society became ingrained around the globe.

We should not paint with too broad a brush, however. There are important differences between the various Enlightenment-derived theories of justice – especially between the framework predicated on the supremacy of individual rights and freedoms, and the utilitarian framework predicated on the maximizing the greatest happiness of the greatest number. And even within the rights-based framework, there are profound differences between libertarianism on the one hand, and Rawlsian-style egalitarianism on the other.

These differences are evident when it comes to the common good. Some of these strands completely negate it, while others mirror aspects of it. I would argue that libertarianism stands furthest from the common good. Libertarianism exalts a purely quantitative and negative form of freedom – freedom from coercion in defense of the right to self-ownership. It denies the validity of the common good in its entirety – because the very idea of the "common" implies coercion of at least some people, while insisting on the "good" robs freedom of its essence.

On the other pole of rights-based framework, Rawlsian egalitarianism – while still rooted in the individualistic mindset – does at least mirror certain aspects of the common good. This approach endorses a more positive notion of freedom based on the possession of "primary goods", identified with "rights, liberties and opportunities, income and wealth, and the social bases for self-respect".[12] John Rawls called this a "thin theory of the good", based on the principle that people prefer more primary goods to less. It permits a role for the public authorities to make sure that basic social and

[12] John Rawls, *A Theory of Justice*, (Cambridge: Belknap Press, 1971).

economic needs are met. But beyond this, it denies that people can agree on any conception of the common good.

While libertarianism and Rawlsian egalitarianism typically characterize the right/left poles in modern democracies, they nonetheless share a common root. As stressed by Michael Sandel, they both express the idea that the "right is prior to the good", meaning not only that individual rights should not be subordinated to the common good, but also that the very principles of justice animating these rights should not presuppose any particular conception of the good life.[13]

Utilitarianism doesn't fare much better. While it leans teleological, it has little in common with the older tradition. For one thing, it replaces *eudaimonia* with a hedonistic account of happiness. And there is no common good, merely the summation of the good of each individual. Even though utilitarianism puts greater weight on the general welfare over individual rights, it nonetheless argues that the imposition of a particular conception of the good life would hurt overall welfare. In the words of John Stuart Mill, freedom implies "pursuing our own good in our own way, so long as we do not attempt to deprive others of theirs, or impede their efforts to attain it".[14]

This all leads to the concept of an "unencumbered self" – defined by Michael Sandel as a "self understood as prior to and independent of its purposes and ends".[15] Such a person has no social or communal ties that are not voluntary chosen, and is not bound up in any conception of the common good. In the words of Alasdair MacIntyre, it is analogous to being "shipwrecked on an uninhabited island with a group of other individuals, each of whom is a stranger to me and to all the others".[16] Gone is the idea of being co-joined in common purpose.

This is the anthropology that underlies the human roots of the interconnected social and environmental crises, as diagnosed by *Laudato Si'*. The unencumbered self, disconnected from the common good, is simply not inclined toward inclusive solidarity, even if deeper human nature might suggest otherwise. And utilitarianism in particular is a perfect embodiment of the technocratic paradigm – weighing up the costs and benefits of dif-

[13] Michael Sandel, *Public Philosophy: Essays on Morality in Politics*, (Cambridge: Harvard University Press, 2005).

[14] John Stuart Mill, *On Liberty*, (London: Longman, Roberts & Green, 1869).

[15] Sandel, *Public Philosophy: Essays on Morality in Politics.*

[16] MacIntyre, *After Virtue*.

ferent options, agnostic on the value of individual preferences and judgments, and allowing no room for ethical formation.

IV. The rise of market ideology

This worldview perhaps reached its apotheosis in the emergence of neoclassical economics in the nineteenth century, which adopted elements of both the utilitarian and libertarian paradigms. In doing so, it internalized a series of assumptions that hinder human flourishing.

To start with, neoclassical economics is founded on an ethic of egoism, assuming that individuals are motivated by self-interest rather than any altruistic or pro-social tendencies. From this position, individuals are then assumed to maximize the satisfaction of subjective material preferences. These preferences are "material" in the sense that satisfaction comes simply from consumer goods and services. No value is ascribed to the quality of human relationships, to meaning or purpose in life, or to any development in a non-material dimension. And preferences are "subjective" in the sense that they are not open to scrutiny – any questions regarding their value or worth is prohibited under the assumption that people's desires are sacrosanct. Accordingly, and at odds with the virtue traditions, there is no role for self-improvement and ethical formation. Human flourishing, in its traditional sense, no longer has any meaning.

It is these assumptions that underpin the supposed virtues of free markets in neoclassical economics. Consumers maximize utility, firms maximize profits, and the market is praiseworthy to the extent that it exhausts all voluntary trades that can satisfy preferences. This sets the standard of Pareto efficiency, the point from which it is no longer possible to make a person better off without making someone else worse off. A principal claim of neoclassical economics is that competitive and unfettered markets with complete information can lead to Pareto efficient outcomes – this is the ultimate marrying of a quantitative notion of freedom with a utilitarian metric. Yet this standard of Pareto efficiency presents a highly impoverished view of human well-being, compatible with immense inequality and exclusion. As Amartya Sen put it, "a society or an economy can be Pareto optimal and still be perfectly disgusting".[17]

In sum, market ideology relies on assumptions that are unrealistic in pursuit of a goal that is unappealing. It assumes that self-interest is trans-

[17] Amartya Sen, *Collective Choice and Social Welfare* (San Francisco: Holden-Day, 1970), 22.

formed into social virtue and that competition transcends cooperation.

When we break it down like this, Pope Francis's critique of market ideology starts to make eminent sense. His criticism centers not so much on the market itself – which in its essence is merely a means for people to exchange for mutual benefit – but on this ideological baggage that weighs it down.[18] Thus he condemns not the market but a "deified market" (LS 56) or a "magical conception of the market" (LS 190). He rejects the assumption that self-interest serves the common good, seeing instead a "seedbed for collective selfishness" (LS 204). And he explicitly rejects the claims of market ideology: "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 naïve trust in the goodness of those wielding economic power and in the sacralized workings of the prevailing economic system. Meanwhile, the excluded are still waiting" (EG 54).

From this perspective, the market economy might be able to generate wealth and economic growth, but it is also synonymous with an economy of exclusion and marginalization. In contrast with the much-touted "invisible hand", Pope Francis instead identifies an "invisible thread" linking all forms of exclusion – in the form of a system that "has imposed the mentality of profit at any price, with no concern for social exclusion of the destruction of nature".[19]

The problem with market ideology, though, is not just that it falls short of its promises. The problem is that it can actually encourage the inculcation of harmful habits. Human beings are inherently purpose-driven, and in the absence of a purpose rooted in the common good, this space can be all-too-easily filled by the "purpose" signaled by market ideology – a consumerist mentality without an acquisitive ceiling. In essence, the "good society" is replaced by a "goods society"[20] and its animating "virtues" are the dilapidated values of market ideology, which end up cannibalizing so-

[18] For a comparison between market ideology and Catholic social teaching, see Anthony Annett, "The Economic Vision of Pope Francis", in Vincent Miller, ed. *The Theological and Ecological Vision of Laudato Si': Everything is Connected*, (New York: Bloomsbury/T&T Clark, 2017).

[19] Pope Francis, Speech at World Meeting of Popular Movements, Bolivia, July 9, 2015.

[20] Brad S. Gregory, *The Unintended Reformation: How a Religious Revolution Secularized Society*, (Cambridge: Belknap Press, 2012).

cial norms and devouring social capital. In the words of Pope Francis, "once greed for money presides over the entire socioeconomic system, it ruins society, it condemns and enslaves men and women, it destroys human fraternity, it sets people against one another and, as we clearly see, it even puts at risk our common home".[21]

The problem is that social norms are highly malleable. Putting it simply, if the message sent by society is that traits such as selfishness, greed, and materialism are to be valued, then people will take the cue and start valuing them. For example, evidence suggests that economists and students of economics tend to be more selfish and less pro-social.[22] Evidence also suggests that the intrinsic desire to uphold pro-social norms can easily be undermined by the encroachment of market values. For example, Michael Sandel argues that the increasing tendency toward commodification corrupts norms by treating a good or a social practice with a lower mode of valuation than is appropriate.[23] And Samuel Bowles has shown persuasively that ubiquitous reliance on economic incentives, predicted on self-interested behavior, can actually crowd out pro-social behavior.[24] As Lynn Stout puts it, "Emphasizing material incentives, it turns out, does more than just change incentives. At a very deep level, it changes people. By treating people as if they should care only about their own material rewards, we ensure that they do".[25]

Market ideology therefore encourages a bifurcated life, in which natural sociability gives way to cold and calculating self-interest as soon as a person steps into the economic realm. This drives a dagger through the heart of the Aristotelian conception of a full life well lived. The bifurcated life suggested by market ideology also gives rise to the idea that altruism is something to be strictly rationed, on the presumption that virtue is in short supply. This peculiar idea is prevalent in economics – pushed by such people as Dennis Robertson, Kenneth Arrow, and Larry Summers[26] – and

[21] Pope Francis, Bolivia speech.

[22] Amitai Etzioni, "The Moral Effects of Economic Teaching", *Sociological Forum* 30, no 1. (2015): 228-233.

[23] Michael Sandel, *What Money Can't Buy: the Moral Limits of Markets,* (New York: Farrar, Straus and Giroux, 2013).

[24] Samuel Bowles, *The Moral Economy: Why Good Incentives are no Substitute for Good Citizens,* (New Haven: Yale University Press, 2016).

[25] Lynn Stout, *Cultivating Conscience: How Good Laws Make Good People*, (Princeton: Princeton University Press, 2011).

[26] Michael Sandel, "Market Reasoning as Moral Reasoning: Why Economists

yet is antithetical to the Aristotelian view that virtue is like a muscle, requiring habitual exercise.

One implication of this bifurcated life is that ethics are presumed to have no role in economic or commercial life – as long as actors operate within the law, they free to pursue their self-interest and seek their own personal satisfaction. This aligns perfectly with the technocratic paradigm. And it is the standard by which many economists assess the behavior that caused the global financial crisis. Yet this is the narrowest of standards, incapable of reflecting on the role played by defective values. Luigi Zingales, for example, argues that the drop in ethical standards in the world of business and finance can be traced to the values inculcated by business schools.[27] The full implications of this mentality were seen in a recent experiment showing that bankers were more likely to act dishonestly when thinking of their jobs rather than other social roles.[28]

The bottom line is that while *homo economicus* – the rational self-interested subject of neoclassical economics – might be alien to human nature, he can nonetheless feed parasitically off of it. Such a being is incapable of peering beyond his narrowly materialistic ethical horizon to deliberate on the kind of good society predicated on mutual flourishing. His moral sentiments become numbed. This mentality, I believe, lies behind the observation of Pope Francis that "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 culture of prosperity deadens us" (EG 54).

V. The role of inequality

A side effect of market ideology is, of course, an economy of exclusion and inequality. For Pope Francis, the ideology of markets is intrinsically bound up with the reality of inequality. He stresses that the world's problems can only be solved by "rejecting the absolute autonomy of markets and financial speculation and by attacking the structural causes of inequality" (EG 202).

Should Re-engage with Political Philosophy", *Journal of Economic Perspectives* 27, no 4. (2013): 121-140.

[27] Luigi Zingales, "Do Business Schools Incubate Criminals?", *Bloomberg*, July 16, 2012.

[28] Alain Cohn, Ernst Fehr and Michel Andre Marechal, "Business Culture and Dishonesty in the Banking Industry", *Nature* 516 (2014): 86-89.

Yet the debate about inequality tends to be trapped within the technocratic and individualistic paradigms. Libertarians argue that efforts to curb inequality constitute an unjust assault on individual freedom. Perhaps less appreciated, Rawlsian egalitarians also have had little to say about inequality, being more concerned with poverty than the gap between rich and poor. And neoclassical economists have traditionally viewed inequality through the exclusive lens of efficiency and economic growth, arguing that efforts to reduce inequality could backfire by undermining incentives to work, save, and invest.

But from the perspective of the common good tradition, the damage posed by excess inequality is broader and deeper than its effects on economic growth or the quantity of individual freedom. In this tradition, the danger is that it can undermine civic virtue and corrupt social norms by severing the sense of shared purpose necessary for the realization of the common good. So while market ideology might inculcate social norms that directly undermine the common good, the harm is magnified by an indirect effect stemming from inequality.

This insight goes all the way back to Plato, who called inequality "the greatest of all plagues", because the rich felt free to eschew the norms of social cooperation.[29] Likewise, Aristotle held that the ability of the political community to promote the common good would be impeded by large gaps between rich and poor – because the poor are too poor to embrace civic duty, while the rich are more attached to their wealth than to civil obligations. The founding fathers of the United States fretted over similar concerns.[30]

In reflecting on how excess inequality can corrupt moral norms, the insights of Adam Smith prove especially useful. Smith saw morality as driven by "fellow-feeling" – the innate tendency to form an empathic connection with our fellow human beings by imaginatively placing ourselves in their shoes. And happiness flows from giving and receiving this "sympathy". Yet Smith argues that this impulse can misfire in the sense that we are more inclined to sympathize with the rich than the poor. In his words, this "disposition to admire, and almost to worship, the rich and the powerful, and

[29] David Lay Williams, "Tackling Poverty Isn't Enough. Inequality is a Serious Problem Too", *The Washington Post*, September 13, 2016.

[30] See, for example, Sean Wilentz, *The Politicians and the Egalitarians: the Hidden History of American Politics*, (New York: W.W. Norton and Company, 2016) and Luke Mayville, *John Adams and the Fear of American Oligarchy*, (Princeton: Princeton University Press, 2016).

to despise, or, at least, to neglect persons of poor and mean condition" is "the great and most universal cause of the corruption of our moral sentiments".[31] Thus, as noted by Dennis Rasmussen, Smith's framework suggests that inequality has the potential to undermine virtue among rich and poor alike. Why? Because the rich can gain social approval without needing to act morally, and others seek to emulate the unworthy rich – undermining moral norms more generally.[32] In turn, this corruption in moral sentiments reduces happiness and wellbeing – because it leads people to obsess over wealth, and it deprives the poor of crucial bonds of sympathy.

Given the link to virtue, Smith's perspective coheres in some respects with the insights of Catholic social teaching. The Church fathers, for example, felt strongly that the greed animating an idolatry of wealth hurts the rich as well as the poor. Recently, some Catholic ethicists have focused explicitly on inequality, drawing a link between the distribution of income and the degradation of virtues like justice, solidarity, and humility.[33] This is due to such factors as the segregation associated with inequality, whereby the rich and poor live non-overlapping lives, and the tendency for the rich to enjoy outsized economic and political power.

What does the evidence say? It suggests that this hypothesis does indeed have merit – both at the macro level in terms of inhibiting civic deliberation over the common good and at the micro level in terms of undermining morality and pro-social norms.

Starting with the macro level, it is pretty clear that modern forms of oligarchy prove antithetical to the common good. In Latin America, one of the world's most unequal regions, the pattern tends to be one of oligarchic dominance interspersed by disruptive populist backlashes – and both sides of the see-saw harm the common good.[34] This is why Pope Francis is correct to argue that inequality spawns violence – because it reflects the fact that, with no clear orientation to the common good, "the socioeconomic system is unjust at its root" (EG 59).

And as inequality rises, this is becoming an issue even among the richer

[31] Adam Smith, *The Theory of Moral Sentiments*, (London: A, Millar, 1790).

[32] Dennis Rasmussen, "Adam Smith on What is Wrong with Economic Inequality", *American Political Science Review*, 110 no. 2 (2016): 342-352.

[33] Kate Ward, "Can Economies Help Us to be Good? Economic Inequality and Virtue", paper presented at Fordham University Good Economies conference, April 22, 2016.

[34] See Jeffrey Sachs, "Social Conflict and Populist Policies in Latin America", NBER Working Paper, 2897 (1989).

economies. Branko Milanovic, one of the leading researchers of global inequality, argues that – in recent years as during the Gilded Age – inequality has been pushed up by the confluence of globalization and technology, but it is reinforced by policies that favor elite interests.[35] As the wealthy gain more power, and as their circles of solidarity and ethical horizons narrow, they can – and do – bend politics to their will. Examples of sought-after policies include cuts in upper-income and capital taxes, curbs on the bargaining power of labor, greater tolerance for monopoly power, looser standards of corporate governance, and more limited oversight of the financial sector. And these pro-rich policies can in themselves alter social norms – for example, lower top marginal tax rates made it more socially acceptable for the wealthy to push for pay increases beyond what was once considered prudent.[36]

This distancing of the rich from the common good is further enhanced by globalization, which undermines civic duty, pushes the social classes further apart, and empowers corporations at the expense of governments. It is further enhanced by the financialization of the economy – both in terms of an increasing disconnect between the world of high finance and the world of real economic activity, and the increasing encroachment of market values across all aspects of the social life. At the other end of the scale, the poor – with a waning sense of belonging or connection to wider society – can easily get trapped in a cycle of exclusion and marginalization.

Given these trends, it is not surprising that IMF researchers found, in a landmark cross-country study, that excess inequality harms the economy and that strong and sustainable economic growth trickles up, rather than down.[37] This coheres with the views of Pope Francis. This is hardly surprising when inequality induces the wealthy to prefer short-run private gain over a longer-term commitment to the common good.

Yet the damage done by inequality runs deeper. There is ample evidence that it undermines social cohesion. In a landmark analysis, Richard Wilkinson and Kate Pickett demonstrated that inequality reduced empathy and trust across the board. Their analysis linked a skewed income distribution

[35] Branko Milanovic, *Global Inequality: A New Approach for the Age of Globalization*, (Cambridge: Belknap Press, 2016).

[36] See Thomas Piketty, *Capital in the Twenty-First Century*, (Cambridge: Belknap Press, 2014).

[37] Era Dabla Norris, Kalpana Kochhar, Nujin Suphaphiphat, Frantisek Ricka and Evridiki Tsounta, "Causes and Consequences of Income Inequality: a Global Perspective", IMF Staff Discussion Note 15/13 (2015).

to a litany of social ills – including poor physical and mental health, drug abuse, weak educational attainment, violence and imprisonment, obesity, the prevalence of teenage pregnancies, and poor child well-being.[38] And recent empirical evidence suggests that inequality is the driving force behind the general lowering of trust and social capital in the United States and in other advanced economies.[39] In the words of Pope Francis, it is synonymous with "the silent rupture of the bonds of integration and social cohesion" (LS 46).

At the more micro level, evidence also suggests that inequality harms morality. Psychological studies, for example, have shown that higher social class predicts unethical and anti-social behavior. Across a variety of different experiments, richer people displayed less empathy, proved to be less generous, and were more likely to lie or cheat. To explain these stark findings, the researchers suggested that the combination of increased resources and a degree of independence from others led the wealthy to view self-interest and greed as virtuous.[40]

The Smithian analysis suggests that happiness as well as morality is undermined by inequality, and this is indeed what we find. The world's happiest countries – the countries that score highest on measures of subjective well-being in the *World Happiness Report* – tend be to the most equal countries, typically in Northern Europe.[41] And studies show that people are less satisfied with life in societies characterized by large gaps between rich and poor.[42] This coheres not only with Smith's view on deformed moral sentiments, but also with the weight of evidence from psychology, evolutionary biology, and neuroscience suggesting that human beings are hardwired for fairness, cooperation, and reciprocity.

The bottom line is that inequality causes the sense of an all-encompassing common good, of being co-joined to a common purpose, to evaporate.

[38] Richard Wilkinson and Kate Pickett, *The Spirit Level: Why More Equal Societies Almost Always Do Better*, (London: Allen Lane, 2009).

[39] Eric D. Gould and Alexander Hijzen, "Growing Apart, Losing Trust? The Impact of Inequality on Social Capital", IMF Working Paper 16/176 (2016).

[40] Paul Piff and other, "Higher Social Class Predicts Increased Unethical Behavior", *Proceedings of the National Academy of Sciences of the United States of America* 109, no. 11 (2012): 4086-4091.

[41] Helliwell, Huang, and Wang, "The Distribution of World Happiness".

[42] Richard V. Burkhauser, Jan-Emmanuel De Neve, and Nattavudh Powdthavee, "Top Incomes and Human Well-being Around the World", CEP Discussion Paper 1400, (2016).

This makes it much harder to reach consensus on collective problems. It makes it much harder to achieve authentic human flourishing. Instead, inequality reinforces a social norm centered less on inclusive solidarity and more acquisitive self-interest. It stimulates social interaction based less on cooperation and more on competition for status and wealth. The reality of inequality both feeds and is fed by the ideology of egoism, consumerism, and instant gratification.

This is surely why historian Tony Judt is right to say that "inequality is corrosive … it rots societies from within … it illustrates and exacerbates the loss of social cohesion … [it is] the pathology of the age and the greatest threat to the health of any democracy".[43] And it is why Pope Francis is right to call inequality "the root of social ills" (EG 202) and to urge people to "say NO to an economy of exclusion and inequality, where money rules, rather than serves. That economy kills. That economy excludes. That economy destroys Mother Earth".[44]

VI. Toward an ethic of inclusive solidarity

So far, I have argued that inclusive solidarity is hindered by the ideology of the market in tandem with the reality of inequality. In this final section, I would like to address the question of how these impediments can be overcome so that the virtue of solidarity can be properly habituated.

Laudato Si' has some powerful insights about this. It calls for a different type of progress, one that is "healthier, more human, more social, more integral" (LS 112), escaping the confines of the technocratic paradigm and the bondage of individualism. Concretely, *Laudato Si'* is calling for integral and sustainable human development. Integral development is a well-established idea in Catholic social teaching centered on the development of the whole person and each person. In that sense, it links back to the old Aristotelian idea of holistic human flourishing rooted in the common good. Pope Francis expressed this idea in terms of the ability to "live well", so that all people are able to "find meaning, a destiny, and to live with dignity".[45] And he tied it in particular to dignified work, which he regards as "part of the meaning of life on this earth, a path to growth, human development and personal fulfillment" (LS 128). Sustainable development in turn is a holistic agenda that melds poverty reduction, social inclusion,

[43] Tony Judt, *Ill Fares the Land*, (New York: Penguin, 2010).
[44] Pope Francis, Bolivia speech.
[45] Pope Francis, Bolivia speech.

and a sustainable use of the earth's resources.[46] This is why Laudato Si' calls for "an integrated approach to combating poverty, restoring dignity to the excluded, and at the same time protecting nature" (LS 139).

Realizing this vision of integral and sustainable human development will require a renewed orientation toward the common good. And this ties naturally back to solidarity, which Pope John Paul II insisted was a "a firm and persevering determination to commit oneself to the common good".[47] In the words of Pope Francis, the common good entails "a summons to solidarity and a preferential option for the poorest of our brothers and sisters" (LS 158) and solidarity in turn "must be lived as the decision to restore to the poor what belongs to them" (EG 189). Solidarity is a reflection that we are interdependent rather than independent, and as such, it is the glue that holds the common good together. It is the polar opposite of self-interest.

But how can this inclusive solidarity – across space, across time, and even across species – become more ingrained? *Laudato Si'* gives a twofold answer to this question – one from policy and one from individual and institutional conversion.

The policy agenda promoted by *Laudato Si'* overlaps strongly with the sustainable development agenda endorsed by world leaders in 2015 – both in terms of the 17 Sustainable Development goals that are supposed to serve as the linchpin for policy between now and 2030, and the commitments under the Paris Agreement to move to zero carbon emissions in the second half of the century. These commitments, if taken seriously, would embody an orientation toward the common good animated by inclusive solidarity.

But this is easier said than done. As we move from aspiration to implementation, it becomes clear that a re-orientation of policy priorities also requires a reorientation of attitudes. If, as I have been arguing, the problems spring from misguided mindsets, flawed values, and corrupted norms of behavior, then the needed change is deeper and more transformative. *Laudato Si'* states this well: "Many things have to change course, but it is we human beings above all who need to change. We lack an awareness of our common origin, of our mutual belonging, and of a future to be shared with everyone. This basic awareness would enable the development of new

[46] See Jeffrey Sachs, *The Age of Sustainable Development*, (New York: Columbia University Press, 2015)

[47] Pope John Paul II, *Sollicitudo Rei Socialis* 38 (1987).

convictions, attitudes and forms of life" (LS 202). *Laudato Si'* therefore calls for a "cultural revolution" that transforms our notion of progress and the values on which it is based (LS 114).

I would argue that this kind of transformation calls for a reconstituted virtue ethics predicated on the development of both personal and social virtues – to transform not only people, but institutions too. It starts from the premise – common across many different ethical and religious traditions – that each person possesses innate human dignity, which is the source of the summons to development. In turn, this gives rise to a profound reciprocity between human flourishing and the common good. When people are able to develop across all fronts without impediment, this builds up social capital. And this social capital in turn facilitates human flourishing, setting in motion a true "virtuous" cycle. Developing these requisite personal and social virtues – including the virtue of solidarity – will require leadership, education, role models, positive reinforcement, a vigorous civil society, and quality public discourse.

In this context, the world's major religions have always been fruitful seedbeds for nurturing the personal and social virtues needed to support the common good. Despite large differences in beliefs and practices, they all affirm the essentials of virtue ethics – a call to personal development that unfolds from human dignity, combined with the essential claim that each person is called to contribute to – and be supported by – the common good. This is pellucid in Catholic social teaching. But it also emerges in the other religious traditions, both eastern and western. Confucianism, for instance, calls for human flourishing by developing the virtue of *ren* – typically translated as benevolence – which has a public as well as a private dimension. And Amartya Sen has argued persuasively that the Buddhist notion of enlightenment is a matter not only of self-cultivation but also of communicative interaction, and that a tradition of public deliberation arose independently out of this ethos.[48]

Yet all of this presents difficulties for the modern mindset. In perhaps the most trenchant critique of the Enlightenment project, the philosopher Alasdair MacIntyre argued that it contained within it an inbuilt coding error, a bug in the system. This is because, in its different manifestations, the Enlightenment project views human nature as it is, rather than as it could be – rejecting the need to "correct, improve, and educate" human

[48] Amartya Sen, "The Contemporary Relevance of Buddha", *Ethics and International Affairs* 28, no.1 (2014): 15-27.

nature through the exercise of the virtues.[49] According to this view, there is a fundamental incompatibility between the older virtue traditions and the modern Enlightenment-era paradigm.

But cavalierly rejecting the Enlightenment paradigm would be foolhardy. After all, this shapes our modern world, for good or for ill. And a lot of it is for good. Its scientific and technological advances have brought enormous improvements in human health and well-being. As *Laudato Si'* notes, the point is not to reject technological progress, but to better align it with moral progress. At the same time, the turn to the individual paved the way for the slow-but-steady advance of human rights, forcing the adherents of the older communitarian traditions to admit that they sometimes suppressed the dignity of the individual in favor of the collective.

Rejecting the modern market economy, as some are prone to do, would be equally unwise. The market can be a locus for genuine cooperation and reciprocity, meeting real human needs and strengthening social capital.[50] But it needs to humanized and civilized, seasoned more by solidarity and less by self-interest, oriented more toward human flourishing than consumerism and the possession of wealth. As Aristotle would have put it, it needs to be moored less in *chrematistike* – pursuit of wealth for its own sake – and more in *oikonomia* – the root source of the word "economics", but actually referring to the ethical norms that ought to govern private and public household management.[51]

How then, can this kind of re-orientation take place within the modern paradigm, in a way that blends the best of the ancient virtue tradition with the best of the Enlightenment? There is no simple answer to that question, although there are promising avenues of exploration. One such avenue, is to accept the centrality of freedom, but re-attach this freedom to the common good by basing it in human dignity and linking it to responsibility. This is the goal of ethicists like Claus Dierksmeier, who argues for a conceptual shift from *quantitative* to *qualitative* forms of freedom.[52] *Quantitative freedom* is identified with the largest possible extension of individual choice.

[49] MacIntyre, *After Virtue*.

[50] See Luigino Bruni and Stefano Zamagni, *Civil Economy: Efficiency, Equity, Public Happiness*, (Bern: Peter Lang AG, 2007).

[51] Claus Dierksmeier and Michel Pirson, "*Oikonomia* Versus *Chrematistike*: Learning from Aristotle About the Future Orientation of Business Management", *Journal of Business Ethics*, 88 (2009): 417-430.

[52] Claus Dierksmeier, *Reframing Economic Ethics: the Philosophical Foundations of Humanistic Management*, (London: Palgrave Macmillan, 2016).

This notion of freedom distances itself from normative questions pertaining to the good society. It is the self-interested freedom that animates market ideology. And it is the kind of freedom that finds a comfortable home within the technocratic paradigm.

If *quantitative freedom* is about "the more, the better", then *qualitative freedom* is its opposite – "the better, the more". This suggests that deliberation should concern itself not only with the amount of freedom, but also with the use of that freedom. The core idea is that freedom comes with a responsibility to protect and promote the freedom of others. *Qualitative freedom*, therefore, links personal freedom to universal freedom – as Dierksmeier put it, "endorsing an obligation to empower everyone to lead a life in social, economic, cultural, and political autonomy, including the poor within our societies, the destitute of foreign nations, and future generations".[53] This stems from both pragmatic reasons – as disconnecting individual from universal freedom is bound to backfire – and also from principled reasons, stemming from the dignity of each person as affirmed by the major ethical and religious traditions. This notion of freedom is therefore inherently contextual and participatory, requiring moral deliberation. It is a notion of freedom that is compatible with inclusive solidarity.

This approach to freedom is closely related to a separate attempt within the liberal paradigm to open the door to the common good – the capabilities approach developed by Amartya Sen and Martha Nussbaum. Capability in this context refers to the ability of each individual to do or be what they value doing or being. For Sen, the Rawlsian conception of primary goods is incomplete, as what really matters is the conversion of primary goods into the person's ability to promote her own ends.[54] With its emphasis on agency and self-actualization, this is closer to the older idea of human flourishing than other variants of the modern paradigm. Yet this identification is not automatic. Self-actualization can be misdirected toward selfish ends, cut off from the common good.[55] Capabilities can be deployed toward pursuing a life that fails to support the well-being of others. This tension is certainly evident in the thought of Nussbaum. Nussbaum originally conceived of capability in terms of a "thick vague theory of the good", on the grounds that it is possible to affirm core elements of human

[53] Dierksmeier, *Reframing Economic Ethics*, p. 84.

[54] Amartya Sen, *Development as Freedom*, (New York: Anchor Books, 1999).

[55] Amitai Etzioni, "Happiness is the Wrong Metric", mimeo, George Washington University (2016).

life that all would agree are worthwhile.[56] In more recent work, however, she has edged away from this Aristotelian framing and more toward capability as an expanded and deepened notion of Rawls's primary goods, directed toward each person's own conception of the good.[57]

But the capability approach is certainly flexible enough to accommodate an Aristotelian mooring, so that capabilities are directed toward common ends as part of living the good life in community.[58] This is also consistent with the idea that human flourishing is compatible with an approach based on individual rights – but these rights cannot be interpreted individualistically and must instead be attached to communal obligation. This relates back to the idea that integral human development is not just about the *whole* person, but *each* person – and that these concepts cannot be delinked.

These are some of the avenues through which the virtue ethics tradition can find a comfortable niche within the modern paradigm, although there is still a lot of work to be done here. These approaches can help ground policy in an ethic that is more attuned to the requirements of integral and sustainable development.

But what about the interplay between policy and virtue? To put it bluntly, can good policies shape good people? This is somewhat related to the old idea, formalized by Thomas Aquinas, that the ultimate aim of the law is not simply to enforce compliance but to help make people virtuous – in others, to provoke an intrinsic rather than an extrinsic response.[59] In the context of the modern economy, Lynn Stout has made a related argument, suggesting that law and regulation can promote pro-social norms by signaling what conduct is appropriate, influencing the behavior of those with whom we interact, and educating us on how personal choices affect others.[60]

Within this framework, it is entirely feasible that economic policies could – if tailored appropriately – give virtue a nudge. Within the tech-

[56] Martha Nussbaum, "Aristotelian Social Democracy", in *Liberalism and the Good*, eds. R.B. Douglas, G.M. Mara, and H.S. Richardson (London: Routledge, 1990).

[57] Martha Nussbaum, "Capabilities as Fundamental Entitlements", *Feminist Economics* 9, no. 2-3 (2003): 33-59.

[58] Severine Daneulin, "Recovering Nussbaum's Aristotelian Roots", *Revista Cultura Economica* 29, no. 81-82 (2011): 31-37.

[59] See Rebecca Konyndyk DeYoung, Colleen McCloskey, and Christina Van Dyke, *Aquinas's Ethics: Metaphysical Foundations, Moral Theory, and Theological Context*, (Notre Dame: University of Notre Dame Press, 2009).

[60] Stout, *Cultivating Conscience*.

nocratic/ market ideological paradigm, of course, economic policies are assumed to affect behavior solely by changing incentives. Yet as Samuel Bowles has argued, good incentives might be poor substitutes for good citizens.[61] This is the familiar story of *homo economicus* decapitating the social and moral animal inclined toward intrinsic motivation. Yet Bowles argues that it is indeed possible to design policies that tap into a person's better instincts, aligning incentives with intrinsic motivation – what is required is an appeal to "Aristotle's legislator".

This obviously has many dimensions. It can, for example, be used to inculcate good environmental habits – the "ecological citizenship" called for by *Laudato Si'* (LS 211). It can help nudge business toward accepting a broader responsibility to the common good that goes beyond the maximization of shareholder value. And it has special resonance when it comes to inequality. I have argued that inequality magnifies the harm to the common good stemming from market ideology by undermining pro-social norms. Yet inequality is amenable to policy fixes, at least to some extent. It is certainly conceivable that just as rising inequality seems to reinforce negative norms, falling inequality could form better citizens – and more moral people. For example, if cutting top marginal tax rates helped generate a social norm based on greater risk-taking and the pursuit of outsized personal reward, then raising top marginal taxes might inculcate norms based more on prudence and fairness. But reducing the harm to the common good stemming from inequality means dealing not only with the tax-benefit system, but also with more structural issues related to corporate concentration and governance, as well as the design of the financial system. Overall, prioritizing a reduction in inequality certainly makes perfect sense for "Aristotle's legislator".

VII. Conclusion

Shortly after the release of *Laudato Si'*, Pope Francis delivered an extraordinary speech at the World Meeting of Popular Movements.[62] In that speech, he called for structural change across the global economy to end the economy of exclusion. Yet, he concluded, "the future of humanity does not lie solely in the hands of great leaders, the great powers and the elites. It is fundamentally in the hands of peoples and in their ability to organize". The pope is calling for a bottom-up approach to build an economy of in-

[61] Bowles, *The Moral Economy*.
[62] Pope Francis, Bolivia speech.

clusion through genuine participation and participatory democracy. This is the antithesis of the throwaway culture, whereby people become the agents of their own development, and whereby those affected by policies in turn can affect policies.

For this vision to be realized, however, the global economy needs a re-orientation away from market ideology and toward the common good. This requires a reconstituted virtue ethics tradition predicated on human flourishing, but one that is nonetheless compatible with the modern paradigm. This is possible if we focus on linking human dignity to the common good. It is possible if we properly interpret key concepts such as *freedom* and *rights* – a qualitative approach to freedom tied to responsibility; and social and economic rights underpinned by a reciprocal obligation between the individual and the community.

Such a framing can provide fertile ground for inclusive solidarity. It can help bring about integral and sustainable human development. It can help form better individuals and better institutions. At the very least, it can – in the words of Pope Francis – help replace a globalization of exclusion and indifference with a globalization of hope.[63]

[63] Pope Francis, Bolivia speech.

Solidarity and Subsidiarity: The Economics of National and Global Poverty

Jeffrey Sachs

Thank you very much. I am going to start out with something rather conventional for me, and to show us some numbers and talk about the concepts of social inclusion from an economic point of view, because I think having a common statistical, empirical base is also important for our discussion. So, I want to talk about poverty as economists view poverty and to show some of the trends and some of the issues that are raised by the concept. Poverty has two meanings, and social inclusion invokes both of them. One is the poverty that means that the material conditions of life are so extreme that basic needs cannot be met, and this is typically called absolute poverty or extreme poverty. And, in the official system, it is measured by the global scorekeeper, which is the World Bank. The World Bank, every few years, puts out estimates of the number of people living in absolute poverty. The current definition is to live at less than $1.90 of consumption, per person, per day. Even that definition has lots of statistical difficulties and assumptions built into it, because it is $1.90 measured at international prices, so it is a statistical creation. The world is then surveyed using various kinds of household survey data and estimates of the number of people living below $1.90 per person, per day – consumption is then estimated. The second major definition is more what we would think of as a kind of social exclusion, and that is the idea that if, again, economic income is below a certain threshold relative to the norm of the community, this makes impossible a dignified life in the mainstream of the community. And here the OECD keeps a score card for the high-income countries of households that are below half of the median income, and that share of households below half of the median income is called the relative poor, and the OECD puts out a poverty measure for those.

So, I wanted to go through the data to see where we stand, and then make some observations about where these trends come from, what they mean for our practical thinking, both in the normative sense and also in the policy dimension. Let me emphasize, as Stefano Zamagni did in his opening remarks, that the Sustainable Development Goals (SDGs) explic-

itly address both dimensions of poverty, both the absolute dimension and the relative dimension. In absolute terms, SDG number 1 says that extreme poverty should be ended – that is the leading SDG, and the main metric for that is that World Bank measurement of persons living below the absolute poverty line. Many of the other early SDGs – number 2 to end hunger, number 3 to ensure universal health coverage, number 4 to ensure universal education, number 6 to ensure universal access to water and sanitation, number 7 to ensure universal access to modern energy services, number 8 to end all forms of modern slavery and bonded and child labour – are also part of that end of absolute poverty. Goals number 5, 10 and 16 are really mostly about relative poverty; Goal number 5 is about gender equality; Goal number 10 calls for reducing inequalities within countries, as well as across countries; and Goal number 16 calls for inclusive societies with attention to reducing levels of violence and also exclusion of minority groups. In terms of absolute poverty, the World Bank estimates the proportion of the world living in absolute poverty. And the red dot in Figure 1 shows the estimated proportions since 1990. And what you see is a very, very significant decline, according to the World Bank estimates, of the proportion of the world population living in absolute poverty, from 37.1% in 1990 to 9.6% in 2015.

Most of that decline, by the way, shows up in people living at $3 or $4 per person, per year. So, you would not regarded as affluence by any standard, it would still be conceived quite poor by the standards of where we sit today in high-income countries, but it is out of the bound of extreme or absolute poverty. This gain, in my view, is real; it is not a statistical illusion. It is, mainly, the gain in China by the way, but not only. China transformed over the last 40 years from a rural and very poor society to a middle-income, mainly urban society, where earlier fears of famine and hunger, which were quite real even 40 years ago, have been overcome – remember how many people died at Mao's hands in the Great Leap Forward with the starvation – and people now live a full middle-income life. So, this is a remarkable gain in material conditions and I think it should be taken very, very seriously as a very substantial gain and success of the world economy.

The absolute numbers of people living in extreme poverty are shown by the columns (see Figure 1). So, it was about 1.958 billion as of 1990, it is now estimated to be about 700 million. I think that number is a little bit low, probably I would put it close to a billion people, but you have in absolute numbers also a significant decline.

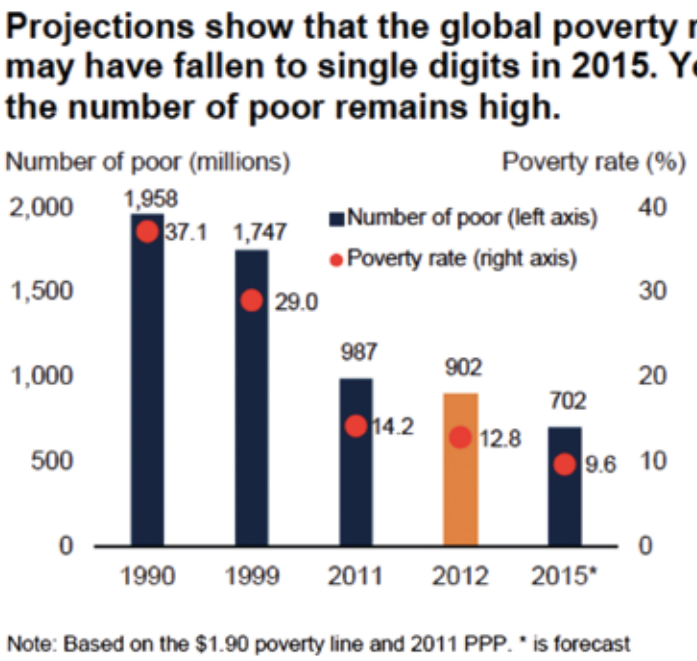

Figure 1.

This shows up, incidentally, in many other ways, to emphasize that we are observing a real phenomenon, not simply a statistical phenomenon. The under-five mortality rate, which measures the number of children under the age of five dying each year, per 1000 of that age group, has declined from 182 per thousand deaths of children under 5, meaning for every thousand born 182 would die before their fifth birthday, statistically, in 1960, to 90 per thousand in 1990, 75 per thousand in 2000 and now 42 per thousand in 2015. That is a remarkable gain. Sadly, it still means nearly six million children under the age of five dying each year and almost every one of those deaths is preventable, because the causes of deaths of children under 5, overwhelmingly, are caused by poverty. They are not caused by the lack of technological means to prevent or treat their diseases, but rather their exclusion from normal diets and normal health care. But the numbers have come down very, very significantly, so there is real progress that we need to recognize and build upon and it is this graph (see Figure 1) which led the world to say, "It is possible to reach zero in 2030". In other words, the goal SDG 1 was not taken lightly, it was taken by putting a dotted line

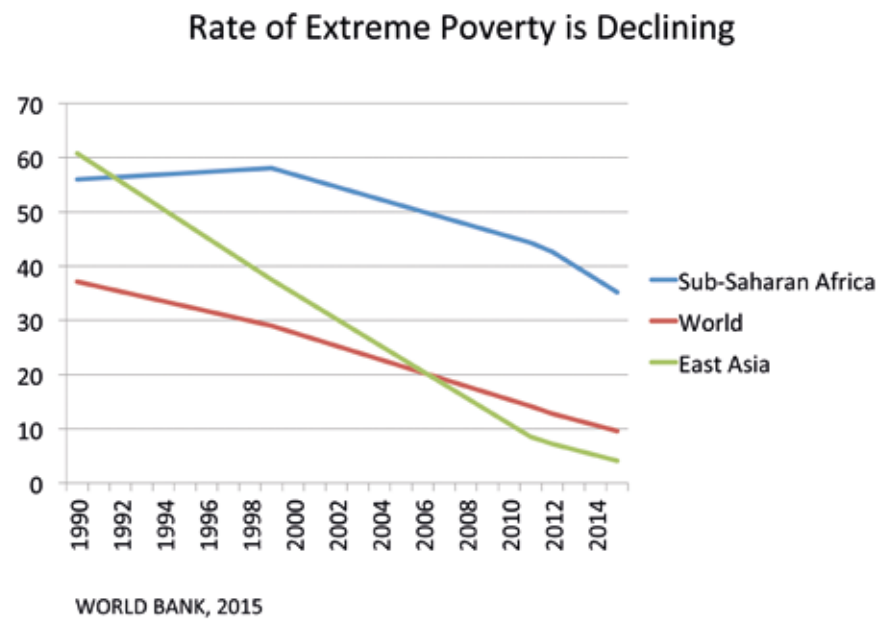

Figure 2.

through those red dots and carrying the trend down to the year 2030. There is nothing automatic about such gains to be sure, but reaching near zero poverty is feasible, though unlikely I would say – unless there is a significant mobilization of international effort.

If you look at the regions of the world in Figure 2, the red line is the same data for the whole world; the blue line is for Sub-Saharan Africa, the locus of highest poverty remaining in the world; but you see, even in Sub-Saharan Africa the poverty rate went from 57%, estimated by the World Bank in the year 2000, to 37%, in the year 2015. And it is in East Asia and, overwhelmingly, China where the poverty rate went from above 60% to below 10%, during this 25-year period. So, this is a measure of how much progress can be made.

If one looks at where poverty remains (see Figure 3), I think it is important for us to note that Sub-Saharan Africa, South Asia and pockets of poverty in Central America and in Southeast Asia, are the places where the poverty remains; those are the light shaded parts of the world map here. You cannot really tell very well from this, but generally landlocked countries, you can see Bolivia in South America, for example, or Afghanistan or

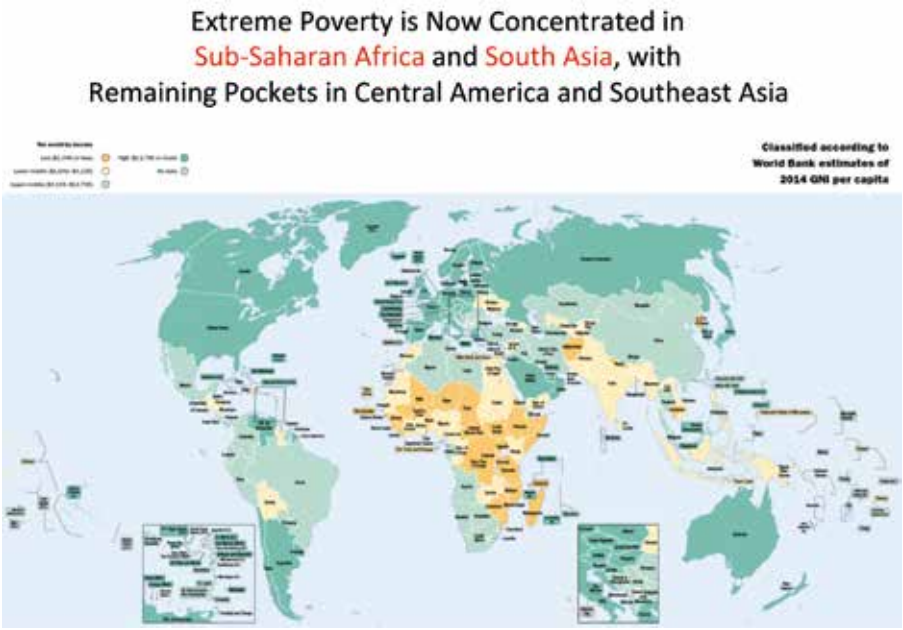

Figure 3.

Mongolia or other interior countries all through Sub-Saharan Africa, are disadvantaged in economic development and many geographical factors are partly at play in the places that remain with a high degree of extreme poverty. This is the same picture for the under-five mortality (Figure 4), and you can see that it is very, very similar to the previous map. These are the under-five mortality rates and you see that the epicentre of the absolute poverty challenges is Sub-Saharan Africa, followed by South Asia, followed by various pockets of poverty – Haiti, Bolivia, parts of the highlands of central America, parts of Southeast Asia.

One fact that has been strongly noted and, of course, we have discussed it many times here, is that the escape from extreme poverty in the past generation has been strongly related to the quality of education for children. And I think it is right to say that the single most important investment, of many important investments to be made, to help bring the extreme poverty line down to zero is in education. Figure 5 is a graph that has on its horizontal axis the test scores of internationally comparable tests that are given around the world on science, reading and math. And on the vertical axis is the economic growth rate so that upward sloping line means that

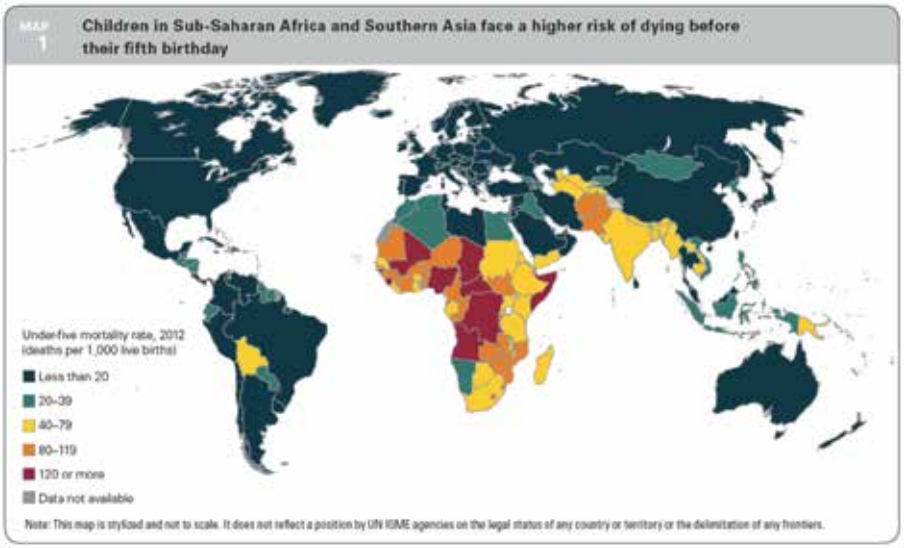

Figure 4.

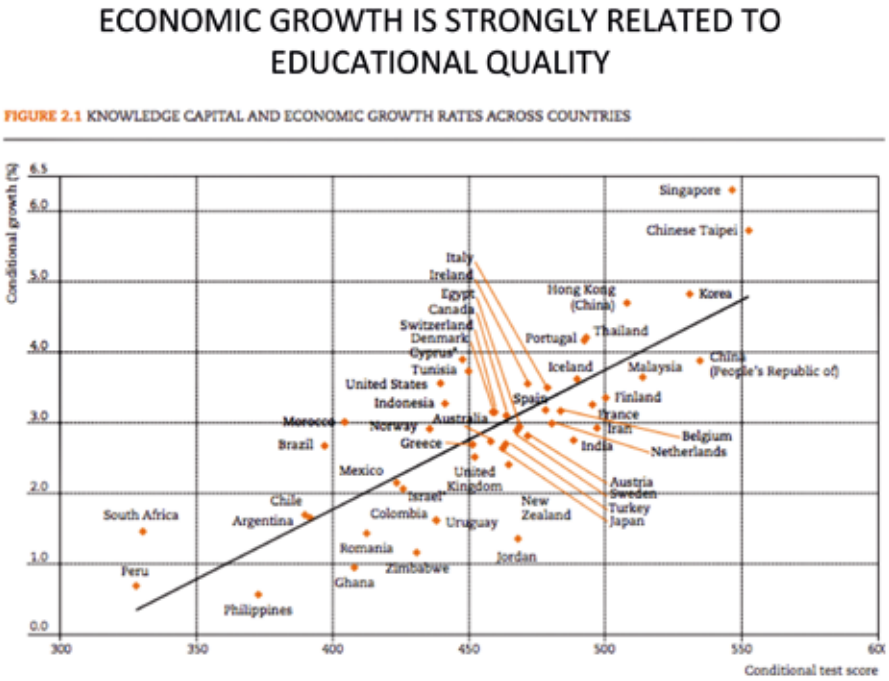

Figure 5.

Figure 6.

regions that are testing well in lower levels of education are also achieving rapid economic growth and in the top right-hand corner here, those are countries that are growing rapidly and achieving very high education standards. And, if you could see the fine print, it is China, Korea, Taiwan and Singapore, are those four points in the upper right-hand quadrant; they have educational excellence combined with the very rapid progress on the economy.

What are key dimensions for ending absolute poverty? I would emphasize the need for education and health for all – SDGs 3 and 4. Of course, peace is vital because it is impossible to have any kind of economic or social development in the context of war, unfortunately war destroys economies and makes those investments all the more difficult; poverty is conducive to violence, sad to say, because of desperation and abuse and exploitation of the poor, but peace is clearly a precondition for development, and development is a key path towards peace. In all of the regions that have high poverty remaining, there are invariably indigenous communities and minority communities that face special social exclusion. There are an estimated 400 million indigenous populations around the world – 400 million! So, about 7% of the world's population, 6 to 7% perhaps, everywhere they are poor. And, of course, girls and women face special discrimination in many places

in the world. Then finally, global solidarity to help finance, the education, health and infrastructure needed to accelerate the escape from poverty in the poorest countries, and I will come back to that in a moment.

Let me turn to relative poverty, to have a picture of relative poverty. Relative poverty, of course, can exist in rich countries and the United States is an example of a very rich country with a considerable amount of relative poverty. America's poor do not live under a $1.90 a day, but they are absolutely excluded from the mainstream of society, they face far worse health conditions, far worse education conditions, are passing through the penal system with incredible high frequency and, in general, face multiple indignities of a very high order. So, relative poverty can afflict, of course, the richest countries in the world as well.

This is one kind of map of relative poverty (see Figure 6). The standard economist's measure of income inequality is the Gini coefficient, which is a variable between 0 and 1. Zero signifying equality of income; 1 signifying complete inequality of income where, in theory, one household or one person would have all the income and everybody else would live without any income. And actual inequality, of course, therefore is between 0 and 1.

In Figure 6, the green shaded areas of the world are the places with the lowest levels of inequality and the world's superstars of low inequality are the Scandinavian countries, that have a Gini coefficient of about 0.25. You notice that all of the Americas have a high Gini coefficient; this means a high degree of inequality across the Americas. My view of this is that, basically, post-1492 settlement of the Americas, these are conquest societies of extreme inequality by ethnicity of settled European populations, indigenous populations, impoverished slave populations that were brought by the European colonizers and the legacy, 500 years later, remains remarkable inequality. And that is true in the United States, for example, which is the most unequal of any high-income country in the world. And it is, of course, hugely unequal by ethnicity but it is also unequal within social and ethnic groups as well, because of the lack of social solidarity and public policies.

Africa is another place of very high inequality and there are several features of that. The multiple ethnicities, the ethnic politics, the legacy of colonialism and the high dependence on natural resources, which is almost a sure way towards inequality within society. This graph (see Figure 7) is very important and very interesting to understand. It shows, for every rich country, two measures of the Gini coefficient – and remember, the higher the more unequal. The light shaded column is what we call the market in-

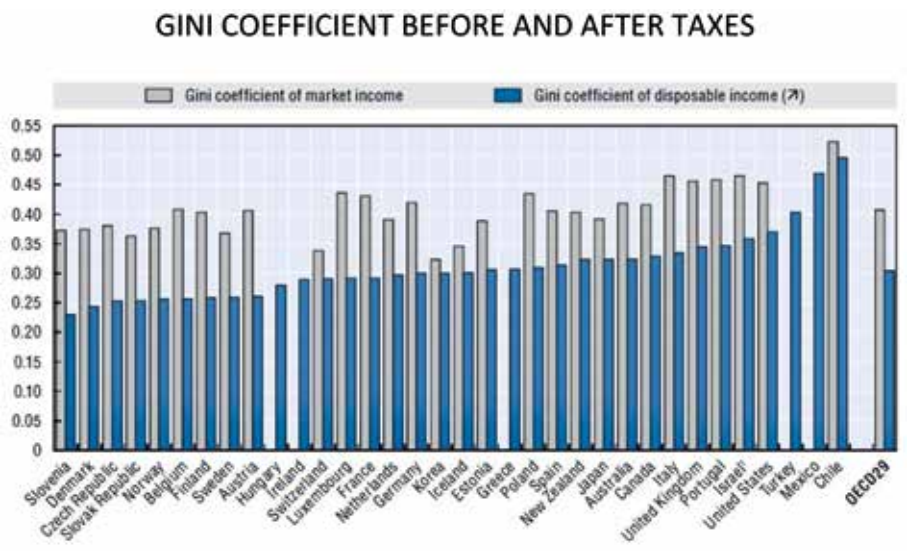

Figure 7.

come, and the blue shaded column is what we call the disposable income. The disposable income is after taxes and inclusive of public transfers, so, the blue column is everywhere lower than the white column, meaning that after taxes and transfers there is less inequality than before taxes and transfers. This makes sense, but what is interesting for me is that if you look at the height of the white columns, and you see that the countries are aligned by inequality of their disposable income – the most equal all the way on the left-hand side, and the least equal all the way on the right-hand side – you see that the market income inequalities are relatively similar across countries; the big differences across countries are in the inequality of disposable income. There is a lesson from this. What is happening in this figure is that certain countries, those on the left-hand side of the graph, are redistributing income through solidaristic public policies. The ones on the right-hand side of the graph have, what we would say, very small safety nets and very little solidarity in fiscal policy.

So, take the countries on the left-hand side. It includes Slovenia, Denmark, Czech Republic, Slovak Republic, Norway, Belgium, Finland, Sweden: these are countries with large social welfare states. The countries on the right-hand side include the United States, Turkey, Chile: these are countries with very small social welfare states. The fact that in the United

States the white column and the blue column are almost the same, means that the market inequality is not reduced through public policy. So, the US market inequality is not so much bigger than in Denmark or Sweden, it is very surprising. But the disposable income is vastly different, because in the United States there is very little effort to redistribute income, indeed the whole system is geared towards resisting that, in fact, whereas, in the social-democratic countries in Northern Europe, the political system is oriented towards the significant amount of income redistribution.

This graph (Figure 8) may help a little bit to explain, it is not so easy to read, but the blue line is the Tax-GDP ratio and the countries are aligned in this graph, from the lowest tax countries on the left-hand side to the highest tax countries on the right-hand side. The United States, for example, has a tax rate shown here of about 25% of national income, that is total taxes divided by total national income. If you go all the way to the right-hand side, there is Denmark, which taxes 50% of national income. What is happening here is, of course, that in the Northern European countries, half

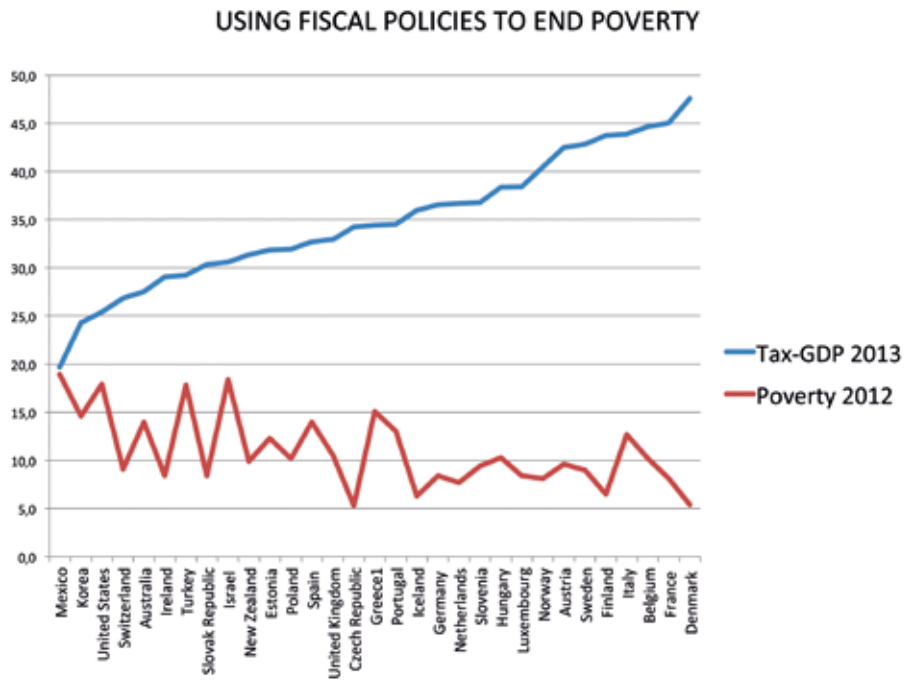

Figure 8.

of national income is taxed and it is redistributed; whereas in the United States or in Mexico or in Chile, very little is redistributed. If you look at the red line, that is the poverty rate, it is a little bit hard to see, but that is a downward sloping line, I should have put it on two different axes. And what this is showing is that countries that have high Tax to GDP ratios have low poverty rates, countries that have low Tax to GDP ratios have high relative poverty rates. This again is a function of the solidarity of the fiscal system. So, the bottom line is a market economy creates a lot of inequality, but how that shows up in the actual equality or inequality of households depends a tremendous amount on what the public policy is. And if public policy is high taxation, combined with a high provision of universal services, such as health, education and infrastructure, then you end up with relatively equal societies even if the market inequalities are relatively high.

In the United States the inequality has soared for the last 40 years, and this is also important for us to understand, this is not unlike many places in the world. Government in the United States stopped redistributing income, around 1981 at noon, January 20. That is when Ronald Reagan was inaugurated as President, because the whole philosophy of the Reagan Revolution was to stop the role of social policy as much as possible. And we have been living with that legacy now for thirty-six years, and it has gone through every administration; no government has been able to win office on a social-democratic platform. Bernie Sanders campaigned on such a platform, he came close to winning the nomination, he surely would have won the presidency, but he did not get the nomination. We live, therefore, with a phenomenon in which government is not solidaristic; it reflects many aspects of the underlying social realities, but partly it reflects politics and I will come back to that in in a moment.

What are, therefore, the key dimensions of addressing relative poverty? Once again, universal access to basic health services are vital, fiscal redistribution is vital, social solidarity to guide the fiscal redistribution and – I will come back to this in a moment – where has the political locus of Northern Europe relied? It has been on the workers, because remember that the social-democratic movements began first and foremost as labour union movements. These were political movements, they were not only moral calls to action, they were political movements, they were struggle for power. The social-democratic parties based on the trade union movements won power, held power for decades and created that more equal fiscal environment.

Now, let me say a word about global solidarity, because the poorest countries are unable to provide the means, the financial means, to get out

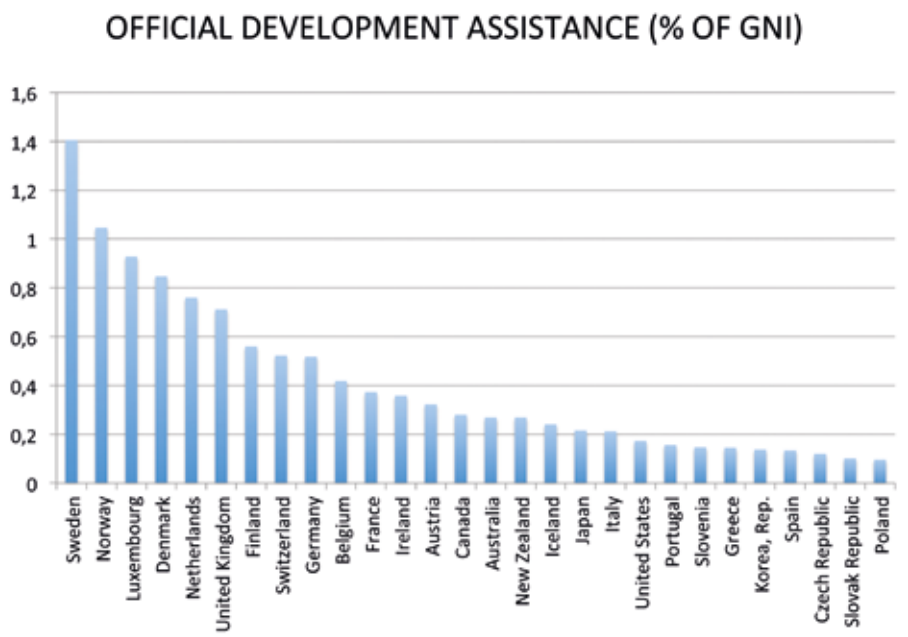

Figure 9.

of poverty on their own, so they absolutely depend on development aid as a major instrument for escaping from poverty. And, what I am showing you here is a graph (see Figure 9) of who gives development aid, which countries as a share of their national income. The country on the farthest left is Sweden, its development aid is 1.4% of national income, GNI means Gross National Income. The next country is Norway, then Luxembourg, then Denmark, Netherlands, UK, Finland, Switzerland, and Germany. If you go quite far to the right you see the United States. Look at the difference between Sweden, which gives 1.4% of national income in development aid, and the United States – even richer than Sweden – but it gives just 0.17% of development assistance; and the difference between those two, if the United States gave what Sweden gives, we would be giving another 200 billion dollars per year of development aid. It is almost unimaginable if we were matching Sweden's performance and this is a deeply missing feature of global solidarity.

Well, I made this graph this morning to illustrate a point, which is that if you array these countries in this scatter diagram (see Figure 10]), on the

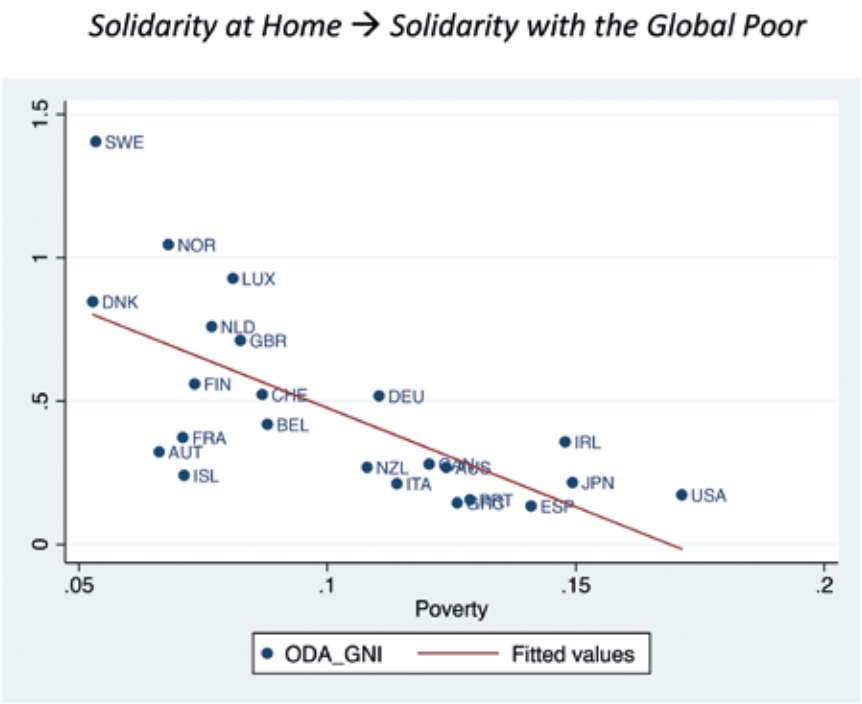

Figure 9.

horizontal axis I show the poverty rate and on the vertical axis I show the level of aid as a share of GDP. You see Sweden, way up in the upper left-hand corner, it has zero poverty and a great deal of aid; if you look at the lower right-hand corner, you see the United States: it has high poverty and very little development aid.

My conclusion is, if you are solidaristic at home, you are also solidaristic abroad. Americans cannot understand why they should help the world's poor because they do not even help America's poor, and so the there is a very strong downward-sloping relationship here, which is showing that solidarity at home goes with solidarity internationally.

I know we are going to spend two days talking about how to foster solidarity and what the roles are, but let me mention a few quick thoughts that I would just add on this final point. First, where does social inclusion come from? Partly it is history, geography, demography but, of course, it is also ideas, social spirit and communion, it is also power because social democ-

racy and solidarity has never been won without a struggle as well. Even in Scandinavia, these countries were quite unequal until power was won by the trade unions, and then the trade unions were highly responsible, they were very wise, they were very agreeable, but they had to win power in order to achieve what they achieved. I would add two more factors: habit because once you get into the habit of solidarity, as Aristotle taught, you are much more likely to remain solidaristic, and education, both moral education and, of course, education of the poor to help defend their rights.

What undermines social solidarity and social inclusion? The flipside of all of that. I just want to emphasize that we are dealing in a world of rather brutal power, and the idea that ideas alone, without ideas leading to the victory, whether it is at the elections or in some other way, probably is not sufficient. There is a lot of what I would call moral arbitrage. Moral arbitrage meaning that if much of society behaves well, if one is not careful, the sociopaths are able to exploit that good behaviour to their own benefit, and Wall Street is an example of that. If a pharmaceutical company is behaving responsibly, all you need is a sociopath to make a raid on that company, buy it and then raise the price of the drugs a hundred times, which is what has happened repeatedly now in the past year, and you end up having those good intentions undermined by the market. So the market can be an instrument for moral arbitrage, and it is a dangerous instrument in that way, because we are in a world where there is a lot of sociopathy and many of them are leaders of this kind of financial arbitrage right now, and we have to be very much aware of that. And finally, I would say, and I mentioned it earlier, unless we are in the habit of calling out bad behaviour, unless we are in the habit of saying, "That was wrong, you cannot sit at this table anymore, even if you are not sitting in jail, you cannot achieve approbation in our society", I think we are not going to be successful, because, if those moral arbitragers, who can be quite vicious, are praised for their actions, we have a very, very hard time overcoming their bad behaviour. So, I will stop there. Thank you.

The Interdependence of Solidarity and Subsidiarity in the Integration of Marginalized People

Paolo G. Carozza

In this brief comment on the presentation by Jeffrey Sachs, who focused his remarks on certain aspects of solidarity, I would like to complement his contribution with a brief reflection primarily on the second half of the title of this session: subsidiarity. Like Professor Sachs, I will try to bring to bear a few insights from empirical social sciences, in addition to engaging the conceptual aspects of the idea of subsidiarity. These will illustrate that solidarity and subsidiarity are in fact intertwined and interdependent in the pursuit of inclusive societies.

To begin to understand the essential role that subsidiarity plays in fostering inclusive solidarity, we need to begin with an appropriately broad understanding of what inclusive solidarity entails. As others in this workshop have already observed, authentic inclusion should not be viewed merely in terms of economic outcomes. Adequate material conditions for human well-being, and their relative equality or inequality, are certainly important factors to be taken into account. By themselves, however, they neither define solidarity nor are they generative of solidarity. Realizing inclusive solidarity cannot therefore be reduced to a redistribution of income, however much that may be an important consideration in certain circumstances.

Rather, because our goal is the full and inclusive integration of *human subjects*, authentic solidarity needs to take into account that the human person is not only a physical being but also a free and acting moral agent, and any approach to solidarity that does not bring a person's freedom adequately into account in his or her social life and development is not fully inclusive of that person. To put it in language consonant with the Catholic social tradition, authentic social inclusion involves a *participation in the common good* by everyone, as free human agents. Pope Francis captured the core of the idea succinctly in his speech to the United Nations General Assembly in 2015: "To enable ... real men and women to escape from extreme poverty, we must allow them to be dignified agents of their own destiny".[1]

[1] Pope Francis, Address to the General Assembly of the United Nations Organi-

To say that solidarity goes beyond merely a set of material conditions, to include a condition of agency and freedom in participation, also points to the need to develop solidarity as a virtue, as an internal disposition and habit that orients us toward the good of others (as emphasized in Catholic social teaching at least since John Paul II[2]). Professor Sachs' interesting observation about the internal and external aspects of solidarity in communities is exactly a sign of the way that as a virtue, as a habit, solidarity must cultivated with respect to one's treatment of others and the common good.

Some very interesting recent economic research on human development reveals the ways in which the internal dimensions of moral agency are critical to fostering positive development outcomes. For example, recent papers by Bruce Wydick, an economist at the University of San Francisco, have studied the effectiveness of certain development interventions in Central America, one designed to help children through distance adoption, and another aimed at helping women heads of households to generate more income and manage it more effectively.[3] Wydick's studies show that the effectiveness of these programs is actually driven not by merely the quantity of resources that are redirected to the beneficiaries, but that in fact what is driving the positive development outcomes in these programs is that they are generative of certain kinds of aspirations – what one can in a broad sense be understood as generating *hope*. The increase of hope for the future and the heightening of expectations – forms of engaging the agency of the persons involved – is the principal causal mechanism generative of outcomes such as higher educational attainment levels and better income generation and management, that in turn foster greater inclusion over time for both these women-headed households and the adopted children.

When we take the dimensions of human freedom and agency into account in our quest for inclusive solidarity in this way, we also gain a clearer insight into why subsidiarity must also be at the core of any effort of authentic inclusivity in society. Subsidiarity is, in effect, a normative principle that is founded on the necessity of participation. It says that social action

zation, 25 September 2015, available at http://w2.vatican.va/content/francesco/en/speeches/2015/september/documents/papa-francesco_20150925_onu-visita.html.

[2] Pope John Paul II, *Sollicitudo Rei Socialis* (1987) n. 38-39, available at http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_30121987_sollicitudo-rei-socialis.html

[3] Descriptions of Bruce Wydick's research, together with links to the published papers supporting his findings, are available at http://www.acrosstwoworlds.net.

should be taken at the level that is closest to the person, and that subsidiary organizations (for example the state) should assist primary ones (for example, families or local communities) in attaining their ends, but should do so in ways that do not usurp the functions of the primary associations. Thus subsidiarity is not only a principle of efficiency in the delivery of social services or a procedural principle that addresses the methods by which a decision is made about the appropriate level at which social decisions are taken, but rather one that helps to shape our understanding of the very nature of the problem of development itself. In other words, in establishing the goals of programs of inclusion, one has to begin from the ground up, from those who are the most affected by it, from the conditions that are closest to the persons whose life conditions are at issue.

The reference earlier in this workshop's discussions to the experience of *cartoneros* in Argentina is an excellent example of how beginning from the experience of the affected persons themselves one is more capable of generating certain kinds outcomes that are going to be likely to help them effectively – more than simply beginning from the top, from a state-fashioned social program, or from a mere redistribution of income.[4]

Other concrete examples from development practice also confirm the necessity of subsidiarity, understood as the recognition of the need for participation and freedom, in fostering authentic social inclusion. One intriguing instance comes from work that some of the researchers at the Kellogg Institute have been doing in Kenya, looking at the most effective ways to boost entrepreneurship by local women in the poor areas of Nairobi, which has some of the largest and most persistent slums in the world. They have found that the huge amounts of money being spent on business training have been effectively yielding very low results in terms of higher development outcomes in these communities. These are top-down programs that aim to teach these entrepreneurs about business accounting and inventory methods and so forth, in the hope of improving their productivity and therefore their self-sufficiency. What the Notre Dame study has found instead is that the development dollars invested in entrepreneurship in the area are much more effectively spent on creating and fos-

[4] See for example Natalia Cosacov and Mariano D. Perelman, *Struggles over the Use of Public Space: Exploring Moralities and Narratives of Inequality. Cartoneros and Vecinos in Buenos Aires*, Journal of Latin American Studies, 2015, Vol. 47(3), pp. 521-542; Kate Parizeau, *When Assets are Vulnerabilities: An Assessment of Informal Recyclers' Livelihood Strategies in Buenos Aires, Argentina*, World Development, 2015, Vol. 67, pp. 161-174.

tering relationships of mentorship within the communities, between the younger, newer, less experienced entrepreneurs and those within the same communities who are more established, who have been there longer, who are more successful. The existence of this relationship, locally, within the community, has proven to be of great human importance to the people there – so much so that long after the intervention was over, many of the relationships have continued. Perhaps for that very reason, the intervention was much more effective (compared to business training courses or compared to no intervention) also purely in economic terms, generating more income, self-sufficiency, and inclusion of those women who had been excluded from meaningful economic activity in support of themselves and their families and who are attempting to sustain themselves through their own labor and initiative.[5]

Parallel conclusions can be drawn from work done in a completely different area, in a different part of the world and in a different sector, in the "Educación para todos" program in the outskirts of Quito, Ecuador. There, a locally defined initiative to provide a broad-based education, not only for children but their parents, have helped to unify women among themselves, to give them people to talk to and sources of advice, to organize within the community in order to advance their own, and their children's, education, empowerment, and work. As one group of economists to study this project concluded, the project owed its positive outcomes to the act that it "modified aspirations, value judgments, and the capacity for initiative of the persons involved".[6] All that, in turn, results in greater inclusiveness of an otherwise clearly marginalized population. It is a clear example of what Pope Francis pointed to when he said:

> Integral human development and the full exercise of human dignity cannot be imposed. They must be built up and allowed to unfold for each individual, for every family, in communion with others, and in a right relationship with all those areas in which human social life develops – friends, communities, towns and cities, schools, business-

[5] Wyatt Brooks, Kevin Donovan, and Terence Johnson. "Mentors or Teachers? Microenterprise Training in Kenya". University of Notre Dame Working Paper (2016), available at http://kevindonovan.weebly.com/uploads/8/7/0/2/8702484/dandora_web_current.pdf.

[6] Gabriella Berloffa and Ilaria Schnyder von Wartensee, Dinámicas de cambio y los factores que las han favorecido: el caso del Proyecto socio educativo "Educación para todos", Quito, Ecuador. Informe de investigación. Fondazione per la sussidiarietà (2010), p. 128.

> es and unions, provinces, nations, etc. This presupposes and requires the right to education – also for girls (excluded in certain places) – which is ensured first and foremost by respecting and reinforcing the primary right of the family to educate its children, as well as the right of churches and social groups to support and assist families in the education of their children.[7]

While I cannot pretend to be exhaustive with these few examples, all of them are ways of indicating how subsidiarity, seen as essentially grounded in the same understanding of participation, freedom, and agency that solidarity requires, is essential to generating meaningful, effective, and lasting social inclusion.

Before closing, I'd like to turn that same equation on its head, and say that of course it is also true that if subsidiarity is going to be understood properly – that is, not merely as a form of devolution or as a kind of laissez-faire liberalism – then it is not only the case that subsidiarity is necessary to realizing solidarity. The opposite is also true: solidarity is needed in order to give subsidiarity its proper scope and to ensure how the principle of subsidiarity should in fact be applied concretely. The emphasis given in Anthony Annett's paper in this workshop to reviving and strengthening our understanding of the common good is very helpful in this regard, because subsidiarity only functions as a principle of inclusiveness if it is kept in close relationship to the common good. Subsidiarity only has the capacity to be functional and coherent in relationship to a prior understanding of the common good, because it is only in function of the common good that we are able to judge concretely when and how to intervene, when to provide the *subsidium* that gives the principle of subsidiarity its name.[8]

Very rich examples of this can be found in the challenges of development among indigenous peoples, to which both Jeffrey Sachs and Cardinal Rodríguez Maradiaga referred. In the case of the indigenous peoples of the Americas, including in my country, sometimes one can see a certain understanding of pluralism and autonomy justifying a failure to intervene or to provide the assistance of the subsidiary community (the state or oth-

[7] Pope Francis, Address to the General Assembly of the United Nations Organization, 25 September 2015, available at http://w2.vatican.va/content/francesco/en/speeches/2015/september/documents/papa-francesco_20150925_onu-visita.html.

[8] Paolo G. Carozza, *The Problematic Applicability of Subsidiarity to International Law*, American Journal of Jurisprudence Vol. 61, p. 51 (2016).

erwise). This is in fact not subsidiarity, which requires a *subsidium*, so much as it is a form of abandonment. It is only when seeing the good of the local community as part of, and in relationship to, the larger common good, that subsidiarity makes sense as a form of assistance. Without regarding the plural communities of a political society to be related in a shared, common good, the result would be fragmentation – a fragmentation of social policy, a fragmentation of politics, and a fragmentation of the community.

As a methodological approach to the integration of marginalized people, one way of uniting the two dimensions of solidarity and subsidiarity around a common good is to take up Pope Francis's invitations – which he in turn receives and develops from his predecessors and from the Catholic social tradition more broadly – to engage in the concrete practices of encounter and accompaniment.[9] It is only through an authentic human encounter with the other, and that then sustains a relationship of accompaniment, like the mentors in the slums of Nairobi, that is capable of expressing solidarity while still respecting the freedom and agency of the "other" in such a way that allows subsidiarity to be an effective tool of development and of inclusion. The challenges of migration and "welcoming the stranger" are a paradigmatic locus where encounter and accompaniment need to be further developed as the methods of generating inclusiveness, in contrast to forms of passive assistance that effectively reduce the human agency of those who are migrating and displaced.

Finally, to close I will mention briefly three areas where I think social science research ought to be investing more time, resources, and effort in trying to understand how relationships of solidarity and subsidiarity are interdependent in addressing social inclusion.

One is the question of violence, one of the themes to which Professor Sachs also referred when he mentioned the importance of peace to solidarity. However, we need to consider the problem of violence we not only in the forms of warfare and large-scale conflict. Pervasive, everyday experiences of violence on the streets and in communities are some one of the greatest obstacles people face to their inclusion, development, and participation. According to a recent study done in the United Nations, more than half of the population the world, 4 billion people, currently live in conditions where they do not have reliable access to the institutions of

[9] E.g., Pope Francis, Apostolic Exhortation *Evangelii Gaudium* (2013), para. 169-173, available at: http://w2.vatican.va/content/francesco/en/apost_exhortations/documents/papa-francesco_esortazione-ap_20131124_evangelii-gaudium.html.

justice and the rule of law that are needed to adequately control violence in their communities.[10] Without them, local communities simply cannot be expected to become protagonists of their own destiny; and yet, the conditions are such that without the solidarity of others they are usually not able to provide for themselves the institutions of justice and law to control impunity and provide protection and accountability.

A second area that is in need of greater focused attention, and again taking one of Jeffrey Sachs's themes in a somewhat different direction, is that of education. Compelling research over the last couple of decades in the United States has shown us that Catholic schools and the system of Catholic education in the United States have been found generally to generate higher levels of social solidarity and participation in the United States than public schools do.[11] It is a very interesting outcome because it suggests the way in which subsidiarity – in this case, exemplified in the respect for private, faith-based education – and solidarity, a commitment to the common good, go hand in hand. That research has not yet been extended to poorer parts of the world, but it is an important area for us to pursue.

The third and final area I will mention, where subsidiarity and solidarity come together in ways that merit deeper examination, is the relationship of the family to development, especially in situations of extreme poverty and vulnerability. The international development community, dominated by highly individualistic paradigms, has largely been structurally inattentive to the family as the fundamental group unit of society. Yet, some interesting current development work is beginning to show, for example, how family-level interventions can make a substantial positive difference. For instance, they yield more effective health outcomes for the most vulnerable children in Uganda than interventions that are aimed only at the children directly and not mediated through family structures.[12]

[10] United Nations Commission on Legal Empowerment for the Poor, Making the Law Work for Everyone (2008), p. 1, available at: http://www.unrol.org/files/Making_the_Law_Work_for_Everyone.pdf.

[11] Dee, T. S., *The effects of Catholic schooling on civic participation*, International Tax and Public Finance, 12(5) (2005), pp. 605-625; Campbell, D.E., *Making Democratic Education Work*, in P.E. Peterson & D.E. Campbell (Eds.), Charters, vouchers, and public education, Washington, DC: Brookings Institution Press (2001); Wolf, P.J., Greene, J.P., Kleitz, B., & Thalhammer, K., *Private schooling and political tolerance*, in *ibid.* pp. 268-289).

[12] See the description and evaluation of the Sustainable Comprehensive Responses For Vulnerable Children and Their Families (SCORE) project, at http://www.avsi-usa.org/score.html

In sum, by centering inclusion on participation, freedom, and moral agency, we can see that the structural interdependence of solidarity and subsidiarity lead us to important insights and effective practices in addressing the integration of marginalized people.

Building a Culture of Inclusive Solidarity

Elżbieta Hałas

1. Preliminary remarks: the ambiguity of solidarity

The aim here is to outline the concept of a culture of inclusive solidarity, along with some basic principles that may serve as the foundation for forming such a culture. First, however, we must reflect upon the complex semantics of solidarity. As various authors have aptly noted, the many meanings of this term do not stem from rivalry among different theories of solidarity, as is the case with some other ideas, e.g. with multiple contending theories of liberty or justice, since the common use of this term in various discourses has never been accompanied by the construction of a systematic theory of solidarity as such (Bayertz 1999: 3–4). "Solidarity" remains, above all, a concept that carries a huge affective and appellative load. It calls to action that consists of fulfilling a particular kind of moral duty associated with a sense of belonging to the same community (Terenzi et al. 2016: 309). The overwhelmingly positive implications of the significance of solidarity in common discourse overshadow its polymorphism, its ambiguity, its paradoxical nature and the dilemmas it spawns. The ubiquity of the moral idea of solidarity contrasts with its potential if not actual particularism, and thus also with its implicit or explicit exclusivism, which is the underlying basis for the birth of group solidarity. A vision of the harmony and social unity of a solidary group is strikingly at odds with using solidarity as a tool in struggles for "just" causes or rights, where the protagonists have their antagonists in an ongoing social drama. Remarkably, there is no uniform phenomenon of solidarity, but rather polymorphic manifestations in different sectors of social life and various variants of group solidarity, e.g. family solidarity, ethnic solidarity, national solidarity, denominational/ecclesial solidarity, class solidarity, etc. These and other issues require deeper reflection and a more systematic discussion before we can move on to the problem of a culture of inclusive solidarity.

Solidarity as a correlate of the group bond or community bond is of primary interest here. As such, it has a particular meaning; it pertains to special moral duties that depend on the type of community, starting with natural kinship tie**s** and the broadening scope of the ties of "brotherhood" that stem from it. Such ties always imply some shared values, whether associated with material interests or purely symbolic. The moral imperative of solidary action intending to achieve some common good includes re-

lations of reciprocity, whether actual or potential, as when an expectation of help is directed at people who would have accepted similar help if the roles were reversed.

In complex contemporary societies, the multitude of particular solidarities, often exclusive, may result in conflicts between them. Particular solidarity is based on moral rights and duties that involve "us"; that is, the reference group that is the object of identification due to a real or imagined connection between its members. Thus, solidarity viewed from such a perspective is relative and exclusive.[1]

Solidarity can be regarded as merely an idea, a representation that exists only in the sphere of social imaginings or belongs to ideational cultural resources. It can also be treated as a virtue, and considered part of a person's moral qualifications. However, first of all it should be perceived as a social relation – the effect of Ego and Alter's reciprocal symbolic reference as well as structural connections (Donati 2011: 86-89). Historically, two dimensions of solidarity have been emphasized: the factual level, or a certain common basis upon which solidarity comes into being and exists (like any other connection in social relations), and the special normative level of mutual obligations that, generally speaking, consist of mutual help (Bayertz 1999: 3). The objective basis of solidarity has hitherto been perceived as something mutual that becomes the foundation for a certain community (familial, religious, ethnic, political, etc.).

Solidarity as the correlate of a group bond becomes imbued with a nostalgic flavor in discourses that have appeared since the dawn of the changes associated with modernity: in discourses that bemoan the decline of traditional communities and express a desire for their regeneration. Contemporary communitarianism voices similar opinions. On the other hand, in new social movements oriented towards particular rights and identities, such as gender identity, pluralized collective solidarities are instrument**s** of mobilization to currents which function as vehicles of new cultural models of thinking and behaving that challenge the concept of a moral community encompassing humanity as a whole. Calling into question the semantics of the Universal Declaration of Human Rights is a telling example (Frezzo

[1] As Richard Rorty wrote, "...our sense of solidarity is strongest when those with whom solidarity is expressed are thought of as 'one of us', where 'us' means something smaller and more local than the human race. That is why 'because she is a human being' is a weak, unconvincing explanation of a generous action" (Rorty 1989: 308; citation after Bayertz 1999: 8).

2012: 32). Obviously, despite that trend, the idea of universal solidarity is not in decline at all. The interpretation of solidarity as a universal idea is rooted primarily in Christian culture, with antecedence in ancient Greek thought. The concept of the person remains at the core, but when an essentialist interpretation is applied, the moral component of solidarity is considered inherent in human nature and radiating from it (Bayertz 1999: 7). The interpretation of solidarity as a moral duty to help everyone has been criticized as blatantly unrealistic. Such a postulate can be raised to the level of a moral ideal, and thus stay in the sphere of supererogation, unlike the norms of morality that are binding for members of some community or group; that morality, however, may be subject to subsequent critical judgments from the perspective of ethics.

Among the various kinds of solidarity that can form a bond between the members of a group (this study does not discuss deviant types of groups prone to criminal actions, such as gangs or the mafia), the most visible one has been the solidarity of people who associate and cooperate to achieve goals legitimized as a striving for justice, articulated as the enforcement of rights. This kind of solidarity has always attracted the most attention. In particular, such a concept of solidarity was popularized in the 19th century by labor movements and upheld until recent times.

Solidarity has positive connotations as a pillar of social order and the core of socialization. However, this concept is not entirely free of negative overtones, since group-forming processes rely on a binary code of inclusion and exclusion: building the identities of "us" and "others", where the latter can easily become aliens and enemies. Thus, group solidarity has inevitably been associated with intended or unintended exclusion. The concept of community solidarity cannot be, and in fact is not accepted without criticism. It can promote "groupism" at the expense of individual or personal autonomy, as well as kindle conflicts between groups. This study will discuss some of these problems more closely, and subsequently address the question whether a culture of inclusive solidarity might emerge in the future.

2. Various kinds of solidarity

"Solidarity" is considered one of the fundamental European values (Michalski 2006).[2] The history of the idea of solidarity born in Europe

[2] It is mentioned in the preamble to the Constitution of the Republic of Poland (1997) as an echo of the ethics of the Solidarity movement, which fueled the anticom-

deserves careful attention; so do the permutations of its meanings. Etymologically, "solidarity" can be traced back to the Roman principle *obligatio in solidum* (Wildt 1999: 210). This original legal sense was of long duration; it persisted later in the French *solidarité* and was present in the Napoleonic Code (Laitinen 2013: 948). When the word "solidarity" subsequently came into common usage, it became close in its meaning to *fraternité*, referring to a mutual readiness to offer support. Used in divergent contexts, this expression acquired various shades of meaning, but ultimately became a term adopted by the social sciences[3] ever since its use by August Comte and its subsequent appearance in one of the first sociological works dealing with the process of modernization: *De la division du travail social* by Émile Durkheim. In this classic work, the term "solidarity" has a functional character (albeit not without a moral connotation): it refers to the ties that bind society together. Significantly, Durkheim discussed how different kinds of solidarity change in the course of transformations associated with modernization. Such changes do not preclude progressive individualization; on the contrary, they promote it. In such an approach, the concept of solidarity is associated with a pertinent question: how is social order possible at all? In the light of classic texts some authors argue that sociology can be considered a science that focuses on problems of social solidarity (Turner, Rojek 2001: 68-86). Such a claim might be justified, but like any other social fact, solidarity should be considered in terms of social relations being the basic ontological layer for social facts (Donati 2011: 13). Dependency and reciprocity in societies with an increasingly varied division of labor are not exclusively functional and instrumental, since solidarity in differentiated societies should also involve a moral bond. However, in advanced societies, common value integration is becoming weaker or actually disappearing due to the secularization and fragmentation of the symbolic universes that used to legitimize social order. Thus, the contemporary concept of citizenship interpreted as a civil religion based on common beliefs and practices (Turner, Rojek 2001: 87) neatly fits into the above-mentioned classic tradition of thinking about solidarity.

munist revolt in 1980. The name of this movement was imbued with many meanings (Hałas 2010a).

[3] Solidarity is one of the fundamental principles of social and political organization in Catholic social teaching, which – although it draws from the social sciences – refers to the deposit of faith in the interpretation of this principle as a Christian virtue: commitment to the common good (Hittinger 2003: 301).

The image of the modern society described by Durkheim has been shaped by contrasting the collective conscience, or the mechanical solidarity of the primitive society, with organic solidarity: a functional bond formed as a result of coordinated differentiation. Thus, the question of the changing group bond or social bond translates into the problem of social cohesion. In this sense, the concept of solidarity becomes descriptive and explanatory (rather than normative and appellative), and refers to group-forming processes. Significantly, such analysis of solidarity on the macrosocial level as a phenomenon of group cohesion is followed by investigation on the microsocial level; in other words, by studies on solidarity as a pro-social behavior which can be promoted or hindered by situational conditions.

Such a broad understanding of solidarity as a principle of cohesion and the basis of social order should be distinguished from solidarity understood as an ideal of social or civic solidarity. In other words, solidarity as a trait of a good society has been associated either with personal civic virtues or with the sphere of institutions that make distributive social justice possible. Furthermore, the ideal of civic solidarity is split between various ideological options (Laitinen 2013: 949).

Solidarity in yet another sense has a political meaning; it refers to unification in an emancipatory struggle against injustice and oppression. This meaning is associated with conflict, since it refers to the solidarity of members of a certain group, which initiates a social movement with the aim of changing some status quo; a paradigmatic example of this is the solidarity of workers' movements. Finally, "solidarity" also has a universalistic ethical connotation in the form of human (panhuman) moral solidarity, also discussed nowadays as the idea of global solidarity (Laitinen 2013: 948). In this sense, human solidarity as moral solidarity means "concern for others".

Among the various meanings of solidarity distinguished here[4] – group solidarity or social solidarity, civic solidarity, political solidarity and human solidarity – solidarity in its three first forms has always drawn the most attention. However, this study will focus upon human solidarity as opposed

[4] Pierpaolo Donati approaches the complex issue of solidarity in a somewhat different way. He distinguishes four semantic fields of solidarity (organicity, beneficence, community of interests and ideas, as well as justice and equity); the differentiation of solidarity in the spheres of the market, state, associations and the life-world, as well as the polymorphism of solidarity as: the redistribution of resources and means, sharing ideals and interests, the social norm of the gift (gift-giving) and solidarity as recognition of belonging to one human family. See Terenzi et al. 2016: 309-313.

to exclusive group solidarity, in order to name the elementary conditions for attempting to achieve such a distant and high ideal, and thus outline the prerequisites for building a culture of inclusive solidarity.

3. The social relation of solidarity

The expression "culture of solidarity" used here has been invented independently; there is no connection between this concept and other instances where this term has been used. In particular, it is distinct from the use in the plural form: "cultures of solidarity", similar in meaning to counter-culture or oppositional culture, referring to collective actions of rebelling workers. Such collective actions are supposedly a manifestation of workers' solidarity: "cultural formations that arise in conflict, creating and sustaining solidarity in opposition to the dominant structure" (Fantasia 1989: 19). This is a renewed ideological articulation of the notion of the fighting socialist or communist solidarity. "Oppositional practices and meanings" (Fantasia 1989: 19) are collectivist in character. This kind of solidarity is synonymous with the degree of integration within a community or group – a process which gives power to that entity. In other words, the concept of "cultures of solidarity" replaces the ontologically and empirically questionable concept of working-class consciousness and refers to more or less ephemeral, but well observable and noticeable collective actions. "Cultures of solidarity" defined in this collective manner are exclusive and fraught with conflict.

In sharp contrast with the notion of "fighting" cultures of solidarity, the term in singular form is used to denote a culture that is non-collectivist and not defined by conflict; one that relies on relations of solidarity between subjects – primarily between persons.[5] Thus, the proposed concept of a culture of solidarity does not refer directly to the systemic level of social order, to social institutions, particularly to institutions of the welfare state, where the discourse of solidarity functions as a symbolic tool to legitimize welfare policy. This gives rise to entirely valid criticism and arguments that the concept of solidarity should not be applied to impersonal structures, since their functioning should be judged according to the criterion of justice. Consequently, the concept of a culture of inclusive solidarity is not

[5] Generally speaking, the person is a singular unique subject developing in the social relations between Ego and Alter, manifesting oneself in the interaction between personal identity and social identity, expressing oneself in that interaction and capable of moral expression (Donati 2011: 48-55).

applied here to the systemic principle of redistributive justice. Even though social policy has adopted the notion of solidarity, such understanding is set apart from the notion of the culture of inclusive solidarity.

I share the premise that the concept of solidarity should be freed from all politicization and considered in the context of "cultural renewal and retrieval" (Capaldi 1999: 54). This study shows that a culture of inclusive solidarity could be viewed in a similar perspective. Actually, "pathological communalism" is a threat to solidarity (Capaldi 1999: 51). The exclusivism of group solidarity will be criticized here, highlighting the problematic character of its communalist forms that contrast solidarity with individuality. The communalist way of viewing solidarity contrasts it with the perspective of the values and civic virtues of a liberal community; in other words, communalist ways of perceiving solidarity essentially set it in opposition to individual rights, to rules of law, to republicanism, representative rule and to the free market.

Such criticism is aimed at a policy that is pursued in the name of solidarity, but in fact weakens subjectivity and agency of the individual and of the family, which is the cradle of individuality (Capaldi 1999: 40). Although an anthropological assumption regarding the moral worth of free and autonomous individuals has been shared here, the preference is nevertheless to speak of a personalistic culture, rather than a liberal culture, to avoid becoming directly involved in ideological disputes over the understanding of individualism.

The culture of inclusive solidarity can only develop and be spread through the shaping of civic virtues in the course of establishing relations with others. These virtues grow out of beneficent acts of help and support, aiming at the achievement of greater control over the Alter's own life-course. Thus, the goal is solidarity in search of personal autonomy (Capaldi 1999: 45). At this point, it is worth noting that in a discussion on social solidarity, the semantics referring to other persons and groups is of significance. For example, the expression "marginalized people" may contribute to strengthening and reproducing social stigma, whereas "exclusion", referring to the unavoidable result of social forces and processes, robs subjects of their agency.

Inclusive solidarity requires such social relations where both parties are assumed to be equal, since both parties strive for autonomy, regardless of whether the Ego and Alter's respective interests really create a connection. The kind of solidarity discussed here can only come into being if the boundaries of the exclusive solidarities of communities or groups are easy to transgress.

Because the focus here is on a culture of inclusive solidarity, attention should be paid to the fact that cultural knowledge can easily play a discriminatory role, since cultural differences become the basis for inferring about further dissimilarities. Characteristics of the so-called culture of poverty include feelings of marginalization, hopelessness, dependency and inferiority, a lack of control, focusing on the present and a lack of plans for the future. Thus, a term such as "marginalized people" requires critical reflection. A culture of inclusive solidarity cannot be formed through one-sided, asymmetric beneficent activities of help and support directed at disadvantaged individuals and groups; rather, it should involve a relation of solidarity in a strong and proper sense, which requires the assumption of equality in the sphere of individual aspirations towards an autonomy expressed in the form of liberty and responsibility, at least potentially.

To develop the concept of a culture of inclusive solidarity, I have adopted and modified the definition and criteria of solidarity proposed by Andreas Wildt. They allow us to think about solidarity in relational terms and to entirely forgo associating solidarity with group cohesion. Furthermore, solidarity rooted in relations is neither only an idea, nor merely a social sentiment. Wildt and others have convincingly argued that the ambiguous term "solidarity" should be used in as precise a manner as possible: its meaning should be neither too broad nor too narrow. The meaning of solidarity that is historically rooted in discourses of working-class movements is too narrow and applied too instrumentally. On the other hand, solidarity is understood too broadly when it encompasses any bond that is felt, any feeling of belonging together, of reciprocity, responsibility or trust (Wildt 1999: 218).

Following Wildt's proposal[6] and adapting it to further elaborate and emphasize the concept of solidarity as a social relation, one might say that the term "solidarity" denotes a relation *in actu* (social actions and social interactions) or a potential relation (a tendency to undertake social actions or social interactions) of the subject, who is simultaneously an agent, in regard to another subject who is simultaneously an agent (the Alter). Thus,

[6] Andreas Wildt follows in the tracks of Axel Honneth, whose aim was a specific connotation of the term "solidarity" as compared with the feeling of "belonging together", sympathy, consensus, cooperation, and who indicated two significant dimensions: an altruistic moral motivation and an element of cooperation or reciprocity (Wildt 1999: 216). When the relation of solidarity is perceived in this manner, it becomes free from negative connotations associated with its long history of functioning in a collectivist, socialist or communist context (Steinvorth 1999: 29).

solidarity can be considered a social relation if and only if all of the following conditions are met:

1. The Agent and the Alter are joined by a bond of social sympathy;
2. The Agent has a motive to undertake a beneficent action directed at the Alter, and this action has some features of altruism;
3. The Agent defines her/his action as helping the Alter in the face of some existential challenge;
4. The Agent defines the situation in which the Alter finds her- or himself as a moral problem (often as an injustice), and thus as a situation that carries a certain moral obligation;
5. The Agent is convinced that she or he has a personal moral obligation to solve a given problematic situation;
6. The Agent does not assume that the Alter has a legal or moral right to demand help;
7. The Agent assumes that the Alter defines her or his situation similarly;
8. The Agent assumes that the Alter is making an effort to deal with the problematic situation;
9. The Agent takes into account the possibility that she or he might in future find her- or himself in a situation similar to the one now experienced by the Alter, in which the Alter would undertake (or has undertaken) similar actions in regard to the Agent or to others, and the motives behind these actions would be (or have been) similar.

Such a relational concept of social solidarity makes it possible to move a step closer to a more comprehensive approach on the grounds of the social sciences, one which would combine the issue of social solidarity with issues of morality and altruism (Jeffries 2014: 3).

It must be emphasized that the first six criteria refer to the intentionality of the Agent, whereas the three last criteria refer to the Agent's assumptions regarding the intentionality of the Alter. The presented conceptualization makes it possible to distinguish a unique moral dimension of solidarity (the moral intentionality of the Agent) and the cooperative aspect of solidarity associated with the Agent's assumptions regarding the Alter's intentions (Wildt 1999: 217).

In this approach, before even attempting to discuss a relation of social solidarity between the members of a given community or group and of some other groups, one first has to consider solidarity on an interpersonal level. Solidarity can emerge in various networks of social relations, becoming increasingly inclusive (a growing reach of the relation) and encompassing relations with communities as collective subjects. Significantly, this

concept does not assume that the problematic situation, which constitutes a moral concern and is associated with an obligation to beneficent help, is primarily a conflict situation. Neither are such situations limited to existentially problematic circumstances resulting from the intentional or unintentional actions of other individuals or organizations; other examples are natural disasters (e.g. earthquake, drought) or the contingencies of human existence in its corporeal dimension (illness, disability, death). The relation of solidarity involves persons who make an effort to deal with the critical situation. This term does not encompass moral acts committed in regard to unborn children. Neither does it pertain to animals, which are also the object of human moral obligations, since they are living creatures capable of feeling. The mutual character of the right to expect help or support is what differentiates solidarity as a social relation from one-sided, asymmetric charitable or philanthropic activities (Bayertz 1999: 19).

Having adopted the concept of solidarity as a social relation, we must now attempt to define the possible extent of its inclusivity, and then ask ourselves how such inclusive solidarity might be developed – in other words, how to form a culture of inclusive solidarity.

4. Towards a culture of inclusive solidarity

The narrow, relational concept of solidarity has been neatly circumscribed and discussed above. In contrast, the adopted definition of exclusion and inclusion is broad, pertaining to exclusion and inclusion both in a weak sense, so to speak, and in a strong sense. Thus, exclusion in a strong sense refers to phenomena associated with social control, starting with the exclusion of particular individuals or groups from social life, either permanently (capital punishment, incarceration for life) or for a specified time. The development of control regimes (Foucault 1995) and the exclusion of various categories of persons perceived as deviating from the established norms (criminals, mentally ill or disabled people) have been widely studied. Such research has included the effects of labeling and stigmatization (Goffman 1963), as well as the arbitrariness of defining the limits of normality and normativity or of legitimate membership.

Exclusion is also imbued with a specific and strong meaning in the discourse of social policy. Significantly, since the 1970s the word "exclusion" has gradually replaced "poverty" as a key term in this discourse, making it possible to include a broader spectrum of social problems associated with an increasingly unstable labor market and the progressive erosion of the welfare state system (the crisis of "inclusion in a safety") (Woodward, Kohli 2001: 2; 5).

The proposed perspective on a culture of inclusive solidarity requires examining the issues of exclusion and inclusion understood as something separate and different from the social problem of marginalization due to temporary or permanent exclusion from the "work society" (women experience this sort of marginalization more often than men) (Woodward, Kohli: 2001: 6). The appropriate area of deliberation is a theoretical depiction of one specific aspect of social order – the question of membership, of being either "in" or "out", with a serious impact on identity. Thus, this study proposes that the discussion on exclusion and inclusion should be transferred from the domain of policy (citizens' rights) and economy (economic participation) to the social domain in a narrower sense (in a strictly sociological sense, one might say) and turned into a discussion about socialization as such and its dependence on preexisting cultural knowledge. Obviously, these issues also hold significance for "civic exclusion" and "civic inclusion", but are not directly linked to active citizenship participation (Woodward, Kohli 2001: 8).

Broadly understood exclusion and inclusion have also been comprehensively studied in association with group formation processes, where the criteria of membership are always exclusive to some extent; not only in "exclusive" clubs, but also in voluntary associations that pursue more or less lofty goals, in ethnic or religious groups, or even in looser formations known as social worlds, composed of participants in some common activity such as mountain climbing or fundraising. Although such processes of exclusion and inclusion have often been analyzed in a vertical dimension, i.e. in regard to social hierarchy or social stratification ("up" and "down" mobility), no less significant for analyses of the space of social relations are processes that take place on the horizontal plane, associated with the "in" and "out" dimension. However, the issue of inequality becomes reflected here as well, in the metaphoric images of a center or core and a periphery (Shils 1982: 93).

The inclusive solidarity discussed here manifests itself in an ethos rooted not within the boundaries of some group or community, but rather in networks of social relations. This study names the minimal conditions necessary for forming a culture of inclusive solidarity; in other words, removing the obstacles which uphold relations of strangeness and exclusion, and which are inherent in the inherited apparatus of cultural knowledge carried by social categories or social types. Naming these minimal requirements makes it possible to indicate the additional conditions that must be fulfilled for the social relation of solidarity to transform itself into a relation

of inclusive solidarity. Those necessary conditions concern intersubjectivity and social sympathy. They consist of:

- developing the ability to exercise interchangeability of perspectives to define the situation that requires cooperation,[7]
- developing one's personal ability to exhibit social sympathy through contact and communication with others.[8]

Contemporary globalization processes intensify confrontations with otherness and strangeness, while migration – both voluntary and forced – is associated with a growing challenge as regards solidarity, no less momentous at present than the problems of working-class deprivation were in the 19th century. This issue highlights the urgent need to analyze the persistence and reproduction of primordial (or rather perceived as such) cultural categories pertaining to various human groups.

This study proposes viewing the problems of exclusion on the one hand, and solidarity on the other from a perspective that has very little in common with atomistic individualism, which is considered the dominant trend in modern times. Such individualism has culminated in the postmodernist "emptiness of the person" and "effacement of the self", which permit the protean reinventing of a constantly changing identity (Archer 2000: 17-50). The standpoint proposed here makes social relations take priority over groups with clearly defined boundaries and established criteria of membership. From such a relational point of view, both atomistic individualism and collectivistic groupism turn out to be mistaken. However, one cannot simply disregard all preexisting cultural knowledge accumulated by societies in the course of their long existence despite many inherent limitations. An extreme individualist standpoint ignores socialization and its traditional forms, including the binary logic of contrasting in-groups and out-groups. The culture of inclusive solidarity discussed here is considered from the perspective of social relations, especially relations between persons, who, and only they, may be moral subjects in the full sense of the term. Their personal identities are linked with social identities and their biographic memory with collective memory. While solidarity within a group, although problematic as well, is based upon familiar symbolic re-

[7] On standpoint interchangeability and overcoming differences in individual perspectives, see Schutz 1962: 11-13.

[8] Contact and communication should make some kind of common experience possible, and become the basis for sharing the emotions associated with that experience as an experience of certain values. I am alluding here to Florian Znaniecki's concept of overcoming strangeness (Hałas 2010b: 152).

sources and means, including symbolic boundaries (Hall, Lamont 2013: 9), breaking out of the exclusive culture of solidarity in relations between individuals and groups constitutes both a practical and a theoretical problem. Although in studies on modernization processes, the extension of social integration to include more and more groups is a classic example of moving from primordial groups to a complex modern society, broadening the extent of integration still takes the form of setting the limits of legitimate membership and participation in a nation-state.

The culture of inclusive solidarity described here is not limited to overcoming the acute problems of exclusion and inclusion within a nation-state as a welfare state. However, it is necessary to take these problems into account as well, since global migration processes mean that such issues pose difficulties not only in traditionally multiethnic nation-states. One example is the significance of core solidarity (Alexander 1990), which is potentially (if not actually) exclusive, even in predominantly civic nation-states where individual rights and liberties are guaranteed by the constitution. The problem of the inclusion of various out-groups into core-groups – in other words, various patterns of assimilation through granting "social rights" (a policy of equal opportunity) and affirmative actions – has drawn a lot of attention. However, in this case solidarity and inclusion do not take the form of transgressing boundaries (whether preexisting or constructed anew) within a civic nation. Jeffrey C. Alexander, who studied these issues, defined solidarity in the context of relations between groups as "subjective feelings of integration that individuals experience for members of their social groups" (Alexander 1990: 268). Hence, he also defines inclusion as a process "by which previously excluded groups gain solidarity in the terminal community of the society" (Alexander 1990: 268). Importantly, the principle of exclusion essentially does not cease to be active in this process; only the boundaries shift. Furthermore, the possibility of inclusion depends on the cultural complementarity of core groups and out-groups (Alexander 1990). Although here, too, solidarity is couched in phenomenological terms – as the experiences of individuals regarding their groups of participation – whereas inclusion refers to the solidarity felt by groups which have previously experienced exclusion, both solidarity and inclusion remain dependent on the group, or rather determined by it. On the other hand, the relational definition of solidarity proposed here, based on the criteria presented above, transgresses the limits of any group, even a very large one, such as a national society, a state, an ecclesial society or some supranational society that strives towards unification, such as the European Union.

Inclusive solidarity is depicted here as the antithesis of exclusive "groupism", in which solidarity is a correlate of the social identity expressed as "we" consciousness, whether in the frames of established or subversive movements based on strong non-formal ties (Della Porta, Diani 2006). Thus, although the challenge of solidarity is inherent in situations that result from unpredictable events and contingencies (Turner, Rojek 2001: XIII), a culture of inclusive solidarity proves problematic mainly because of a mentality oriented towards boundaries and the identities built on their basis (Lamont 2000). Alluding to Victor Turner's concept of anti-structure (Turner 1969), one might say that a culture of inclusive solidarity may be shaped as a liminal experience, one that transcends culturally defined boundaries – through the sympathetic experience of otherness and through cooperation with others. Experiencing oneself as the Other is key (Ricoeur 1990). There is no lack of such innovative undertakings in the sphere of voluntary work and civic self-organization in the third sector.[9] A necessary prerequisite is development of the concept of relational identity in the course of education and socialization (Donati 2011: 70-71).

The two above-mentioned dimensions of solidarity as a social relation (the Agent's intentionality and cooperation with the Alter) allow us to reach the conclusion that a culture of inclusive solidarity cannot be developed only in the ideational sphere, through a new elaboration of the conceptual framework that forms the basis for social classifications (Bourdieu 1991). Obviously, this dimension is very important as regards the transmission of cultural knowledge, which should become increasingly reflexive. In the social sciences, this topic has lately attracted a lot of attention; all that is "taken for granted" and makes arbitrary cultural conventions normal or natural has been diagnosed as problematic. The reflexivity of cultural knowledge need not lead to radical underestimation of the ontologically complex social being and to one-sided constructivism, so typical for the postmodern crisis of culture.

The second dimension of relations of solidarity, cooperation (even potential), indicates the need for projects, both real and virtual, that involve taking the role of the other (Mead 1964: 146) and gaining competence in cooperation. The sphere here is not so much cognitive (as in the case of the above-mentioned issue of cultural knowledge) as practical; it can be

[9] The entrepreneurs of a culture of inclusive solidarity may be considered "marginals" in the sense discussed by Margaret S. Archer – in other words, cultural innovators (Archer 1996: 213).

defined as work in the broad sense (Schutz 1962: 226), although the word "practice" is used more often today.

Conclusion: Beyond solidarity?

Finally, we need to pose the question whether solidarity has limits, and then ask what could exist beyond solidarity. Taking into account the two criteria of the social relation of solidarity established above: the Agent's moral intentionality and cooperation with the Alter, one comes to the conclusion that solidarity in this sense has limits. Analogously, tolerance, which is not simply the passive acceptance of differences, is also limited. However, the limits of solidarity in relational terms appear even clearer than the limits of tolerance. No one should doubt that a culture of inclusive solidarity cannot include, for example, so-called "dirty communities". This does not mean that such limited, conditional inclusive solidarity is in fact an illusion. We need to ask ourselves how to deal with the danger of a moral void and a lack of socialization in cases where no kind of inclusive solidarity would be possible. In search for the answer to this troubling question related to the possibility of forming a culture of inclusive solidarity, new horizons emerge in the light of the idea of caritas with its plethora of meanings, both secular (Arendt 1996) and religious (Benedict XVI 2005).

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A culture of Inclusive Solidarity

Archbishop Roland Minnerath

Allow me to mention a modest initiative taken at the level of my diocese. As you know, the Church's mission is threefold: teach, celebrate, and serve. Our service takes various forms. We have many services of solidarity. We decided to give a sign of how we conceive solidarity and integration of marginalized. We created a micro-credit foundation called RITA which stands for "Find back Initiative through Job and Autonomy". We finance autonomous workers with loans at rate zero and we offer advice and monitoring to management. We reach only little entrepreneurs. They pay back their loans and become independent. I used to say that in this way we fulfil the mandate to help the poor, not by occasional charities which maintain the poor in his poverty, but by giving them a chance to recover their autonomy and dignity and take care of themselves and their families. This project has obviously modest dimensions. But we wanted to give a sign to society at large: approach the problems of marginalization at the grassroots, in a bottom-up perspective through realizations that you can follow and of which you can reasonably measure the success. The gate into self-reliance is the access to a decent work.

My conviction is that on the local level, integration through work and dignity is always possible. Only two conditions are required: the person in need must want to work herself out of her situation and the helpers must convert themselves into advisers. All must be active. There is no integration through one-sided assistance on the one hand and passive acceptance on the other.

Marginalized people

If we look at marginalized people worldwide with the help of UN statistics and development programs we meet another dimension which I fear we cannot fully grasp nor address. This does not mean that global programs should be given up. It just reminds us that integration of marginalized people starts in our own neighbourhood.

Some people become marginalized because they have been ejected from the market, they lose their job, they abandoned their family; they fell out of the social protection network. Some remain voluntarily mar-

ginalized. It is well known that some people have given up any will and energy to come back in the social system. They are marginalized for ever. We cannot help people to come out of marginalization against their will.

Others became marginalized as a consequence of unexpected global events, for instance because they are migrants and failed to socialize in a new cultural context. Unsuccessful attempts at integration may create huge feelings of frustration ending up in irresponsible conduct. Last summer we witnessed in Nice, Wurzburg or Rouen dramatic episodes of individuals who converted their frustration into hatred and murder with all sorts of ideological undertones.

Here we touch the core of Catholic Social Teaching (CST): the human person. Who cares today to lay out a whole rationale on Integration of Marginalized People starting from the inherent needs of the human person? We say that the human person is a social being by his very nature, so nobody can live without developing some interaction with others. This means that solidarity is not optional. All forms of society are based on solidarity among their members. Only extreme individualistic ideologies propagate the wrong assumption that an individual can live and grow without the help of others. We receive much more from society than all we can contribute to it. A child born today will profit from all the knowledge, skill, services accumulated along human history. Whether it will bring a drop into the sea is not taken for granted.

Solidarity is one of the four pillars of CST. So states the famous Encyclical *Pacem in terris* (1963) of John XXIII. Actually, solidarity is the modern name for "social love" which belongs to the Aristotelian and Thomistic social philosophy, which suggested that all society tends to become a community, when the social bond grows up from the inner commitment of each member for the common good and the well-being of all.

The four pillars are Freedom, Truth, Solidarity and Justice. You can build no human worth social model without having these four interacting elements.

We should ask ourselves: can solidarity be selective? In our Christian view, the answer has been given by the parable of the Good Samaritan. Who is my neighbour? Not the person of my tribe, nation or religion, but any human person that crosses my road and needs my help. This answer is not obvious to everybody and we have to cope with it particularly in migration issues. Starting from the dignity of each human person, we shall consider her need for help, not where she comes from.

The migrant waves coming from Africa, Afghanistan and Middle East are generally received in Europe without discrimination as to their ethnic or religious origin. Yet, some host countries set up fences, numbers, quotas and mistrust. Once distributed in the different local communities, apprehensions arose about how to initiate an integration process. It became obvious that the former experience of integrating immigrants from Southern or Eastern Europe was much easier as these persons had a Christian background and the same basic values and way of life. Integrating Muslim populations, for the time being, is something extremely different. Maybe Europeans do not look at religion, but Muslims bring with them a religion which is at the same time a social bond and a way of life. Muslims are also targeted by extremist wahabite movements trying to convince them that they have to fight the "unbelievers" and establish a world caliphate on earth.

So integration is possible only as far as the persons involved really want to make the effort to start a new life far from their roots. Huge questions arise when the proportion of immigrants becomes high enough to challenge the local population's balance. Solidarity does not discriminate. Yet each person is a world.

Our wish is to integrate

Who wants to be integrated? Integration has to be fundamentally distinguished from assimilation. Nationalistic ideologies admit strangers on the condition that they cease to be what they are and become what their hosts are. They are supposed to leave at the borders their language, their mentality, their way of life, maybe their religion. Assimilation does not fit with the respect due to human dignity. A person who migrates to another country is not an empty shell. She has her own history, values, relationships, her beliefs and hopes. Assimilation would mean: forget what you are, we are going to remake your personality, change your inner structure and your own self. Now you are we. This is precisely what they do not want.

Integration should be something different. It means: we take you as you are and we are ready to help you become a member of our community, if this is your wish. This requires from you a big effort of adaptation, and willingness to cooperate in your new life context.

The person who has been compelled to leave her native country will contact fellow countrymen abroad who are in the same situation. They will form a community within their new homeland. In Anglo-Saxon cultural areas this phenomenon is generally admitted. In other contexts, like France, "communitarianism" is strongly rejected, at least in official discourse.

USA has a culture of federating "communities", with the risk of creating antagonism. France is allergic to such a thing, with the risk of remaining blind to what really happens. France deals with individuals as with abstract entities who have no specific background, no personal religion, no traditions, they are just supposed to enter into a pre-established format, consisting of the so-called "values of the Republic".

What does integration mean then? What do we propose with "social and cultural integration?

In matters of integration, there is no unique model. Integration must go with a specification: integration through work, integration at school, integration in learning the local language. A second step would be integration into citizenship according to the law of the host country: a resident or a citizen. One thing is clear: integration must preserve the private sphere as far as freedom of conscience and religion are concerned. But problems arise as soon as you switch to family life. Migrants must accept the laws of their host country. In Islam family laws are linked with religious law. Are Muslim people ready to give up some of their customs on this extremely sensitive point? Would they clearly recognize the equal dignity and rights of women and men, the freedom to marry a non-Muslim and to change their religion?

Integration means that we are searching what can be universally requested from all without hurting their dignity. What we can expect is a deeper awareness of the needs of marginalized people and their right to be recognized in their dignity.

Is there a common heritage that all human persons may invoke as they start a new life in the middle of established communities? The social and value systems of world cultures are so disparate that it seems quite useless to find out what they all have in common.

The CST proposes a specific approach. This approach has its secular expression in the philosophy of universal human rights. But we know that universality is precisely jeopardized by culture-based requests.

CST has the pretention to propose principles of social life valuable everywhere. This is an absolute challenge to the current trends in all societies. Yet, precisely when he is mistreated the human being reveals his universal needs. Integration starts with meeting the basic needs: food, shelter, health, education. The core of all social action must be the defence of human dignity.

Integration is possible if society develops its integrative capacities on two distinct levels:

- The level of common human values as considered in the Declarations of human rights. The fundamental ethical values grounded in the very nature of human beings belong to that level. The State of law is at the service of these values.
- The level of personal and community faith and beliefs that enforce and do not contradict the natural ethical level.

Only where such a distinction functions, integration without reduction or assimilation is possible. People remain with their religious or philosophical worldviews, but respect the rules of multicultural societies and give their contribution to the common good. We do not ignore that this distinction, which comes from Christianity, is most challenged in non-western societies. But there is no other way to reduce marginalization of immigrants.

Social systems should meet the basic needs of human persons and avoid marginalizing people by considering the following steps:

1. First detect and correct abuses such as discrimination of migrants, foreigners, of children or women in the name of ideologies or religions. These are basic human rights.
2. Stop discrimination based on ethnical origin on the market place. Give everyone a chance in education and development of skills.
3. Give priority in the local economy to creating jobs for all.
4. Give space to initiatives coming from the civil society which meet local needs.
5. Give people who have projects a chance to create their own enterprise.

This was my starting point. The bottom-up process is a certainly a key to reducing marginalization.

Democracy Without Citizens: How Can Nominal Democracies Become Real?

Janne Haaland Matlary

Introduction: Imperfect Democracies As the Rule

The theme of this workshop is wide. My task is to attempt an analysis of how persons can become participants in their societies and determine the fate of the latter. This is the age-old question of citizenship in a political community. Being a participant, an agent with influence, presupposes some kind of equality in terms of respect for a common human nature and personhood as well as basic economic equality and level of knowledge where education is key. These three factors – *equality of personhood*, *basic economic equality*, and *basic education* – have all been bitterly fought over throughout the history of democracy. Ancient forms of self-rule (that are not democratic in the modern sense) such as the Nordic *Tings* or Greek city-states) did not come with equality of personhood – slaves still existed, women did not count – and in more modern times the fight over who should have citizenship rights centered on socio-economic status. The working class got the vote after uprisings around 1890-1920s; women even later. Throughout history citizenship was a privilege for the few, from Athens to Rome until modern times. Education, or being enlightened enough to be trusted with the vote, was a debated topic in political philosophy as late as the heyday of liberalism – John Stuart Mill discussed whether those without education are rational enough to vote in his seminal work *On Liberty* from 1859.

In this paper I first ask what can ensure real participation in political deliberation and decision-making. Democracy is the only form of government where one cannot blame others for problems, as it is 'owned' by citizens themselves. Their participation makes their democracy and its qualities. Mostly participation comes in two forms; elections of representatives and activity in public debate and interest groups. Direct democracy is a rare exception, for example in Swiss cantons. A democratic state typically has two or three levels of government: the local, regional, and the most important national level. It is only logical that the most close-knit community is the smallest one, the local level. People have multiple identities; the local one is perhaps the strongest, but the national one remains essential even in

an age of globalization. National identity is the foremost boundary line between groups of people and the basis for national interests, sovereignty, and often the basis of conflicts and war if instrumentalised. Notions of ethnicity as the basis of nation are old-fashioned and highly problematic (and empirically meaningless), but nations exist as historical and cultural communities with common languages. Catholic social teaching speaks of 'the rights of nations'. Where language is so difficult that almost no foreigner can learn it – e.g. Hungarian – knowing the language qualifies as a member of the nation, although formal citizenship rights follow either from a parent to a child, as in most European states, or depend on which territory the child is born on, as in the case of the US.

There is a vast difference between the formal institutions of democracy that are in place in most states in the world today and the level and quality of participation. Never have there been so many *de jure* democracies;[1] few if any states declare themselves to be anything but democracies. North Korea and Vietnam may be among those few, but China, Russia, Cuba and most states in the Middle East will have some form of nominal democracy in place. In the Cold War we had so-called 'peoples' democracies' in East-Central Europe and elsewhere that were totalitarian satellite states of the Soviet Union. After 1990 and the implosion of the Soviet Union there was an unprecedented spread of the liberal-democratic model, and there was no ideological competitor until today when the caliphate and authoritarian rule reappear. Yet the West is firmly engaged in the spread of democracy, something which is seen as a grave threat by states such as Russia and China – the *threat* of democracy is at the core of these states' security policy concerns.[2]

The success of globalization has been premised on the universalization of democracy and liberal rights, and the conditionality of the West in its foreign policy has been and still concerns these norms. Since 1990 the success of this policy has been spectacular with the expansion of the EU, Council of Europe, and NATO membership and agreements to ever new

[1] See the 2016 status report from Freedom House, "Freedom in the World". Other sources on indicators of democratic quality include international IDEA (Sweden) and research programmes such as V-dem, a large data base and research programme which allows for statistical analysis of variables and indicators of democracy (https://www.v-dem.net/en/).

[2] See e.g. the discussion of the major differences in political norms between Russia and the West in J.H. Matlary and T. Heier (eds.) (2016) *Ukraine and Beyond: Russia's Strategic Security Challenge to Europe,* Palgrave Macmillan, London.

states. One may say that even the security strategy of NATO has rested on the spreading of democratic norms that are assumed to ensure stability, and the so-called 'democratic peace'-theory is empirically very well supported in terms of research despite being also the subject of criticism.[3]

After de-colonisation in the 1960s the world had a host of new states in Africa with borders drawn on a map and no natural nation to go along with the state. There are 193 states in the world, counting the members of the UN, and about 7000 nations (ethnic, language, culture markers of the community). Historically the territorial state appears before the nation, and existing states do not want new states in the state system. The state system is, wisely so, conservative. To encourage new state formations would be hazardous, and therefore existing states are likely to remain the ones that make up the state system. The most recent state that is diplomatically recognized and therefore a UN member, is South Sudan (where a horrendous civil war rages at present). 'Half-states' like Kosovo that are not in the UN for lack of diplomatic recognition by all members of the UNSC (Security Council) present major problems for international politics and law.

If new state formations were to be encouraged, many more wars would break out our or conflicts be ignited. Thus, the UN and existing states attempt to discourage attempts at creating new states. This means that *the very imperfect state system that exists remains the framework for democracy*. Many states, especially the ones in the Middle East and Africa, have no political community in the form of a nation, as their borders were drawn by former colonial masters in Europe without regard for the inhabitants and their culture, history, language, etc. Yet a state without a nation – understood as a community with some degree of solidarity and cohesion – cannot hope to be a democracy.

There is also a need to pay attention to the specific democratic problems that are constituted by corruption and armed conflict. Armed conflict, defined as more than 25 battle-related deaths per year,[4] amount to about 40 in 2016.[5] Most of them are in sub-Saharan Africa (22), followed Asia (27), Eurasia and Europe. The salient point here is that democracy

[3] http://www.e-ir.info/2012/02/18/the-democratic-peace-theory/ It holds that democracies rarely fight each other, although democracies fight non-democracies.

[4] This is the definition by the Uppsala Peace Institute, the most common one, however disputed.

[5] International Institute of Strategic (IISS) statistics, see also PRIO database (Peace Research Institute of Norway) and Uppsala's peace research database.

presupposes state monopoly on violence, i.e. a functioning police force that is incorrupt as well as a military under civilian control.

Corruption is a problem in very many countries of the world and one that hinders all aspects of true democratic development. There is no true rule of law in corrupt states and no possibility of a good society based on a social contract whereby the taxpayer pays with the reassurance that other citizens do so as well. Corruption is rampant in the developing world, in authoritarian states such as China and Russia, but also in the Middle East, and we find evidence of corruption in Eastern and Southern European states in particular. In the East this is a legacy of the Communist system where bribery was common; thus one stills hands over an envelope with cash to the dentist or doctor. Much more serious corruption exists in the political class, and the euro crisis showed that also many Spanish and Italian politicians were corrupt.[6]

Money corruption is illegal, whereas what we call 'network' corruption is harder to prove. Yet nepotism is also corruption, it hinders meritocracy and thus the best qualified in getting a job. Jobs given to relatives and friends constitute a serious type of corruption. This is not an unknown phenomenon in Southern Europe, and one that the sociologist Max Weber deemed the major difference between a modern, rational system of government and a primitive one. Unless there is meritocracy and rule of law, there is no real democracy, he argued.[7]

In Latin America democracies have developed quite well, however after many decades of unrest, conflict, and civil wars, but in that region economic inequality remains a major issue.[8] In Asia democracies are stable, but the region is characterized by much rivalry between states. In Europe, present-day democracy is in crisis in many places because of distrust between elites and people, something which came to the fore during the migration crisis in 2015 and Brexit in 2016 in particular. From a democratic vantage point populism is a problem, yet so is EU supra-nationality. If we look east, we find that the democracies of the former Communist bloc are

[6] Transparency International's list for 2015 has 167 states and has the Nordic states on top as the least corrupt, but in Europe there are cases far down on the list as well – Spain is no. 36, Hungary no. 50, Greece no 58, and Italy no. 61. Towards the bottom we find mostly African states – Somalia as no. 167 – as well as some of the 'stans'.

[7] Weber, Max «Politik als Beruf» (1919) and «Wissenschaft als Beruf» (1917), lectures delivered to the student union in Bavaria.

[8] Venezuela remains very high on the corruption index, and is in general very far from being a democracy. See Transparency International's index of corruption for 2015.

often marred by much corruption; rule-of-law exists on paper, but not in reality. Winner-takes-all mentality prevails and ministers are mysteriously enriching themselves while in office. Research on the separation of powers in these states finds that real power lies in what is called 'the system', a concept from Communist times, and not in independent courts.[9] In Africa states do not have nations, as borders were randomly drawn, and in the US the current presidential debate unfortunately displays a new low in terms of populism.

In sum, democracies exist in abundance when we look at the formal requirements. The fact that democracy developed inside territorial states imposes a number of limitations on how freely one can 're-design' it. In order to offer useful advice on participation, one must be realistic about the given.

What does it take to move towards meaningful democratic participation? Who are the marginalized?

In the first part I discuss participation in decision-making as a central norm of democracy in relation to other norms. Ideally a democracy is a quest for the *summum bonum*, a place where the human being realizes its potential as a social being. As the ancient Greeks saw it, the highest form of human life after the philosophical life is indeed politics, understood as the quest for the common good. Participation in itself is therefore important for the quality of society and for the development of the person.[10]

In part two I ask where one participates – is there a global polity? Perhaps a European one? In short, what *scope* for the political community in in order for meaningful democratic participation? Direct participation in the city-state or perhaps a federal structure based on the principle of subsidiarity where one participates in decisions that affect oneself? Or is it only in the nation-state that democracy realistically can flourish today?

[9] Åse Berit Grødeland. 'Informal Practice in the Judiciary: A Comparison of East Central Europe, South East Europe and the West Balkans', in William B. Simons (ed.) *East European Faces of Law and Society: Values and Practices* (Leiden/Boston: Brill, 2014), 81-104, and ibid., 'Informal Relations in Public Procurement. The Case of East Central and South East Europe', in Jan Kubik and Amy T. Linch (eds.) *Justice, Hegemony and Social Movements: Views from East/Central Europe and Eurasia* (New York: New York University Press/SSRC, 2013), 346-384.

[10] See R, McKeon, *The Basic Works of Aristotle, (*Random House, 1941), *Politica, Book I:* «Every state is a community of some kind, and every community is established with a view to some good….the state or political community, which is the highest of all and which embraces all the rest, aims at good in a greater degree than any other, and at the highest good", 1252a. and "a social instinct is implanted in all men by nature" - "Justice is the bond of men in states" (1252b).

I then proceed in part three to discuss how participation can be enhanced among the marginalized. There I also pay some attention to Europe which also has its marginalized.

Part One: Participation and Other Democratic Norms

In German there are two words for community - *Gesellschaft* and *Gemeinschaft*.[11] The former is the 'thin' version of society, based on interest and instrumentality; the latter is the 'thick' version where there is real commitment to the common weal, the *summum bonum*. The highest aim of participation must be the 'thick' community where self-interest is replaced by concern for the common good. Such communities do exist and we recognize them in terms of the virtue of its citizens, such as when they contribute to society without personal interests in mind. In my hometown Mandal on the coast of Norway there was such a quality to society when I grew up: my father would do a lot for the town without any consideration of reward or status, as would most of his fellow citizens. They did not have much, but they contributed much. Today life even there is more instrumental; people do not freely give their time and energy for community projects, although the community 'quality' there is much higher than in the capital Oslo. This is perhaps a function of size – small towns with close personal ties allow for more community – but it is also a function of professionalization of almost all services and increased materialism as well as wealth. The conductor of the girls' choir or the trainer of the football club worked *pro bono* before but is often paid today.

Yet the natural 'instinct' for community that Aristotle spoke of is evident, as in a recent article in *International New York Times* entitled 'Jobs come with sense of community'.[12] It is about the willingness of city dwellers to move to Nova Scotia to work and live there because they longed for community – all three families that moved there from Vancouver and the US did so because of the prospect of life and work in a small, close-knit community, and as one family put it, they missed 'the feeling of belonging' in the big city. Thus, there is clearly a major difference between a society based on a transactional logic of self-interested agents and a community based on the common good.

[11] First used by Ferdinand Tönnies in sociology, these concepts were made famous by max Weber's use of them in his works, e.g. *Economy and Society*, ed. Guenter Roth and Claus Wittich. University of California Press (1921/1968/1978).

[12] INYT, Oct 24th, 2016

However, democracy is also concerned with checking power and hinder power abuse. Thus, rule of law matters very much, as does recall through periodic elections – accountability – and transparency in political processes. My discussion of the democratic virtue of participation is therefore part of a more general analysis of democratic norms:

Carole Pateman created much debate about the centrality of the norm of participation in her book from 1970, *Participation and democratic theory.*[13] She defined participation as the partaking in decisions that affect oneself. This makes logical sense and is also the basis of theories of federalism where there is a postulate that there are natural 'layers' of political issues – the local level should deal with local issues, the regional with regional issues, the national with national issues, and a fourth level, the supra-national or federal level, should deal with its set of issues. Federalism – the theory of the European Union – has no theory of democracy as such, but most states have local, regional, and national democracy where the national level is the most important. In federal states there is a federal level – e.g. in the US and Germany – where decision-making naturally is organized democratically, but in the EU, a confederal structure rather than a federal one, there is only one form of democratic accountability at the Brussels level, in the form of a European Parliament (EP). The council remains intergovernmental.

The major point about the norm of participation is however not only the argument that people should participate in decisions that affect themselves, but that participation *as such* is important. To be an active citizen, part of the *polis*, is important for the full development of the human person. As both the Greeks and Romans put it, we are social beings by nature. The Greek *zoon politikon* is the *animalum rationale* of the Romans, a theme later to be developed to the fullest by St Thomas in the *summa* and other works. This is an absolutely vital issue in Catholic social teaching and in Western political philosophy: the human person becomes himself only in the company of others, as part of a human community; first the family, then civil society, then the *polis*. This is an ontological statement: we are born as social beings. Therefore the family is a natural institution, and so is the *polis*, according to Aristotle and Plato. There is such a thing as a common *good*, something which is not only a common *interest*, but a qualitative aspect of society. The normative imperative – to make a society a good one – is very different from the instrumental concept of a common interest which

[13] Cambridge University Press, 1970.

appears much later in political philosophy, e.g. as the rationale for the state in Hobbes' *Leviathan* and as the central concept in British liberalism.

Thus, participation as a norm in traditional political philosophy is not premised on rights or interests, but on human nature and the natural need for community. By participating we become full human beings, realizing our natural potential. Aristotle speaks about the self-interested politician as perverse, and the term *idiot* is Greek for someone oblivious to politics. After philosophy politics is the highest type of human activity.

The modern rendering of participation is however rights-based, as a right to participate in decision-making that affects oneself, that is, one's interests. There is however also the possibility of arguing, like the Greeks and St Thomas, that participation is an end it itself. If we accept this, we see that the norm of participation is a very central norm to any democracy.

Yet there was relatively little democratic participation throughout human history. There were few citizens, it was a privilege for the rich and important to be named a citizen, granted by the king. In the Greek city-states both slaves and women were excluded from citizenship, and democracy was regarded as one of the lowest, worst forms of government. Democracy was the opposite of aristocracy; and aristocracy – the rule by the best, the *aristoi*, was the preferred form of government because the quality of the participants was ensured – they were wise, educated, the most knowledgeable.

Modern democracy appears much later, after the consolidation of the territorial state which starts with the treaties of Münster and Osnabrück in 1648, following the Thirty Years' war. The important principle of territorial sovereignty is enshrined here, with total power in the realm to the ruler. The *cujus regio, ejus religio* principle testifies to this. The one that has military control of the territory is its king: *rex imperator in regno suo.* There is no social contract or democratic participation. This is the age of absolutism.

Gradually social contract theory is developed in the aftermath of the revolutions that bring the middle class to the fore. The political community is being constituted by the concept of the nation. The nation plays a vital role as the scope condition for this community – it is no longer Christendom and /or empire, but nation. Napoleon is the creator of the French nation par excellence; it is a forged or created community that builds on the existing clans, families, and smaller local communities, but which is streamlined into one community through a common language (all other languages and dialects are forbidden) and a common central administration and laws (*code civil*). Conscription is the new obligation introduced, *le levee en masse* – all of society must defend and if need be, die for the nation. For

example, my own Order of Malta experiences this change as the shock of desertion of the French 'tongue' (the French-speaking knights) in Malta in 1798. Napoleon simply sails into Valetta harbor and calls the French, who follow him. Christendom which had hitherto united the knights is replaced by nations that disunite them. The soldier who is conscripted must be prepared to die for the nation, and patriotism becomes wed to the state in this new manner. Horace' old dictum *dulce et decorum est pro patria mori* reappears as a duty to the political community constituted by the nation-state, and mercenaries which had so far been the norm in the territorial state are replaced by the citizen-soldier. When the concept of the nation is developed it carries with it the very strong obligation of the social contract whereby citizens themselves are responsible for maintaining the community – defending it to death if need be.

The political community in Europe thus becomes the nation. Nations are forged in state after state, some early, some very late. The nation-building in Norway takes place in the 1860s onwards, in preparation for leaving the union with Sweden in 1905. It is frantic; national history is invented and written. But there are old antecedents, Viking times and the middle ages. Thus state after state acquires a nation while the middle classes rise up and demand the end of aristocratic and kingly rule. The revolutions in Europe in 1848 are called 'burgher revolutions', citizens' revolutions. The middle class demands political influence and gets it. Only later does the then burgeoning working class rise and call for the same, from about the 1890s. And so it goes, women get the vote latest of all, after the turn of the century.

At this point rights have become the key democratic norm. It is not participation of the intellectually fittest or the privileged; it is participation based on class rights. The middle class demands this right since the aristocrats have it, followed by the working class, and later women. The arguments concern equality and right to be a free citizen. Are the employed free enough to be citizens? Do they have enough economic independence to be free agents? Similarly, are they knowledgeable enough to vote? Can they make rational choices? John Stuart Mill, writing in 1859 discusses both issues in *On Liberty.* A gentleman is a man of education, leisure and of independent means, thus able to be a citizen. Can someone who is employed by others exercise free will as a citizen? Mill surprisingly argues that also women can be rational, and therefore should have the vote.

Without going into detail about this formative period of democracy we note that the model is one of free agents, i.e. not representing anyone else's interest. The vote is for a long time tied to income and wealth, i.e. only

those of a certain standing in this regard can be trusted to be citizens. The nation is the political community to which one belongs. It is characterized by a common language and history, common currency, common flag and common culture. The duties under the social contract include potentially dying for the nation; in the institution of *conscription* which exists in several European states also today. Also, the duty to pay taxes to support the state is a certain as death, to paraphrase Keynes. The taxman still cometh.

These duties are balanced by rights: the state is obliged to ensure citizens' safety, provide a modicum of social benefits, and keep order on the territory. The state, governed by an elected government, must first of all defend its citizens; then secure order and later, welfare, for the former. The very rationale for the state is security, as Hobbes so forcefully argued in *Leviathan*.

Bürgerrechte are inscribed in constitutions, as are duties. In the Norwegian constitution of 1814, Europe's oldest still in force, we find many individual rights already at this time. Democracy is still very limited – few have the vote – but the key principle of safeguarding against tyranny are in place in the form of checks-and-balances: rule of law is ensured through the separation of powers. Montesquieu's principles are known and implemented long before democracy. The norms that guard against abuse of power and arbitrary rule – rule of law and the separation of powers – are of fundamental importance to any democracy. Participation presupposes a political community where one has rights and duties (social contract) and where the rules do not allow for majority tyranny or arbitrary exercise of power. Decisions must be based on law, and there must be an independent legal branch that can keep both the plebiscite and the executive within legal boundaries.

Rule of law is thus older than democracy. When we look at the earliest Nordic proto-parliaments, or *Ting,* we find rule of law as the key to civilized decision-making. Where there is law, there are arbitrators in the form of judges, and people submit to their judgment. In Norway we find legal regions as early as around 900; in Iceland likewise, when the island was populated from Norway around the same time. The names of these legal regions are the same today in both countries: *Eidsivating, Borgarting, Gulating*, etc. where the word '*ting* means the meeting place for decision-making, being the name for the Nordic parliaments as well: The Norwegian national assembly is the *Storting* (the great ting), the Danish is the *Folketing* (the people's ting), and in Iceland we have *Althingi* (everyone's ting). At the *tings* disputes were settled by *lovsigamen*, literally those who could read and therefore proclaim the laws, i.e. the judges. Punishments were meted out;

typically one would be banned from Norway to Iceland for manslaughter and from Iceland to Greenland for the same crime. These verdicts were proclaimed at the *ting* and they were legally valid for the political community and accepted by it. Most tourists in Iceland will visit the famous *Tingvellir*, the place of decision-making and dispute resolution where all clansmen met for some weeks each June. There one can observe the exact date in year 1000 for the introduction of the Christian Law, the so-called *Kristenretten*, imported from Norway, which introduced it around the same time. The Christian norms of equality in marriage, prohibition of the killing of sick infants, handicapped and weak people, monogamy, etc. were proscribed in the law from then onwards.

At this time there is no democracy beyond the free men who decide on new laws. But the *tings* where these men vote on new laws are early parliaments. The respect for law as opposed to rule by power is significant and it appears that the law was very much respected. Someone banned from Norway or Iceland could be killed by anyone if they returned, as they violated the law by so doing and were actually called 'law-less', as detailed by Snorre's sagas.[14] The point is that law-based rule was very strong even in the violent Viking communities in the North already around year 1000, and the laws were adopted by free men at the *ting*.

The practice of the *ting* meeting only for some weeks each year is common until recent times, as representatives had professional lives in addition to the duty of political participation. The change to make politics a 'profession', and a full-time one at that, would have met resistance from the ancient Greeks and from traditional democracy advocates – the point of *democratic* politics is exactly the opposite of professionalism – the politician is an amateur, a common man or woman who can be elected to high office.

In sum, there can be no democracy, regardless of level of participation, outside a political community, and the latter has to have 'checks and balances' as well as accountability. Effective accountability means recall or re-election through periodic elections, and this presupposes a public sphere where citizens are aware of what goes on. Without accountability, participation has little democratic value beyond shaping public debate. Democracy basically means that power is delegated to elected representatives, and all political power rests with the people. If they cannot recall the power delegated, there is no democracy.

[14] Snorri Sturlason, *Heimskringla*, ca. 900, translated into the Norwegian from Icelandic by Gustav Storm, *Snorres Kongesagaer*, Stenersens Forlag, Oslo, 1900.

Summing up the argument so far, we have pointed out that participation alone makes little sense as a democratic norm unless there is a political community where there are checks and balances on power (ab)use. Rule of law is essential to checking power abuse and is a pre-democratic norm.

Part Two: Scope Conditions for the Democratic Polity

The ancient Greeks had their city-states with direct democracy. The main model of democracy is the *nation-state*, and as we have seen, it develops historically with democratization. From territorial state as the unit of political organization and the basis of sovereignty we arrive at democracy based on the concept of nation.

Today nation is a contested concept by 'group theory' whereby citizens are not like, but unlike in all respects – they are minorities of all sorts and demand representation as group representation. This is one major danger to the very concept of democracy where the equality presumption means that the citizens may be unlike in all respects but that of citizenship. This does not invalidate the argument that citizenship presumes a certain degree of economic and other equality, for this must be achieved *in order to* become equal. The modern 'group theory' amounts to the very opposite – we are never equal but remain parts of minority groups that claim rights for themselves, such as quotas for women, blacks, etc.

The nation as a concept negates such differences – we are Frenchmen or Americans as citizens, whatever we are in the private sphere. There is unity in natural diversity. However, the nation-state is also challenged by globalization and in Europe by the ideology of the EU that seeks ever more supra-national integration. I am not here speaking of federalism, the traditional EU ideology, but of the idea that Brussels will supranationalise most policy areas if allowed to do so. Federalism is a theory of de-centralisation, but today there is little consideration of this vital aspect of the EU legacy. Instead the Commission seeks to achieve common policies not only in financial policy through the euro but also in asylum and refugee policy and security and defence policy – areas there is major resistance from member states.

The norm of participation goes well with a federal system, but not with a large supra-national polity. In a truly federal system there will be keen attention to the size of the political unit, and the guiding idea is not only that policy is naturally 'belonging' to the level of decision-making 'closest' to the citizen – *Kindergarten* policy is not best decided on at the supra-national level, for instance; but more importantly, that participation is only

meaningful if the citizens are knowledgeable of their representatives, the issue areas, and can partake in public debate. It is often said that the best politicians are local ones because their voters know them personally and have some notion of what kind of personal qualities they possess.

Thus, the smaller the unit, the better the quality of the democracy? The smaller the unit, the more meaningful participation? We would then opt for something akin to the city-state. However, the framework for modern democracy is historically and legally given in the form of political organization we call the nation-state. In terms of size, this unit is probably the largest we can expect to be democratic. Citizens normally have local and regional political rule in addition to the most important level, the nation-state.

There are only two instances of supra-national governance in the world – the EU's commission and court and the so-called 'community procedure' whereby majorities can outvote minorities, and here I should also mention the permanently supranational monetary policy of the EU which is not subject to any political governance, only expert rule. In addition we should count the decisions by the UNSC (Security Council) as supra-national as they are politically binding on all member states. In all other international organizations (IOs) the decision-rule is unanimous or 'consensus minus one'. This means that democratic accountability is taken care of at the national level – the foreign or other minister has his mandate from a government that represents parliament and can be changed by parliament in case of a no-confidence vote. Power comes from the people, via their representatives in a national assembly which supports a government only of they are satisfied with its governing. In a presidential system there is also an election, mostly a direct one. IOs may have so-called parliamentary assemblies, consisting of parliamentarians from member states. They typically have no other power than advisory. NATO, the OSCE, the Nordic Council are examples of this, and the EP was such a consultative assembly until 1974.

Thus, we do not have supra-national democracies. The nation-state with its local and regional government remains the model. In federal systems the regions or *Länder* /states have much competence; in more unitary state systems like France or the Nordic states the main rule is that the national level decides in most matters. It overrides the other levels, taxes and manages the welfare state, runs foreign and defence policy, conscripts the citizens, and sends embassies to other nation-states.

These states mark the political boundaries of democracies although they are mostly not optimal polities. Some states are microstates; others

are really empires. They all share the same status as *de jure* equal as a result of being members of the UN, something which means that the UNSC permanent five members have accepted them as states by diplomatically recognizing them as such. There are several 'quasi'-states on the map – Kosovo is not recognized by Russia and China; and the West does not recognize South-Ossetia and Abkhazia, to mention some. The PA is another 'half-state', sharing the status of associate member at the UN with the Holy See. The word *status*, notably, is the same as state, referring to standing in the system.

The main problem with the state system is however not that it is highly diverse, but that so many states are not cohesive in terms of political community. Political scientists usually divide states into three groups: *postmodern* states, *modern* or Westphalian states, and *pre-modern* or failed states. The postmodern states in Europe are highly integrated in the EU and have dismantled borders to a great extent, do not pursue national interests with military force and embrace an ideology based on international human rights and the internationalization of the rule of law. They modern state is the prototype of the nation-state where the nation and national interests matter and where patriotism is a positive and important concept. Russia and the US are examples of this type; in Europe perhaps France and Britain should be counted in this category. The failed state should rather be termed the pre-modern state, as there is usually no state in place that can fail. These are states without any political governance system beyond clans, tribes, and family structures. They are often marred by violent conflict and have mostly never been democracies.

How can democracy be developed in these states? It is not only size that matters for democracy, but history: There is little prospect of democracy in clan-based systems where perhaps religion supplants politics and in dictatorships that lack power pluralism. Participation is impossible in dictatorships, as we see in the repression of free speech in Russia and China, and it makes no sense in states where the concept of citizenship is unknown.

In sum, the state remains the realistic unit of democracy, but it is no longer true that democracy is spreading effortlessly from a Western base. On the contrary, alternative ideologies are promoted, from the caliphate to 'illiberal democracy'. In addition, the development of democratic norms takes much time in order for them to be internalized, and they depend on each other – checks and balances are needed as is participation.

The nation-state is the historical model of democracy and the one we have to work with because the state system is the way the world is orga-

nized. Ideally a smaller unit such as the city-state may be the best for participation and its benefits for the common good, but it should be pointed out that the larger unit of the nation-state has functioned well as a cohesive community in Europe and the US, much thanks to the nation-building that has taken place over a long historical period.

Part Three: How Can Participation of the Marginalized be Enhanced?

The marginalized are those that are unable to exercise their citizenship rights and fulfil their concomitant duties. The reasons for this are diverse: poverty and lack of education, lack of adequate democratic structures, and lack of a proper political community. I noted that most states are nominal democracies today, but that the trend towards universal democratization is being reversed. I also pointed out that nominal structures need active participation from citizens that desire the common good in order to become real democracies.

I have argued that the nation-state and political levels below (local and regional) constitute the realistic framework for democracies. The national level remains the most powerful because sovereignty belongs to the state, not to the local or regional levels. I have also pointed out that local democracy may stand the best chance of realizing the common good in a close-knit community, but that the national level nonetheless is the more important because most political issues are international and because the state's duty is to protect the security and well-being of its citizens. One's citizenship is national. One cannot take up local residence without national citizenship and it is the privilege of a state to determine who should become its citizens.

Given this, each and every person must deal with its own state and has duties and rights vis-à-vis the latter. It is the formidable task of each citizen to build the national and local political community, and one could argue that only if in life danger is it admissible to leave one's state, as a refugee. However, people have always migrated in search of better lives, and today a vast number do so. Yet if they are citizens eager to build a better political community, they ought to stay, as Paul Collier argues. *Unless the national population of a state build the political community, no one else can*. There is very little success in imposing democracy from the outside. The international community can design and help in making the democratic infrastructure, but it cannot substitute for the citizens and their participation. A democracy is as good as its citizens – or the opposite. Once one has achieved democratic rights, there is a commensurate responsibility, especially in states that

are poor democracies to begin with: the citizens 'own' their democracy and no one can substitute for them.

It is therefore strange that there is so little awareness and promotion of this self-evident truth among IOs and Western states regarding the current megatrend of migration. Economic migrants are rational actors on the instrumental and individual logic that they should choose to go to an already well-established democracy in order to have a better life than in a poor, conflict-ridden, and corrupt state, yet this is exactly what undermines the prospects for improving and changing such states. When young Africans leave their states in order to have a better life in Europe and when East Europeans do the same in favour of Western Europe, both are abandoning their primary duty as national citizens. If this continues we may never be able to develop nominal democracies into real ones. Thus, there should be a concerted international effort to stop economic and political migration and incentives to build better states at home. This is an urgent task indeed. Western states now recognize the need to help in conflict resolution and peace building, seconded by democracy assistance and other developmental aid. Several states, such as my own, spend 1% GDP on development and target such goals. But in order to succeed, young and able migrants must stay behind and be the protagonists of their own country's development. Today the West cannot even return migrants that have their asylum applications refused as this depends on the acceptance of their country of origin. The profits of the human trafficking actors account for record migration.[15] The EU is now starting to link aid to returns, but this is a feeble beginning.

Moreover, in order to act as a citizen one must be educated to be one. If the question is 'what's in it for me?' one cannot expect young people to opt for their poor and chaotic home country if a Western welfare state is a possible destination. There needs to be what we call *civic education,* and not only in developing states. Also in the West there is a dire need for education about public service and civic virtue in a culture dominated by self-regarding logic. When young people do community work in order to improve their CVs, it is sad, and when politics becomes a 'profession' that they seek in order to advance their careers, it is not what Aristotle had in mind when he talked about public service. The term service is the key one; it is not self-service, but service of the other(s). Here we encounter the crucial dis-

[15] INTERPOL/EUROPOL report, «Migrant Smuggling Networks in Europe». April 2016.

tinction between *Gesellschaft* and *Gemeinschaft*, between rights-based and interest-based participation and selfless contribution to the common good. There needs to be a re-discovery of the latter as the proper democratic and public virtue, and this must be taught in schools again. This is indeed key in the tradition of political philosophy and where the Church and her social teaching can play a major role.

How important is *economic* equality in making democracy work? A community's quality is not a function of wealth in the sense that the richer, the better the community. Materialism rather leads to more self-interested behaviour. Many 'quality' communities were quite poor and citizens depended on solidarity with others, such as the fishing villages I know from Norway. Risk of loss of the 'bread winner' at sea was high, and there were many widows, but they were supported by the community. Thus, wealth is likely to be an obstacle to community of the *Gemeinshaft* kind. However, a certain income level and stability in terms of having a job is necessary for meaningful political participation. For this reason poverty is such a great problem from the point of view of fostering democracy, as discussed in several papers in this workshop. Unemployment in Europe and precarious jobs are likewise a fundamental problem in advanced democracy, leading to populism and protest. Corruption leads to injustice for the taxpayer, something which directly undermines the solidarity of paying taxes into a system of redistribution. Why pay taxes if others do not? It is a double injustice. Trust and solidarity is undermined, as is the welfare state.

In European democracy today we see how the various democratic norms interact – in corrupt states a black economy develops and 'only the stupid pay taxes', as a Hungarian source put it. Where there is much unemployment, protest parties that often are populist develop. In times of crisis, recall of power becomes important, and there is mounting criticism of market liberalism and globalization, open borders and migration – as in the *Brexit* case. As long as the EU 'delivered the goods', so to speak – incremental economic growth – there was little concern for the democratic 'deficit' that supra-nationality often represents, but today, with the EU unable to respond adequately, publics raise the fundamental issue of recall of power, something which is a healthy democratic reaction.

Europe is the continent whence democracy was exported to the rest of the world and where it is developed to the fullest in terms of a variety of governing systems such as the 'Westminster model', the presidential system, direct democracy, etc. It is also where supranational governance structures are developed the most, and notably where there is currently a debate

about the central norms of democracy, e.g. in connection with the 'Brexit'. On the 'old continent' we now witness growing economic inequality between the have-jobs and the jobless, notably among the working class and the young. The world's most advanced democracies thus exhibit developmental features that make for a very interesting observatory of how marginalization and inequality impact on democracy and participation. Not only are the poor in the developing world clearly in the category of the marginalized, but also many Europeans. The lack of access to education is a much bigger problem for people in the developing world than in Europe, but in Europe the growth of populist media and 'debate' is also a form of rationality and knowledge deprivation. The school dropouts who live on social security often do so in generations. The Europeans can go to school, but drop out – the youngsters of the developing world crave to go to school but do not have the possibility.

Also in terms of economic hardship there is naturally a vast difference between the developing world and Europe. Yet in Europe we now witness not only much unemployment, but also the negative effects of globalization as mediated through the internal EU market rules on the traditional working class. The 'brain drain' from East-Central Europe is a fact and a problem, as even *The Economist* recently acknowledged: when a doctor earns ten times the salary he gets in Hungary if he moves to Western Europe, as well as avoiding corruption, the rational actor choice is easy. Likewise, when the 'Polish plumber' is so much cheaper than the British plumber, the latter will eventually lose his job. In Norway these days the proud tradition of artisans (*Handwerker*) is actually disappearing: no young person opts to become a plumber or carpenter when the wages run down in competition with the Eastern Europeans. The result is that lower middle class and working class trades and jobs disappear. In contrast, Europe after WWII had stable democracies and a common market in the EU, bolstered by an incremental annual increase in income and national welfare states that protected against too much competition. This was, for good reasons, called *les trentes glorieuses.* Today globalization weakens the power of the working class and trade union ability to negotiate national wage levels.

Conclusions

Democracy can only exist in a well-defined political space, in reality in the form of the nation-state, we have argued. This is not because the latter is the ideal form of polity, but because it is the only polity 'on offer' in a world of states. In order to have a community which is a good as

possible – as solidaristic as possible – there needs to be meaningful, 'other-interested' participation. Such participation presupposes rule of law and separation of power as well as transparency and accountability, something which amounts to the institutions that we call liberal democracy. A 'nation' should not be family or clan-based, but based on equality of citizenship and meritocracy in the work place. There needs to be education for public service and civic duty; and there needs to be freedom from want in terms of major human economic and material means in order to have the leisure and freedom needed for public service.

In the developing world, poverty is the biggest obstacle to democratic participation, followed by the lack of education. In the rich West, growing economic inequality is such an obstacle, and growing populism makes participation difficult. Corruption and armed conflict remain much more of a problem in Africa than in e.g. Europe. The first prerequisite for democratic participation is the absence of violence; the second prerequisite is rule of law with the implication that corruption is minimal, and only then it is possible to work on economic and educational issues.

Comment on Professor Janne H. Matlary's Paper

Hsin-Chi Kuan

Thank you, Mr. Chairman!

We have just heard a very succinct and yet encompassing account of democracy and its related issues. Given that this paper is so excellent, I am afraid that my comments can offer little contribution. So, I regard my five cents as just an attempt to reorganize the major components of the issue under discussion. It will be an alternative way of presenting the problematics.

First, an overall observation is in order. The paper has given too much emphasis on democracy, its nature, forms, functions and so on. It is also largely a historical analysis. Finally, the emphasis is put on norms, theories and structures, without regard to empirical phenomena. For instance, while the author's preference is for participatory democracy, she has not drawn her audience to the fact that even when opportunities for participation are still available in a representative democracy, people may not come out to vote at all.

There is indeed a merit in focusing more on democracy as a norm and its theoretical relationship to participation. The downside is a paucity of discussion about inclusive solidarity and enhancing participation of the marginalized in society, not to speak of whether and how participatory democracy can be effectively related to inclusive solidarity. Given the theme of this workshop, it is better for the paper to devote more attention to citizenship and solidarity. To achieve that, citizenship needs to be better specified, inclusive its nature, modalities and ways of articulation. These specifications may shed more light on whether "real" democracy can be attained and how. Much have already been said about solidarity in a previous presentation. To me, solidarity is a cohesive force of affection that is generated by a shared site of social-political struggle. Thus, social-political struggle gives rise to the need for solidarity among a certain group of individuals. It is also shaped by a shared imagination of a common fate. Well, the objective of the struggle and the concrete contents of the common fate is an open question. It could be material or lofty. And affection provides the glue to bind people together for joint efforts.

When it comes to citizenship, it is a more complicated. I would regard it as a process of individuals' becoming social beings. It is a processual me-

chanism to overcome individuality, to transcend selfhood, and to turn out as members of a community. But according to the more common understanding, esp. the legalistic approach, citizenship is a kind of status of individuals as full and equal members of a community. Specific articulations of citizenship and solidarity are both facilitated or handicapped by changing contexts, such as diversification, regionalization, globalization and so on.

While citizenship and solidarity can be differentially conceptualized, they share one thing in common, that is a process mechanism of border or boundary drawing, physical or virtual. The exercise of border or boundary drawing has the result of exclusion or inclusion, thereby affecting the state of solidarity and citizenship in a society. In other words, both solidarity and citizenship can, because of boundary drawing, be exclusive and inclusive at different times or at the same time. If the nation-state system is the hegemonic space in which citizenship and solidarity is to be played out, then in most cases, citizens of state A can't be citizens of state B at the same time. Worse still, when nationalism reigns and needs an enemy for survival or growth, there is no room for inclusive solidarity. When it comes to citizenship in our nation-state system, there always involves an exercise in determining who counts as a citizen or a foreigner, an exercise that is necessarily inclusive (some ones are accepted) and exclusive (others are rejected) at the same time.

Solidarity is required for citizenship to work because the former provides a cohesive force of affect for the citizens to feel about the membership and the common fate. Consequentially, solidarity can also facilitate participation in collective actions against the logic of instrumental rationality. The simultaneous existence of inclusive solidarity and inclusive citizenship in a community can then make democracy real and work. Why and how? I have no time to get into subject. Let me just jump to another issue of great importance.

Professor Matlary has adopted a historical and social-political approach for the study of real or nominal democracy. The approach seems to me both realistic as well as pessimistic. The key message there is, as we see today, that the preference for nominal democracy without real, meaningful participation is due to the structure of historical legacy. We are locked in the nation-state system. That is a realistic view. Well, we can't change the reality. But it is also pessimistic, a result of too much trust in the theory of path dependency. To change the world, we need the alternative face of path theory, i.e. path breaking. How can we do that? Perhaps, it is better to stop here and leave it to the floor discussion.

Inclusiveness, Globalization and the Sharing Economy

Mukhisa Kituyi

Those who have been left behind by globalization are capturing the world's attention. With the world economy on track for the slowest decade of trade in 70 years, populism and nativism have led to Brexit, and the ugliest US election campaign ever seen. At the root of the migrant crisis, 4 out of the 5 fastest growing migrant populations migrants living abroad come originally from least developed countries, with low incomes, few assets and high economic vulnerability.

The desperation in both rich and poor countries has been at least twenty-five years coming. During the period of "high globalization" (from 1988-2008) the big "winners" were the emerging middle classes of China and India, and the "top 1%" of the rich world. The "losers" were the world's very poorest (mostly in Africa), and the working classes of the rich economies, all of whom saw little to no improvements in their living standards.

The SDGs call for inclusive, responsible prosperity to better manage globalization and restore people's confidence in the global economy by levelling the playing field for all. Ending poverty however is much more difficult than cutting it in half – it means doubling the "*global consumption floor*" – the consumption of the world's poorest person – from less than $0.85/day. Despite the last period of growth and globalization this floor remains unchanged for the past 20-30 years.

Can a new "moral" global economy that privileges inclusion over individual gain serve the ambitions of 2030? This is the embryonic dream of the SDGs. It requires a shift in global tastes and attitudes; a shift away from focusing on GDP growth towards focusing on life satisfaction, from overconsumption to conservation, from pursuit of possessions to quest for experiences.

The sharing economy and technological change hold out hope to enable such an economy. But we must be realistic and pragmatic: if "sharing economy" is merely a buzzword for Uber, AirBnB, etc and remains an idealistic, mainly libertarian, aspiration and fad, it will do little to help overcome the largest challenges of the next 15 years. This is especially true if it weakens tax bases and leaves workers with less protections and rights.

Similarly, the aspirations of the so-called "4th industrial revolution" may also spell more challenges than opportunities for the countries with the greatest development challenges. If robot factories replace low-cost labor, the engine of poverty reduction that moved 1 billion out of poverty over 20 years will no longer be a viable strategy for other countries.

So we must galvanize not just a new moral economy, but a new morality for innovation. At UNCTAD we are focusing on two important groups to empower for inclusiveness – those under 30 (who will be heirs of the SDGs), and small businesses with fewer than 30 employees. These are groups that if properly empowered in the developing world, can power the next – more inclusive and development-led – phase of globalization. This is the objective of our "eTrade for All" initiative and entrepreneurship programs for example. The goal is a bottom-up, and middle-out innovative globalization, rather than top-down.

Poverty as Defined Through Statistical Measures and Poverty as Perceived by the People

Rocco Buttiglione

When I was a boy, we were used to think that every year the rich became richer and the poor became poorer. The solution was to give money for the support of the poor countries. Now we learn that the number of absolute poor in the world is decreasing and even the difference between rich and poor countries is diminishing. What is the cause of this dramatic change? Of course all social phenomena of this magnitude have more than just one cause, but it is difficult to deny that the main cause seems to be the new wave of globalization of world economy that begins with the Marrakech Agreements of 1994. This runs directly counter the underdevelopment theories of the seventies. They said that the growth of the poor was only possible outside the world market, which was a system of capitalistic exploitation. Some countries tried to construct their autonomous path of development *out* of the world market but they were not successful and ended up in an unqualified disaster. The countries that succeeded in negotiating their position *in* the world market grew at an astonishingly accelerated pace. In the beginning they were a few small countries of East Asia, but the real turn came with the dramatic change of policies of China. Later, India and some countries of Latin America and of Africa followed suit. There is something worse than to be exploited by the capitalist market and this is not to be exploited by the capitalist market. Not by chance Pope Francis does not speak so much of exploitation as of marginalization. The poorest among the poor are those who are excluded from the market.

The figures on the decrease of poverty are comforting but we need to subject them to a critical examination. A first observation regards the fact that several hundred millions of people still live in a condition of abject poverty. Six million children die every year and all the poor people of the earth could be brought beyond the level of absolute poverty with the expenditure of more or less 0.5% of the gross product of the affluent countries. The good news on growth and the concentration of our attention on growth policies should not induce us to forget about those who are starving now and can be saved. We need first aid policies against extreme

poverty based on the transfer of resources from wealthy countries and we should not set them aside to concentrate only on growth policies. First aid policies are not, properly speaking, development policies, although they are, of course, intertwined with them. If somebody is starving, the first urgency is to feed him. Later, you will have time and leisure to introduce him to the path of economic development.

A second observation regards the emerging difference between poverty as defined through statistical measures, and poverty as perceived by the people. Sometimes poverty diminishes in statistical terms but the perception of poverty grows. Why? I wish to explore here two possible reasons.

The first regards the possibility that per capita income may be inadequate to measure the real level of satisfaction of the people. All goods and services produced out of the market (within the household, for self-consumption etc.) are not measured in the per capita income. Equally important are the personal services rendered to each other within the structure of the enlarged family, or the support expected by the neighbourhood in case of need or the benefits of the natural or human environment etc. It is possible that in some situations the increase of monetary income is more then compensated by the loss of non-monetary goods and services.

The second regards the fact that nations or social groups who are deluded in their hope to better their situation or see their position on the social ladder worsened experience a frustration that leads them to exaggerate their condition of poverty. It is easier to be poor if everybody is poor; if my neighbour becomes less poor and I do not, than my poverty becomes intolerable.

Equally, if one has the perception of becoming less affluent that he used to be, or that his social status is lowered, he can feel much poorer than he really is. This is due also to the fact that this subject has developed a system of needs and expectations that he cannot satisfy any more. It seems that demands of social change and even of revolutionary change are not so much dependent upon absolute poverty as upon perceived poverty. People feel unhappier although they may be globally less poor.

A third observation regards the causes for the decrease of poverty and inequality Ferreira has brought to evidence. It seems that this is linked with the globalization of world economy. I have the impression that globalization was good for the rich of the rich countries and for the poor of the poor countries. The rich of the rich countries could freely invest their capital in poor lands where labour costs and protection of workers' rights were extremely low. This created great occasions of profit for the capital

and many jobs for the poor of poor countries. Manufacturing migrated, to a large extent, from Europe and the United States towards China and other poor countries. The process, of course, did not reach all the poor of the earth, but was a major force in the advancement of the underdeveloped countries. The extremely rich and the very poor are the winners of globalization.

Are there any losers? Who are the losers of globalization? At a first sight the losers of globalization are the middle classes and the poor of the rich countries. They are exposed to the competition of the poor of the poor countries, they lose jobs to the new countries and see that their wages do not grow as they were used to or are even lowered. There is growing dissatisfaction in Europe and in the United States against this state of affairs and important populist movements want to stop globalization and close the borders. They express the discontent of sectors that are actually impoverished or are afraid of losing their welfare in the near future.

Is this process unavoidable? Are we in the wealthy countries really condemned to lose our prosperity? Perhaps not. We live in an age in which the practical use of knowledge becomes more and more important for the economy. There are two ways of being competitive. The first way is to lower salaries and workers' rights. The other way is to innovate: innovation of products (one creates new products the others do not know how to produce) and innovation of methods of production (one produces old products with new, more economic methods of production).

We need in the developed countries a strong emphasis on innovation and on the systematic use of knowledge in the economy. It is the so-called knowledge economy. If we do that we will be able to sell to developing countries the new goods and services with a high informative content and to buy from them traditional manufacture. We can grow together, old and new economies, but in order to do that we need adequate policies and a high level of international cooperation, a functioning world governance.

One answer to the present difficulties of the developed countries is innovation and the knowledge economy. Another answer regards the reform of our welfare systems. Perhaps we can reach a higher level of satisfaction of the people with less monetary resources in our welfare if we reconstruct communitarian environments in which goods and services are exchanged on a non-monetary basis. This means, first of all, to reconstruct families because the family is typically the place of social exchanges on a basis of gratuity. One example: in well-integrated families grandchildren take walks together with their grandparents. It is a matter of everyday life. Imagine

now an old man who is alone. If he wants to take a walk and breathe some fresh air he has to pay somebody who escorts him. In hiring somebody for this task he generates national income. If he takes a walk with his grandchild he will be happier but in the census statistics this satisfaction will not be registered. To reconstruct communitarian environments makes it possible to maintain and increase the levels of satisfaction of the people while reducing at the same time the costs of the welfare state. If we associate this reform of the welfare state with a strong investment in the knowledge economy we can go through the process of globalization without substantially reducing the standard of living of our people.

If, on the other hand, we overcome the frustration of the people of the rich countries and their fear of a gloomy future it will be easier to convince them to keep the markets open and not to hinder the economic progress of the underdeveloped countries. It will be easier also to convince them to finance the first aid measures that can bring the hundreds of millions who still suffer from hunger and undernourishment beyond the threshold of absolute poverty.

The Trouble with Climate Economics. Comments on "Climate Change, Development, Poverty and Economics" by Sam Fankhauser and Nicholas Stern*

Gaël Giraud

1. Introduction

In this paper, I briefly comment on the main points raised by the nice and thought-provoking paper by Samuel Fankhauser and Nicholas Stern (FS hereafter). The next section deals with the ongoing debate on the seriousness of economic damages induced by climate change. I argue in section 3 that the gravity of the physical risk creates a funding problem that can hardly be expected to be solved solely by conventional means such as national budgets. Section 4 provides some brief thoughts on the ethical questions raised by FS. Section 5 echoes the strong call made by the authors for a "radical deepening" of integrated economic models aimed at assessing the impact of global warming (and how we can avoid its disastrous effects). For that purpose, the last section offers a tentative suggestion of a dynamical model that could be used as a complement – or an alternative – to more conventional ones.

2. Climate: it's serious!

The first and main lesson to be taken away from the FS paper is pretty clear: economic damages caused by global warming are probably going to be considerably greater than our current economic models predict. This makes it more important than ever to take urgent and drastic action to curb temperature change by reducing carbon emissions. What is more, the authors emphasize the "double inequity" that plagues the challenge of coping with climate change: rich countries are responsible for most of the current stock of greenhouse gases (GHG) in the atmosphere but poor people in Southern countries (and to a lesser extent, in Northern ones) will be hit earliest and hardest. On this issue, the index for physical vulnerability to

* This work benefited from the support of the Energy and Prosperity Chair. All errors are, of course, mine.

climate change provides an interesting, albeit perfectible, tool for measuring the exposure of poor countries to the consequences of global warming (Guillaumont, 2013). Figure 1 illustrates the geographical distribution of physical climate risk, as estimated according to this index.

Figure 1. Physical vulnerability to climate change. Source: Guillaumont (2013).

Even a country like France is acutely concerned, through its overseas geographies (Goujon et al., 2015) of course, but also with respect to its metropolitan territory (Le Treut, 2013. Hallegatte et al., 2016) estimate that around 100 million people in the world may be relegated below the poverty line by 2030 because of climate change. Obviously, as stressed by FS, "mitigation, adaptation, and development are intertwined", such that the " 'horse-race' between climate policy and development represents a false dichotomy". ges

A number of concrete experiences confirm that development and climate policy can – and actually ought to – be achieved at the same time. Many of the projects in which AFD (Agence Française de Développement) is involved reflect this conjugacy, from urban planning (in Porto Novo, Benin, or the Philippines), addressing rising sea levels, to building the solar power plant near Ouarzazate (Morocco), not to mention agroecological micro-projects in Zimbabwe or sanitation programs in the slums of Santo Domingo's Barquita district, aimed at children suffering from leptospirosis, a disease spread by alternating periods of drought and devastating ty-

phoons. As a consequence, adaptation to global warming and resilience are of utmost importance for Southern countries, while mitigation should be a priority for emerging and advanced economies. Unfortunately, this does not mean that developing countries could be exempted from any efforts regarding mitigation. GHG emissions stemming from Sub-Saharan Africa represent today less than 3.4 percent of the world's releases. But Liousse et al. (2014) suggest that by 2030, this continent's contribution could account for up to 20 percent of global emissions, or even more – at least in a business-as-usual scenario. Thus, even for a number of countries that have not yet "emerged", a path towards "emergence" that would simply mimic Western "dirty" production modes and life style should not be considered a valid option. This is particularly true in Asia, where the already planned coal-fired power plants – if they do indeed start operating in the near future – would absorb the entire carbon budget left available at world level, if we want the average planetary temperature increase to have reasonable chances of remaining below 2°C.

On this count, my feeling is that we urgently need more data on the regional and local impacts of climate change: global integrated assessment models, however powerful they might be, will remain of middling help for the political agenda as long as we are not able to increase the granularity of our understanding of the consequences of global warming. Climatologists are devoting valuable efforts to this central issue: Vautard et al. (2014) and Le Treut (2013), among many others, show that, at least for a number of territories, it is possible to get a relatively clear picture of the consequences of climate change in the foreseeable future, provided a truly interdisciplinary methodology is adopted.

While reducing GHGs is far from easy, efficient adaptation is actually an even more challenging task since resilience to climate change means shaping infrastructure and institutions so that they evolve according to a phenomenon that is itself dynamic and highly non-linear. A single example can illustrate this point: the coast of Danang and Hoïan, in Vietnam, is heavily eroded by the rise of the sea level. One immediate answer that comes to mind – inspired, say, by the secular experience of Dutch polders – would involve building dikes so as to protect the coast. This, however, might show up as a short-sighted and even counterproductive "answer". Indeed, as the sea level rises, the direction of flows and waves might change in the coming decades. Being the result of complex turbulence phenomena related to the non-linear Navier-Stokes partial differential equation, these changes are hard to predict. Dikes that would be efficient in the short-term might favor

a disaster in the medium run. A smart answer therefore calls for some kind of adaptive process of adaptation. It seems to me that we are just beginning to realize how demanding this challenge is.

Let me close this section on the physical risks arising from the forthcoming increased frequency and severity of climate- and weather-related events by stressing one particularly important point that might well be overlooked in an overly rapid reading of the FS paper. Mentioning the celebrated debate about Malthusian pessimism, the authors rightly argue: "*So far,* Malthus and the resource pessimists have generally appeared to be wrong... Human ingenuity, it seems, has *so far* managed to outpace natural resource constraints" (my emphasis). That the carefulness of this statement is not a mere rhetorical precaution is confirmed by the conclusions of the 33rd report to the Club of Rome (Bardi, 2014): today, the world's mining industry is already starting to show worrying signs of difficulty. The mineral resources that are the least expensive to extract and process have mostly been exploited and depleted.[1] Whilst there are plenty of minerals left to extract, they will come at higher financial and energy cost and be increasingly difficult to extract. Thus, the depletion of minerals (in the economic rather than geological sense, meaning the unsustainable cost of today's plundering of the planet) has to be weighed up when planning the path towards societies based on renewable energies (Vidal et al., 2013 and Giraud, 2014).[2]

3. Mobilizing climate finance

Insurers are on the front-line of physical risks. This engagement is illustrated by the Insurance Development Forum – a partnership formed in 2015 between the UN Development Programme, the World Bank, and the insurance sector in view of using the industry's expertise to insure people in developing countries who are unprotected but vulnerable to climate change risk. According to Bank of England Governor Mark Carney, "this protection gap currently represents 90 percent of the economic costs of natural disasters that are uninsured". [3]

[1] To take the example of copper (a widely used mineral still difficult to substitute in many industrial applications), the density of copper resources exploited so far was greater than 5% on average. That of today's remaining resources is at most 1% (Vidal et al., 2013).

[2] Depletion is not the only problem: pollution induced by mining takes many forms and produces many consequences, including the aggravation of climate change.

[3] Resolving the Climate Paradox", Arthur Burns Memorial Lecture, Berlin, September 22, 2016, http://www.bankofengland.co.uk/publications/Documents/speeches/2016/speech923.pdf

But beyond the physical risk, and because of its very gravity, the financial stake should not be neglected either. As argued by Carney: too rapid a movement towards a low-carbon economy could materially damage financial stability: "A wholesale reassessment of prospects, as climate-related risks are re-evaluated, could destabilise markets, spark a pro-cyclical crystallisation of losses and lead to a persistent tightening of financial conditions: a climate Minsky moment" (loc. cit.). Conversely, insufficient take-up of adequate financial tools may prevent the world economy from investing at the required scale.

The strong warnings expressed by FS are in line with those of the Bank of England's governor, as well as with the message put forward by the New Climate Economy report (NCE, 2014). According to the latter, US$ 90 trillion are needed at the world level over the next 15 years in order to fund clean *infra*structures; US$ 2 trillion per annum in high-income countries, and between US$ 3 and 4 trillion in lowand middle-income countries. These numbers prompt a daunting question: how will the world economy finance such monetary flows? The first difficulty lies probably in the huge Knightian uncertainty that plagues any cost-benefit analysis of the opportunity to devote costly efforts today in order to address climate-change challenges. FS rightly claim that the international community needs now to "get the big decisions right". One could object, however, that given the pervasive deep uncertainty we are facing, big decisions might also lead to big mistakes. At the analytical level at least, this issue has been successfully tackled in the field of financial measures of risk. Value at Risk (VaR), as is well known, provides a poor measure of the tail of risk distribution. Artzner et al. (1999), however, laid the axiomatic foundation of a family of alternative coherent risk measures, whose essence is the following: in a situation where we do not even know with sufficient accuracy the probability distribution of risk, a rational attitude consists in envisaging the worst distribution of risk and optimizing our expected outcome according to the latter. It would therefore not be fair, I believe, to claim that deep uncertainty prevents us from taking action in the direction advocated by FS.

That being said, the question as to how the international community is going to fund the required financial efforts remains open. The Green Climate Fund established at the COP 16 in Cancun (2011) is quite a promising tool but, in its current design, its size may not suffice to reach an adequate order of magnitude, even when due account is taken of the leverage effect of additional private capital markets. Thus, complementary solutions are called for. Two reports published before and after the Paris

agreement (Canfin and Grandjean, 2015, Canfin et al., 2016) consider a number of alternative proposals. Let me just mention two of them.

Canfin et al. (2016) make a strong case in favor of orienting international negotiations towards a corridor of carbon prices. Indeed, the quest for a unique, universally relevant price is probably a dead-end: why should the (real) marginal costs of producing one ton of carbon be equal across countries? Beyond obvious cross-sectional differences between national industry and agricultural sectors, the lack of methodological robustness surrounding the purchasing power parity calculus and the longstanding non-coincidence of PPP rates with market exchange rates are well-known. There is probably very little hope of ever being able to identify "the" market carbon price that would provide the right incentives for efficient decarbonization in Maputo, Buenos Aires, or Osaka, for example. Moreover, the financial transfers from Northern to Southern countries that would be required in order to compensate for the losses incurred by the latter seem to exceed the limits of any politically reasonable transaction. By contrast, the corridor approach requires the international community to agree on three variables: a cap, a floor, and the slope of the tubular neighborhood (i.e., the speed at which the median price would increase, keeping the cap-and-floor diameter constant). At the time these lines were written, a US$ 20-50 interval, together with a 5 percent yearly growth rate seem to be reasonable figures on which an international consensus would not be out of reach.

Next, Canfin and Grandjean (2015) suggest setting up a financing tool that uses the ability of the International Monetary Fund to create new international reserve money in the form of Special Drawing Rights (SDRs). In contrast to some proposals dealing with SDRs (e.g., Bredenkamp and Pattillo, 2010), the plan of Canfin and Grandjean (2015) is not to create new and additional SDRs, but rather to use already existing ones. In fact, in 2009, the IMF "printed" about US$ 300 billion in order to sustain countries shackled by the financial turmoil. A large fraction of this "money" is stored today as currency reserves and could be turned into full-blown money provided the countries that received this manna in 2009 would agree to convert it and thus pay the (low) interest due to the IMF as soon as the SDR-option is exercised.[4]

This is admittedly quite a non-conventional proposal, and more anal-

[4] A SDR can indeed be viewed as a call on one of the four currencies into which SDRs are convertible – the US dollar, the euro, the pound sterling and the yen – with an unspecified maturity.

ysis is needed in order to understand its macroeconomic implications.[5] It should nevertheless be clear from FS's paper that overcoming the climate challenge will not be cheap. As most countries currently confronted with huge public deficits are reluctant to spend money on medium-term climate-related issues, a genuinely effective climate policy to reduce global warming as far as still possible probably has to rely on unconventional tools.

4. Can ethical traditions cooperate?

As pointed out by FS, when assessing financial risks associated with the transition towards a low-carbon economy, ethical issues inevitably come to the fore. Indeed, due to the intergenerational gap between polluters and victims,[6] standard incentives (e.g., carbon taxes) are key tools, as ever, but probably insufficient to provide the right impetus: some spiritual or moral resources are needed – at the cost, however, of having to face today's proliferation of spiritual experimentations within our globalized post-secular societies (Giraud, 2015). Could the rich diversity of ethical traditions prevent these from unifying on the front of the climate change "tragedy" (Carney), and therefore from providing a clear call to action?

On this aspect of the climate change problem, social choice theory can be helpful. In fact, at least in a first analytical approximation, modern consequentialist theories of distributive justice can be encapsulated within two extremal points. On the one hand, the utilitarian viewpoint, which claims that justice consists in maximizing the average welfare of people's normalized utility functions (see, e.g., Dhillon and Mertens (1999);[7] on the other, the Rawlsian (maximin) approach, which asserts that fairness is best captured by optimizing the fate of the less advantaged citizens (Fleurbaey and Maniquet (2006)). A continuum of intermediate theories of justice can be conceived, lying somewhere between these two extreme standpoints (Gi-

[5] See, however, section 5 infra.

[6] One could also add the geographic gap that prevailed until recently between polluters (mostly in the North) and their contemporaneous victims (mostly in the South). Yet, the magnitude of this second gap is currently shrinking as emerging economies are now contributing more to GHG emissions than countries from the Old World, as FS remind us.

[7] Citizens' utility functions need to be normalized in some way or other since, otherwise, the arbitrariness of the cardinal representation of ordinal preferences potentially leads to distortions in the respective weight of each individual utility. In a broad sense, Dhillon and Mertens (1999) essentially offer a quite general axiomatics that leads to a unique, well-defined normalization procedure.

raud and Gupta, 2016). With each of them, a specific social welfare function may be associated, whose optimization (under standard constraints) potentially leads to diverging guidelines for action.

For the sake of concreteness, let us examine this point with respect to the specific (but decisive) issue of choosing the "right" discount rate with which future expected profits and losses can be valued. As argued by Sterner and Persson (2008), there actually is no reason to assume *a priori* that the discount rate be constant across time. Let us nevertheless assume that it is, for the sake of simplicity (and because this is still the current practice in the financial industry today). Then, if one is "utilitarian" (in the sense of Jean-François Mertens' "relative utilitarianism"), the discount rate, r, that should be adopted ought to be equal to the real growth rate, g, of the economy.[8] In the context of our current debates, this means that the discussion about the "correct" discount measure boils down to the plausibility of secular stagnation. If there are good reasons to believe that g will remain low, and even close to zero, in the future, then there are equally good reasons – at least in a utilitarian *Weltanschauung* – to choose a low, or even zero, discount rate. For those who, on the contrary, adhere to the Rawlsian perspective, things might seem to be completely different. But in fact they are not. Roemer (2011), indeed, has shown that the "correct" discount rate that should be deduced from a normative maximin approach is zero. As a result, the practical difference between two apparently antagonistic ethical postures such as utilitarianism versus the Rawlsian viewpoint might not be as large as initially suspected.

5. The trouble with Macroeconomics

Beyond warning that emissions are presumably going to be very high and, on top of that, that the economic damage from temperature change will presumably be much worse than most of the literature would so far admit, FS (2016, p. 23) argue that the economic models that have been used to calculate the fiscal fallout from climate change are woefully inadequate and severely underestimate the scale of the threat:

[8] In other words, the normalization of citizens' utility functions boils down to the unitary normalization of the risk aversion premium (or, geometrically, the curvature of utility functions), γ, in the "golden rule" formula, $r = \theta + \gamma g$, with θ being the normative exchange rate between the welfare of today's generations and that of future generations (or, equivalently, the psychological rate of time preference). I assume here that $\theta = 0$.

> This is why we call for a radical deepening of economic analysis, including a development economics that begins to understand and incorporate climate change. Standard growth theory, general equilibrium and marginal methods will, as ever, have much to contribute but they will be nowhere near sufficient. This is about immense risks and radical change where time is of the essence. We should seek a dynamic economics where we tackle directly issues involving pace and scale of change in the context of major and systemic risks.

Indeed, several of the standard economic models used so far to assess the impact of global warming rest on assumptions that simply do not reflect current knowledge about climate change. The difficulty encountered today by the community of physicists in their dialog with the scientific tribe of economists (e.g., within the UN IPCC circles) is not new, however. It was already acknowledged by Wassily Leontief in the early 1980s:

> How long will researchers working in ajoining fields [...] abstain from expressing serious concern about the splendid isolation in which academic economics now finds itself? (Leontief, 1982, p. 104).

FS's call for a "radical deepening" is also in line with the even harsher considerations recently expressed by Narayana Kocherlakota on macroeconomics as such:

> [...] the premise of 'serious' modelling is that macroeconomic research can and should be grounded in an established body of theory. My own view is that, after the highly surprising nature of the data flow over the past ten years, this basic premise of 'serious' modelling is wrong: we simply do not have a settled successful theory of the macroeconomy. The choices made 25-40 years ago – made then for a number of excellent reasons – should not be treated as written in stone or even in pen. By doing so, we are choking off paths for understanding the macroeconomy. (Kocherlakota, July, 17, 2016, https://t.co/8dS85Nlpg9)

The former President of the Federal reserve of Minneapolis concludes that we should prefer toy models to "serious modeling". The difference between the two lies in their relationships to data and their normative usage: "Users of toy models can often gauge the magnitude of key forces using simple calculations. (Mehra and Prescott (1985) is a nice example of what I have in mind.) But toy models are not designed to allow users to reach definitive quantitative answers to policy questions of interest". (loc. cit.)

The criticism expressed by Romer (2016) about what he calls "post-real macroeconomics" rather nicely complements Kocherlakota's viewpoint.

At the core of Romer's critique lies the idea that "[m]acroeconomists got comfortable with the idea that fluctuations in macroeconomic aggregates are caused by imaginary shocks, instead of actions that people take, after Kydland and Prescott (1982) launched the real business cycle (RBC) model". Regarding dynamic stochastic general equilibrium (DSGE) models, on the other hand, the harsh judgment recently formulated by Blanchard (2016) suggests that, despite being widely used in advising policymakers, this specific class of quantitative tools is not immune to the in-depth questioning of contemporaneous macroeconomics raised by the last decade of evidence. Even though, to the best of my knowledge, DSGE models are rarely used for assessing the economic impact of global warming, some of the critiques that Blanchard (2016) levels at them also hold for alternative (computable) equilibrium models – in particular, the difficulty of providing a convincing story for price inertia, the lack of robustness of certain Bayesian estimations, and the relative neglect of issues related to the distribution of wealth. These critiques suggest that FS's call for a "radical deepening" is actually part of a larger revision of current macroeconomics. Within this context, however, it raises specific challenges linked to climate and development economics. Which features should realistic macro-models share if they are to be used for climate-related assessments?

First, they probably ought to be based on some non-linear dynamics.[9] Why *dynamics*? Because, as underlined by FS, the timing of mitigation is key: we need to find the correct speed at which our economies need to transit toward low-carbon institutions. This issue can hardly be dealt with within a static framework. One might add a second reason: because economic resilience requires an adaptive process, as I suggested *supra*. And a third reason: because fluctuation of most macroeconomic variables is a trivial matter of fact and, as advocated by Romer (2016), should not be explained by "imaginary" shocks – which are assumed to temporarily perturb some otherwise stable fixed-point –, but rather by the interplay of endogenous forces.

[9] By this, I mean an out-of-equilibrium dynamics in the sense given to this word in the mathematics of dynamical systems after Poincaré, or in recent developments of thermodynamics. Indeed, while the Boltzman-Gibbs law of classical thermodynamics is an equilibrium theory, out-of-equilibrium thermodynamical systems had only been understood, until recently, in the vicinity of an equilibrium, thanks to Onsager's linear formalism. To the best of my knowledge, the first consistent theory of far-away-from-any-equilibrium, and therefore non-linear, thermodynamics goes back to Mallick (2009) (see also the references therein).

Why *non-linear*? Because, as also stressed by FS, we unfortunately need much more than marginal adjustments in order to address climate issues. The size of the shift required from our economies is potentially large. While linearity is often a good proxy for small changes, we need to take due account of the full non-linearity of the phenomena at stake when studying the possibility of large disruptions.

Second, we certainly need these models to make explicit the dynamics of debt – be it public or private. As already said, the cost of the energy transition towards a postcarbon economy might reach US$ 90 trillion. Undoubtedly, this immense amount of wealth will require more debt in significant segments of the world economy. The potentially depressing consequences of this additional leverage need to be addressed if we want to have a realistic narrative of the energy shift. Moreover, given the nontrivial role played by money and debt, our models should be able to capture Fisherian debt-deflation (see Eggertsson and Krugman, 2010 and Giraud and Pottier, 2014) and the Minskian instability hypothesis (Minsky, 1992). This is important for at least two reasons. In the first place, because Japan, Southern Europe, and possibly a larger number of advanced economies are stuck in a liquidity trap (mostly resulting from the financial crisis) or on the verge of becoming so. This specific situation might impede the funding of the needed green investments alluded to in Section 3 *supra*. Any analysis of the way in which the world economy might address the climate issue but which neglects the essence of today's "New Normal" (negative interest rates, saving glut, etc.) would indeed be of little help.

Third, despite its enormous influence on the literature over about four decades, we may have to give up the mathematical elegance of the rational expectations hypothesis. Why? Because of the huge (Knightian) uncertainty surrounding climate change issues. I already touched upon this topic in section 3 above, but because relaxing rational expectations is so controversial, let me illustrate it with a (wellknown) example. As recalled by FS, there is still no consensus within the scientific community regarding the climate sensitivity that links the increase in CO2 concentration in the atmosphere and the change in average temperature at the surface of the planet. The parameter capturing this sensitivity (economists would speak in terms of elasticity) varies between 1 and 6, depending upon the climate model we are referring to.[10] Today, there is no clear-cut indication

[10] Snyder (2016) even recently argued that climate sensitivity could reach the catastrophic value of 9.

as to which value is the most probable one. Nor do we have a meta-model that would provide the probability distribution telling us how likely it is that this parameter take any given value. We just do not know.[11] How then could prices publicly convey information that is held by nobody? As public transmission of privately held information is what rational expectations are all about (Dubey and Geanakoplos, 1987), this suggests that they cannot be the relevant concept for analyzing climate change issues.

Fourth, markets should not be assumed *prima facie* to clear automatically. As is made evident by Joseph Stiglitz, inter alia, in his contribution to this book, asymmetric information, hence price stickiness, may prevent markets from clearing instantaneously. This is particularly true for the labor market. Again, a simple example might help us understand why this is crucial for the global warming issue. Some emerging countries ran large computable models in order to assess their INDC (Intentional Nationally Determined Contribution) for the Paris summit by December

2015. By now, most of these contributions are no longer just "intentional", but have turned into genuine NDCs. Almost all of the macro-models that have been used for this exercise fail to specify private debts (often simply because they rely on the "representative consumer" assumption, despite ubiquitous emergence phenomena in economics; more on this *infra*) and, moreover, assume full employment throughout.

Now, what will happen if the path that one of these countries wants to follow in order to keep its promises requires its private debt to skyrocket up to, say, 400 percent of its GDP, together with a 70 percent rate of unemployment (which is hard to believe will be entirely voluntary)? This country will simply never put its NDC into practice because the path that would lead to its fulfilment is simply politically unfeasible. Thus, it is of utmost importance to check whether our narratives of the transition towards low-carbon economies is compatible with actual political feasibility. This might require abandoning the elegance of topological fixed-point theory (e.g., Giraud, 2001) but it might be the price to pay for making economic science relevant to today's climate challenges.

That said, we should certainly not throw the baby of general equilibrium theory out with the bathwater of unsatisfactory macroeconomics. Indeed, and this is my fifth point, we should probably not forget the wisdom

[11] This contrasts even with quantum mechanics, where Heisenberg's uncertainty principle goes hand in hand with a probabilistic theory of where and how fast particles move.

of the old-fashioned ArrowDebreu theory, namely that economics does admit emergence phenomena – exactly in the same way as statistical physics does. "Emergence" should be understood here more or less as a synonym of complexity, that is, in the following, rather weak, sense: aggregate micro-behavior may lead to macro-behavior that cannot be reduced *a priori* to that of any "representative" creature. This was precisely the content of the celebrated results of Sonnenschein, Mantel, and Debreu, published in the 70s (e.g., Sonnenschein, 1972): any inward-pointing continuous vector field on the positive part of the unit sphere (of normalized prices) can be viewed as the aggregate excess demand of some well-chosen economy. My viewpoint is that there are at least two escape routes from this quandary: the numerical simulations of agent-based models (see, e.g., Axelrod, 1997) or a more phenomenological standpoint based on the empirical estimation of aggregate behavioral functions. I shall end these comments by briefly introducing this second perspective.

6. The non-linear dynamics of debt with global warming

Giraud et al. (2016) introduce a "toy model" (in the sense of Kocherlakota, see supra) based on some stock-flow consistent, non-linear dynamics. Its basic building blocks are provided by a short-run Phillips curve relating the growth rate of nominal wages to underemployment (Mankiw, 2001 and Mankiw, 2014) and an aggregate investment function. The mere reduction of the aggregate investment function to a finite sum of individual outputs induced by some intertemporal profit-maximizing program would be problematic since we know from Mas-Colell (1989) that the analog of a Sonnenschein-Mantel-Debreu theorem holds on the production side as well. Thus, one lets the data speak, and aggregate investment is empirically estimated. Of course, investment may happen to exceed current profits, and we know that this will presumably be the rule in the coming years for required green investments. Private debt therefore finances investment in excess of profits. In the monetary sphere, sticky prices in the sense of Guillermo Calvo (see his contribution to this book) dynamically relax along the (endogenously determined) unitary production cost augmented by some markup, which reflects the imperfect competitiveness of the commodity market. Finally, the model is completed by adopting the UN median scenario for world population growth.

The model boils down to a 3-dimensional non-linear dynamics of the Kolmogorov type, where the wage share and underemployment rate play a key role. Thus, welfare issues – beyond the mere evolution of GDP – lie

at the heart of the dynamics, as recommended by Blanchard (2016). Somewhat more precisely, the dynamical system can be paraphrased by the three following and hardly disputable statements:

1) Employment will rise (resp. decline) if output growth exceeds (resp. remains lower than) the sum of population plus labor productivity growth.

2) Wage share of output will rise (resp. decline) if wage rise exceeds (resp. remains lower than) growth in labor productivity.

3) Private debt ratio will rise (resp. decline) if the rate of growth of debt exceeds (resp. remains lower than) that of GDP.

The simplicity of this presentation of the core dynamics differs sharply from that of DSGE models, for example, which, in the words of Blanchard (2016), "are bad communication devices". More importantly, its long-run analysis shows that, in general circumstances, it admits several locally stable equilibria whose basin of attraction can be geometrically described. Depending upon the initial conditions, and absent any exogenous shocks, the state of the economy will be trapped in one of these basins and ultimately converge towards its associated attractor (Grasselli and Costa-Lima, 2012 and Bastidas et al., 2016). This methodological simplicity stands in sharp contrast with the equilibrium literature of monetary economies for which, as Guillermo Calvo reminds us in this volume, multiple equilibria are also the rule, but where one is often at pain to explain how a static economy can switch from one equilibrium to the other. Next, the interaction between the monetary and the real spheres of the economy in Giraud et al. (2016) leads to endogenous monetary business cycles without relying on exogenous shocks. Furthermore, the good piece of news provided by the empirical estimation of the model at the world scale is that, absent climate change, the world economy would presumably converge to some relatively safe long-run equilibrium. Simulations suggest, however, that the climate back-loop induced by global warming could drive the world economy out of the basin of attraction of this safe steady-state, which is a scenario with disastrous consequences.

To grasp the circumstances under which this might happen, let us first assume that labor productivity grows exponentially at a rate of 1.5 percent per annum, the climate damage function is quadratic, and climate sensitivity is 2.9 (its average estimation according to IPCC), as in Nordhaus and Sztorc (2013). We then get a reassuring view on the future of the planet as shown by Figure 2: world real GDP grows exponentially, and reaches 4.62 times its 2010 level by the end of this century. Inflation stabilizes around

2 percent; the employment rate oscillates in the vicinity of 70-75 percent (close to its current value), and the private debt-to-GDP ratio converges slowly towards a stationary level slightly below 200 percent. By 2050, the average yearly CO2-e emission per capita is 5.6t. The temperature change in 2100 is +4.95°C and the CO2 concentration, 732.8 ppm. Despite these last frightening numbers, the world economy seems to be doing rather well: damages induced by global warming are reducing the final world real GDP by only one quarter – a fraction

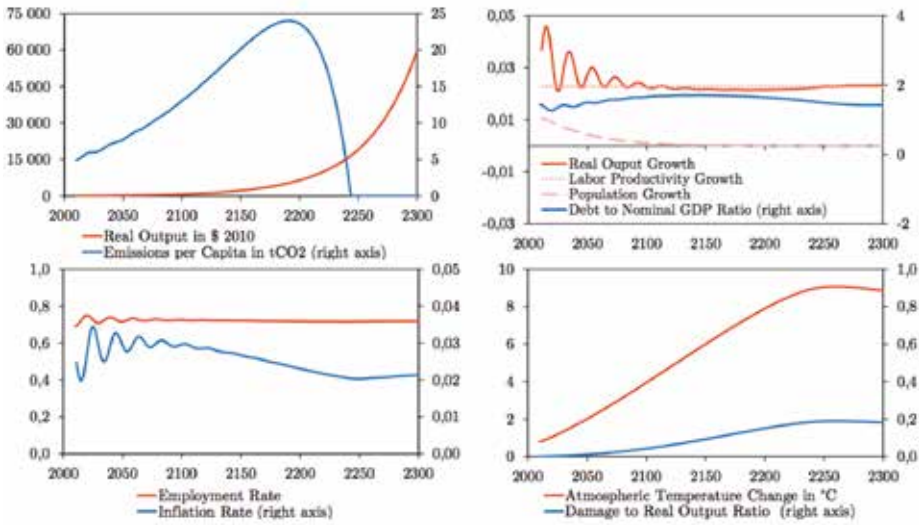

Figure 2: Scenario 1: exponential growth. Source: Giraud et al. (2016).

higher than the 5 percent losses first envisaged by Stern (2006), but a much smaller relative loss than the one experienced, say, by Russia in the 1990s. As a consequence of this hardly credible scenario of exponential growth, CO2-e emissions peak only around the middle of the twenty-second century and the zero-emission level reached one century later!

The picture changes dramatically as soon as growth is made endogenous. Suppose, indeed, that the growth rate of labor productivity is affected by the rise in temperature, as empirically estimated by Burke et al. (2015): the hotter the planet, the slower the average productivity growth. Keeping all other parameters of the model unchanged, this endogenization of technological progress suffices to provoke a forced de-growth (Figure 3): around 2100, world real GDP peaks at 225 percent of its 2010 value,

and then inexorably declines. By the end of the twenty-second century, it becomes even lower than its 2010 value. As a counterpart, debt-to-GDP ratio explodes: it already lies above 300 percent by 2100, and grows exponentially afterwards. Due to a lower pace of growth, the temperature increase in 2100 is lower than in the exponential growth scenario (+4.92°C). De-growth, however, has no disruptive effect on the labor market, since the employment rate only decreases slightly below 70 percent at the end of the twenty-second century. As for inflation, it remains wisely close to 2 percent.[12] Be that as it may, if such a scenario is considered a plausible outcome, it logically implies that, above a certain maturity, the long-term discount rate should be negative (cf. the discussion in Section 4 above). Do the negative rates exhibited by financial markets today reflect the fact that

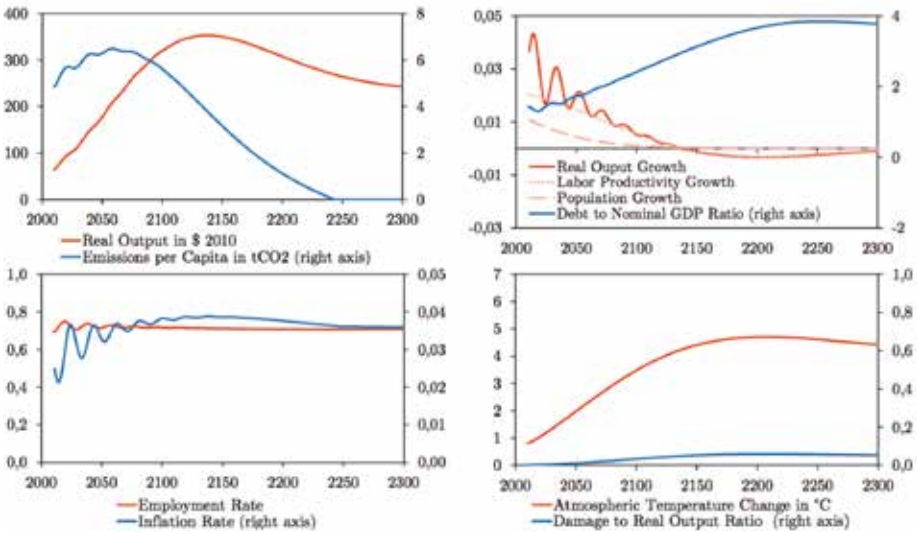

Figure 3: Scenario 2: Forced de-growth. Source: Giraud et al. (2016).

[12] Of course, de-growth is an implausible scenario given the astonishingly innovative character of advanced economies and especially the ICT revolution of the last two decades or so. The ongoing debate on secular stagnation initiated, among others, by Robert Gordon and Larry Summers does does not however take climate change into account. That the coupling of a lack of substantial technological innovation in the coming decades and damages provoked by climate change might lead to de-growth (by disaster, not by design) should, at least, sound like a warning.

investors are correctly forecasting the potentially disastrous consequences of the business-as-usual path most of the world economy is still following?

So what happens if one takes due account of the probable strong convexity of the damage function, as advocated by Dietz and Stern (2015), together with a climate sensitivity equal to 6? This time, numerical simulations lead to a debt-deflationary collapse of the world economy starting not later than in the 2050 decade (see Figure 4). As for the employment rate, this fluctuates around 70 percent up to the middle of this century, and then plunges below 50 percent around 2100. Twenty years earlier, the world has entered a strongly deflationary phase, as the inflation rate stabilizes around -5 percent at the turn of the century. At this time, the debt-to-output ratio is above 800 percent. This disaster, however, is not even good news for the climate as the peak of emissions around 2045 does not prevent the temperature from rising up to +4.62°C in 2100 – essentially because of the strong inertia of the response of the world's ecosystem to carbon emissions.

Again, such a breakdown might seem inconceivable given the current prosperity of so many people, both in advanced and emerging economies. And it is not the intention of Giraud et al. (2016) to claim that such a simulated scenario is even probable. But it could be used as a tool to better understand how the world economy is going to avoid such a collapse. In

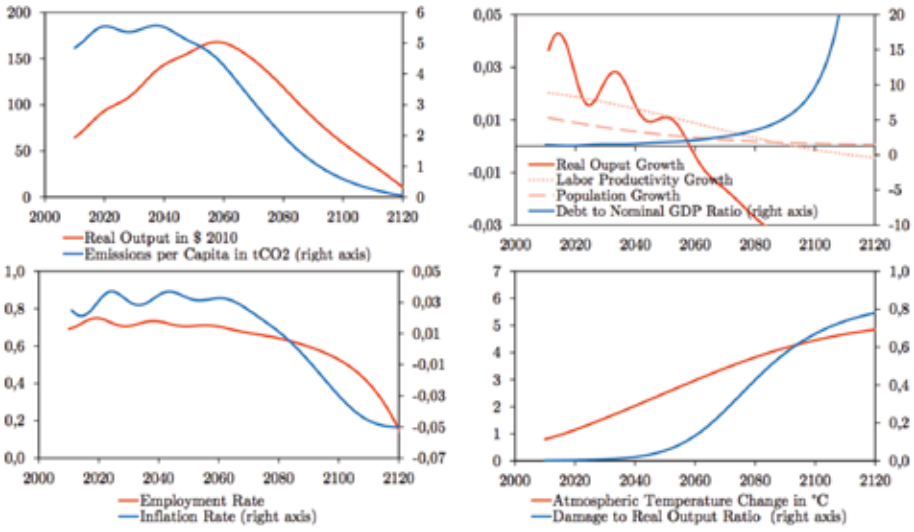

Figure 4: Scenario 3: Debt-deflationary collapse. Source: Giraud et al. (2016).

particular, the public sphere is absent from the model envisaged in Giraud et al. (2016). At the very least, this quite pessimistic perspective means that the funding of the US$ 90-trillion investment identified in NCE (2014) can presumably not rely solely on the private sector. The public sphere will have to be involved at some stage. Numerical simulations in Giraud et al. (2016) also suggest that a strongly increasing carbon price would be sufficient to allow an escape from a collapse – at least within the clearly narrow limits of this model.

Converted into US$ 2005, a value of $74 per ton of CO2-e in 2015, and $306 in 2055 would suffice to drive the world economy onto a safe trajectory in the third scenario sketched above. Note that this implies a price around $900 for the ton of carbon before the middle of this century.

Of course, Giraud et al. (2016) is definitely a "toy model" in as much it aims to gauge "the magnitude of key forces using simple calculations" and "is not designed to allow users to reach definitive quantitative answers to policy questions of interest" (Kocherlakota). It should even less be perceived as a tool to forecast the path of the world economy in the twenty-first century. Not only because of its evident modeling limitations, but also because institutional changes, technological shocks, and political complications will most probably play a major role in the future, just as they have always done in the past. Within this modest perspective, however, Giraud et al. (2016) undoubtedly confirm some of the points forcefully made by FS, namely that:

– The business-as-usual scenario might look uglier than many of us believe.
– A "radical deepening" of macroeconomics may shed light on issues that, so far, have remained largely ignored by standard approaches, such as the role of private debt along the path towards resilient economies.
– The "correct price of carbon" – or rather, for that matter, the correct barycenter of the corridor of prices (see Section 3 above) – is probably much higher than more standard simulations would suggest.

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Quelles politiques contre la pauvreté?

Gérard-François Dumont

Puisque tout homme doit pouvoir vivre décemment, l'existence de la pauvreté est insupportable. L'humanité, et tout particulièrement les églises, ont, tout au long de l'histoire, déployé des œuvres caritatives pour améliorer la situation des pauvres, quelles que soient les causes de leur pauvreté. De leur côté, les puissances publiques ont souvent facilité l'action de telles œuvres, ont décidé de s'y substituer ou de lancer des politiques visant à globaliser les actions contre la pauvreté. Pour afficher leur volonté dans ce sens, les États de la planète réunis dans l'ONU se sont accordé sur des objectifs et des échéances. Il convient donc d'abord de préciser ces objectifs et d'essayer d'en évaluer les résultats. Parallèlement, afin de résoudre ce drame qu'est la pauvreté, des États ont engagé des politiques fondées essentiellement sur l'instauration d'un pouvoir d'achat minimal pour ceux qui sont dans le besoin. Une analyse de telles politiques, en considérant des pays du Sud et du Nord, conduit à s'interroger sur leur efficacité dans le temps. Elle nous amène aussi à insister sur d'autres types d'approches afin que les politiques contre la pauvreté réussissent.

La volonté annoncée de l'ONU en faveur de la réduction de la pauvreté

La volonté annoncée des États membres de l'ONU en faveur de la réduction de la pauvreté s'est concrétisée dans deux ensembles programmatiques,[1] l'un en 2000 intitulé les Objectifs du millénaire pour le développement (OMD), l'autre en 2015 intitulé Objectifs de développement durable pour la planète (ODD).

Les objectifs du Millénaire pour le développement: énoncé et résultats

Au nombre de huit, les objectifs du Millénaire pour le développement (OMD) forment un plan approuvé par tous les pays du monde et par toutes les grandes institutions internationales œuvrant pour le développement. Leur énoncé souhaite encourager le déploiement des efforts des pays, notamment pour répondre aux besoins des plus pauvres dans le monde entre 2000 et 2015. En effet, le premier OMD porte sur la question de la pau-

[1] En escomptant que l'extinction de la pauvreté soit possible; cf. Sachs, Jeffrey, *The End of Poverty. Economic Possibilities For Our Time,* New York, Penguin Press, 2005.

vreté puisqu'il est formulé ainsi: "réduire l'extrême pauvreté et la faim". Cet objectif se décline en trois cibles dont deux sont chiffrées. La première cible vise à "réduire de moitié, entre 1990 et 2015, la part des individus vivant avec moins d'un dollar par jour". Comme le nombre d'individus concernés avoisinait 1,9 milliard en 1990, la cible est donc d'au moins 900 millions. La deuxième cible, également considérée comme un moyen de la réduction de la pauvreté, consiste à "fournir un emploi décent et productif à tous, femmes et jeunes inclus". Un tel objectif suppose, pour être atteint, des politiques efficaces en matière d'emploi et implicitement une amélioration de la productivité. Enfin, la troisième cible de cet objectif 1 vise à "réduire de moitié entre 1990 et 2015 la part des individus souffrant de la faim", qu'il s'agisse de malnutrition ou de sous-nutrition. Un tel objectif sous-tend notamment des politiques agricoles plus efficaces et l'encouragement à des productions vivrières là où elles ont parfois été délaissées.

Parmi les sept autres OMD, la plupart participe, au moins indirectement, de la lutte contre la pauvreté. Par exemple, l'objectif 2 souhaite "assurer à tous l'éducation primaire" donc pour tous les enfants, garçons et filles, partout dans le monde. L'objectif 3, "promouvoir l'égalité des sexes et l'autonomisation des femmes", concerne également la scolarisation, qui doit être la même pour les deux sexes. L'objectif 4, "réduire la mortalité infantile", concerne aussi l'enseignement puisque la mortalité infantile est également liée au niveau d'éducation des mères. L'objectif 5, "améliorer la santé maternelle", vise aussi à diminuer le nombre d'enfants orphelins de mère; il suppose la diffusion de politiques sanitaires organisant des visites médicales prénatales et de bonnes conditions, notamment d'hygiène, au moment de l'accouchement.

Mais la mise en œuvre et les moyens d'atteindre les OMD ne sont guère précisés. Toutefois, puisque leur échéance 2015 est désormais passée, il est possible d'en évaluer les résultats. Examinons ici seulement ceux de l'objectif 1 tels qu'ils sont présentés par l'ONU.[2] Entre 1990 et 2015, l'extrême pauvreté a diminué de façon significative. En 1990, près de la moitié de la population des pays en développement vivait avec moins de 1,25 dollar par jour; cette proportion est tombée à 14% en 2015. En considérant la totalité des populations du monde, le nombre de personnes vivant dans une extrême pauvreté a diminué de plus de moitié, passant de 1,9 milliard en 1990 à 836 millions en 2015. Notons que les progrès ont essentiellement

[2] Objectifs du millénaire pour le développement, Nations unies, rapport 2015.

eu lieu depuis 2000 puisque ce nombre était encore de 1 751 millions en 1999. Ces baisses peuvent être jugées d'autant plus positives qu'entretemps, le nombre d'habitants sur la Terre s'est accru sous l'effet de ce qu'on appelle la transition démographique, de l'augmentation de l'espérance de vie dans les pays ayant terminé leur transition démographique et des effets d'inertie démographique.[3]

Entre 1991 et 2015, le nombre de personnes faisant partie des classes moyennes des actifs, vivant avec plus de 4 dollars par jour, a presque triplé. En 2015, dans les régions en développement, ce groupe représente la moitié de la population active, contre seulement 18% en 1991.

Quant à la proportion de personnes sous-alimentées dans les régions en développement, elle a baissé de près de moitié depuis 1990, passant de 23,3% en 1990-1992 à 12,9% en 2014-2016.

Même si certains de ces chiffres sont encourageants, ils sont insatisfaisants pour quatre raisons. La première tient au fait que la pauvreté et la faim sont encore très présentes dans le monde. En effet, en dépit des progrès, au milieu des années 2010, plus de 800 millions de personnes vivent encore dans une extrême pauvreté et souffrent de la faim. Plus de 160 millions d'enfants de moins de cinq ans ont une taille inadaptée à leur âge à cause d'une alimentation insuffisante et 57 millions d'enfants en âge de fréquenter l'école primaire ne sont pas scolarisés. Dans le monde, près de la moitié de la population active travaille encore dans des conditions précaires, bénéficiant rarement des prestations associées à un travail décent. Environ 16 000 enfants meurent chaque jour avant leur cinquième anniversaire, le plus souvent de causes évitables.

Une deuxième raison d'insatisfaction est que les avancées ont été très inégales entre les régions et les pays, donnant lieu à des écarts importants. Globalement, les progrès ont été plus intenses en Asie qu'en Afrique. Effectivement, l'objectif atteint de réduction de 50 % du nombre de personnes en grande pauvreté, vivant avec moins de 1,25 dollar par jour (1,12 euro), est essentiellement dû à l'impact des progrès réalisés en Asie de l'Est et

[3] L'inertie démographique signifie que l'analyse d'une population doit prendre en compte l'évolution démographique cachée dans la composition par sexe et par âge (la pyramide des âges). Ainsi, un pays peut enregistrer une croissance démographique naturelle, donc un excédent des naissances sur les décès, en dépit d'une fécondité très abaissée en raison de sa pyramide des âges héritée lui donnant (encore) une proportion relativement élevée de femmes en âge fécond. À l'inverse, un pays peut avoir un accroissement naturel négatif, donc moins de naissances que de décès, en dépit d'une fécondité élevée, en raison de sa pyramide des âges héritée lui donnant (encore) une proportion relativement faible de femmes en âge fécond.

en particulier en Chine. Quand ces progrès touchent un pays comptant le cinquième de la population du monde, l'impact sur les statistiques internationales est évidemment important.[4] Et, en introduction au rapport 2015 de l'ONU sur les OMD, le secrétaire général des Nations unies, Ban Ki-moon, écrit: "En 2011, dans le monde, près de 60 % du milliard de personnes extrêmement pauvres vivaient dans cinq pays seulement".

En troisième lieu, à l'intérieur des pays, les inégalités se sont parfois aggravées selon les territoires, souvent entre les zones rurales et urbaines.

Enfin, certains pays, notamment sous l'effet de guerres, de conflits civils, ou de mauvaises gouvernances politiques, ont même connu des aggravations. Par exemple, dans les pays affectés par des conflits, la proportion des enfants non scolarisées a augmenté.

Aussi, parmi les huit objectifs du millénaire pour le développement fixés par l'ONU, le premier, relatif à l'éradication de l'extrême pauvreté et la faim d'ici 2030 dans le monde, présente un bilan en demi-teinte, ce qui justifie, à l'approche de l'échéance 2015 des OMD, une reformulation des objectifs par les États membres de l'ONU, débouchant sur les objectifs de développement durable pour la planète (ODD).

Les objectifs ODD, réponse pertinente ou inventaire à la Prévert?

La première caractéristique des ODD, ou "Agenda 2030", par rapport aux OMD est leur nombre: ils sont 17 au lieu de 8. Cette augmentation veut traduire la volonté de proposer une approche plus globale et de traiter de l'ensemble des enjeux du développement, au Nord comme au Sud. En conséquence, et par exemple, il s'agit donc d'adosser aux objectifs généraux de réduction de la pauvreté qui, au sein des OMD, concernaient surtout le Sud, des objectifs en matière de préservation de l'environnement, dans lesquels le rôle du Nord est également important.

Une autre caractéristique des ODD demeure conforme aux OMD: il appartient à chaque pays d'agir pour atteindre les objectifs. En matière de moyens, la conférence d'Addis Abeba tenue en juillet 2015 appelle à une collaboration entre acteurs publics, locaux et privés afin que leur mobilisation permette de financer l'accès à ces objectifs, en s'appuyant sur un engagement renouvelé des pays industrialisés, notamment de l'Union européenne, à consacrer 0,7% de leur revenu national à l'aide publique au développement à l'horizon 2030.

[4] C'est vrai aussi en cas de forte récession, comme lors du "Grand bond en avant" évoqué plus loin.

Une autre caractéristique est une quantification accrue, avec 169 indicateurs différents pour assurer le suivi des objectifs et concernant toutes les dimensions du développement durable: lutte contre la pauvreté et la faim, santé et hygiène, éducation, égalité entre les sexes, travail décent et croissance économique," énergies propres et d'un coût abordable", lutte contre le changement climatique, "villes et communautés durables", conservation de la biodiversité marine et terrestre ou encore "paix et la justice". Mais le document énonçant ces 169 indicateurs ne se demande pas si les systèmes statistiques sont suffisamment fiables pour permettre de livrer les informations nécessaires au renseignement des bases de données.

Concernant la pauvreté, elle est toujours dans l'énoncé de l'objectif 1, résumé par la formule "pas de pauvreté". Elle est désormais dissociée de la faim qui fait l'objet d'un objectif 2: "faim zéro". Le premier objectif est plus précisément intitulé: "Eliminer la pauvreté sous toutes ses formes et partout dans le monde".

Pour justifier cette place première de la réduction de la pauvreté, l'ONU propose les éléments de contexte suivants: en 2015, 836 millions de personnes vivent dans l'extrême pauvreté; environ une personne sur cinq dans les régions en développement vit encore avec moins de 1,25 dollar par jour; l'écrasante majorité des personnes vivant avec moins de 1,25 dollar par jour appartient à deux régions: l'Asie du Sud et l'Afrique subsaharienne; on trouve souvent des taux de pauvreté élevés dans les petits pays fragiles et touchés par un conflit; un enfant sur quatre âgé de moins de 5 ans dans le monde a une taille insuffisante par rapport à son âge; et chaque jour en 2013, 32 000 personnes ont dû abandonner leur foyer pour être à l'abri d'un conflit.[5]

Mais le fait que l'objectif "pas de pauvreté" soit suivi de pas moins de 16 objectifs interroge. En effet, les 17 ODD où l'on trouve un nombre élevé de thèmes – climat, nature, santé, éducation, justice, paix… – font un peu penser à un inventaire à la Prévert, c'est-à-dire à une énumération hétéroclite ne distinguant de vraies priorités. Le risque de dilution des objectifs[6] est donc réel.

En outre, comme les OMD, les ODD ne sont pas prescriptifs, ce qui signifie que les pays peuvent, ou non, mener les politiques pour atteindre

[5] http://www.un.org/sustainabledevelopment/fr/poverty/, consulté le 20 octobre 2016.

[6] "Les dix-sept objectifs de l'ONU pour une planète durable", *Le Monde*, 25 septembre 2015.

les objectifs. Mais il est vrai que la poursuite des objectifs suppose une mise en œuvre variée selon la situation de départ et les caractéristiques propres de chaque pays. Examinons donc désormais ce que des pays ont pu entreprendre contre la pauvreté.

Les limites de diverses politiques contre la pauvreté

Parmi les différentes politiques de lutte contre la pauvreté, il faut distinguer celles qui relèvent d'actions de terrain voulues par des États ou dues à des initiatives privées, le plus souvent dans un cadre associatif. Pour examiner ce type d'action, considérons successivement ces deux types.

Les politiques conduites sur le terrain

Parmi les actions internationales contre la pauvreté soutenues par les États, outre l'aide publique au développement qui mériterait à elle seule un examen détaillé, figure le Plan alimentaire mondial (PAM). Créé en 1961, le PAM fait partie du système des Nations Unies, mais cette agence est entièrement financée par des contributions volontaires. Sa mission consiste à agir dans les situations d'urgence afin d'apporter de la nourriture là où les besoins alimentaires d'une population font cruellement défaut en raison d'une guerre internationale, de conflits civils, de catastrophes naturelles ou de conditions climatiques qui ont temporairement considérablement minoré la production agricole d'un territoire.

L'objectif premier du PAM est donc d'assurer la survie de populations n'ayant plus d'alimentation ou se trouvant en situation de sous-alimentation. Aussi son action vise-t-elle d'abord à lutter contre la faim qui est, évidemment, un marqueur de la pauvreté. Chaque année, le PAM apporte de la nourriture à environ 80 millions de personnes dans près de 80 pays. La particularité de l'action du PAM est d'être dirigée tout particulièrement vers des populations difficilement accessibles en raison de l'enclavement de leur territoire ou de l'insécurité qui y règne.

Outre ses interventions d'urgence, le PAM œuvre pour permettre aux populations de pouvoir accéder à la sécurité alimentaire, par exemple en aidant à rendre de nouveau arables des terres après une catastrophe naturelle. Il s'agit de permettre aux personnes, aux communautés et aux pays de satisfaire leurs propres besoins alimentaires. Dans ce but, le PAM agit notamment avec d'autres agences de l'ONU, comme l'Organisation des Nations Unies pour l'Alimentation et l'Agriculture (FAO) et le Fonds International pour le Développement Agricole (FIDA) dont les sièges sont à Rome, avec des gouvernements et des Organisations non gouvernemen-

tales (ONG) partenaires, comme la deuxième ONG française, l'association de solidarité internationale ACTED.

Selon un deuxième type d'actions auprès des pauvres, de nombreuses associations de bénévoles, à travers le monde, luttent contre ce facteur de pauvreté qu'est la faim, à l'exemple de ce qu'on appelle en France "les restaurants du cœur", créés en 1985 et prenant la suite de ce qui s'appelait la "soupe populaire", ou des nombreuses "banques alimentaires" existant dans le monde et qui sont des associations sans but lucratif ayant pour objectifs la collecte d'aliments, de préférence non périssables, et leur mise à disposition gratuite ou quasi gratuite aux plus démunis.

Au delà, nombre d'associations caritatives, comme Caritas, qui partage la mission de l'Église catholique de servir les pauvres et de promouvoir la charité et la justice partout dans le monde, ou l'Armée du Salut, ont un éventail d'actions allant bien au delà de la lutte contre la faim, se préoccupant d'aider les pauvres à surmonter leurs difficultés en matière d'habillement, d'hygiène, de santé, de logement ou de recherche d'un travail.

Ces associations exercent un rôle essentiel en portant remède aux effets les plus criants de la pauvreté. Souvent, elles permettent de faire entendre la voix [!] des pauvres, à l'exemple de ATD Quart-monde, créée en 1957 par le père Joseph Wresinski, qui a, en 1987, fixé la date du 17 octobre comme "journée mondiale d'un refus de la misère", journée mondiale ensuite officiellement reconnue par les Nations Unies en 1992.

Selon cet exemple, nombre d'associations qui organisent la solidarité avec les pauvres agissent également pour promouvoir des décisions politiques susceptibles de réduire la pauvreté, notamment par des rapports et publications périodiques. Par exemple, Francine de La Gorce, alors vice-présidente du mouvement ATD Quart Monde, a publié des livres comme *Famille, terre de liberté*,[7] pour souligner combien les pouvoirs publics doivent avoir des politiques familiales avisées comme moyen de prévenir la pauvreté.

L'action de toutes ses associations caritatives est impérative. Mais, en dépit des dons qu'elles arrivent à collecter et du fréquent bénévolat de leurs animateurs, leurs moyens sont inévitablement limités. Si l'on écarte quelques très riches fondations privées, comme la fondation Bill Gates, seuls les pouvoirs publics disposent de moyens conséquents grâce au prélèvement d'impôts ou de taxes ou aux recettes d'un secteur public natio-

[7] Paris, Science et service, 1986.

nalisé particulièrement rentable. C'est pourquoi différents États mettent en œuvre des politiques de lutte contre la pauvreté. De telles politiques représentent les budgets les plus élevés, en pourcentage du PIB des pays, lorsqu'elles visent de façon prioritaire l'amélioration du pouvoir d'achat des pauvres, notamment par l'attribution d'un revenu de base. Il convient donc d'examiner leur efficacité dans des pays ayant engagés de tels choix.

Les politiques d'amélioration du pouvoir d'achat des pauvres reposent sur l'idée selon laquelle chaque individu de la société doit disposer d'un pouvoir d'achat minimum. Ce dernier peut provenir du versement d'un revenu de base, éventuellement cumulable avec d'autres revenus, distribué par les pouvoirs publics et, dans certains cas, de la fourniture de biens à des prix préférentiels, financée également par les pouvoirs publics. Ce type de politique se traduit par la mise en œuvre de très importants budgets publics, à l'exemple de ce qui a été fait au Venezuela, au Brésil ou en France.

Considérons donc des exemples diversifiés de ces pays du Sud et de ce pays du Nord.

Les politiques centrées sur l'amélioration du pouvoir d'achat des pauvres: l'exemple de deux pays du Sud

Au Venezuela, Hugo Chávez est élu président en 1999. Après la grève générale de décembre 2001, l'appel, pendant les premiers mois de 2002, de plusieurs officiers supérieurs à la démission de Chávez et le choc du coup d'État avorté d'avril 2002,[8] le président déploie, pour contrecarrer le mécontentement de nombre de Vénézuéliens, ce qu'il appelle des Missions sociales (*Missiones*), programmes encadrés par l'armée et financés par la rente pétrolière.

Les Missions sociales se présentent comme des dispositifs hybrides s'inspirant fortement des transferts monétaires conditionnels (TMC) mis en place au Venezuela dès 1989 et reposant sur un modèle de prise en charge universelle qui assure l'accès des populations défavorisées à un ensemble de services sociaux localisés[9]. Parallèlement, Chávez mise sur les missions pour mobiliser et renforcer sa base politique et électorale. Lorsqu'en 2004 l'opposition réclame un référendum révocatoire, disposition prévue dans

[8] Tentative avortée de destitution forcée du président du Venezuela Hugo Chávez, qui fut détenu et empêché d'exercer le pouvoir pendant 47 heures.

[9] Daguerre, Anne, "Les programmes de lutte contre la pauvreté au Venezuela", *Critique internationale,* 1/2010, n° 46.

la Constitution de 1999, les Missions jouent un rôle fondamental dans la mobilisation de l'électorat populaire[10] en faveur du président.

Disposant d'une manne financière importante générée par la production pétrolière du pays, le président vénézuélien cherche à améliorer le niveau de vie de la population. Il crée le Fonden, un fonds spécial destiné à financer les programmes sociaux, auquel l'entreprise pétrolière d'Etat *Petroleos de Venezuela Société Anonyme* PDVSA contribue pour plusieurs milliards de dollars par an. Le rôle des Missions sociales est se solvabiliser les pauvres d'une part par des allocations et, d'autre part, en leur fournissant des biens au-dessous de leur prix de revient. Cela concerne par exemple les mères au foyer à faible revenu qui reçoivent une allocation équivalant à 80% du salaire minimum, des adolescentes enceintes, des mineurs en situation de pauvreté (mission *Hijos de Venezuela*, "enfants du Venezuela") ou les personnes âgées (missions *Amor Mayor*, littéralement "Amour plus grand" sachant que "mayor" signifie aussi "plus âgé" en espagnol) avec l'attribution de pensions aux retraités dans le besoin.

Les Missions locales sont de "véritables administrations parallèles aux institutions sociales traditionnelles jugées peu efficaces, bureaucratiques et corrompues. Elles sont placées sous l'autorité du président de la République, qui désigne pour chacune d'elles une commission présidentielle, composée de représentants du ministère compétent, des forces armées et de la compagnie pétrolière nationalisée PDVSA. Chaque Mission est instituée par un décret présidentiel, qui en définit le budget, très largement alimenté par les ressources de PDVSA." La redistribution des revenus de la rente pétrolière en faveur des pauvres et de la classe moyenne se veut fonder un nouveau pacte social, "grâce au financement des Missions et à l'absorption des jeunes issus de la classe moyenne dans le secteur public".[11] Cette tentative de mise en place d'un nouveau pacte social se veut fondée "sur une alliance entre les classes moyennes, les habitants des quartiers pauvres (*barrios*), et l'armée".[12]

En outre, en septembre 2004, pour éliminer les problèmes de malnutrition, le gouvernement crée des magasins alimentaires, dénommés *Mercal* et dont les articles sont subventionnés par l'État à hauteur de 30%. Près de 14

[10] Marina Terra, "Venezuela : les missions réorganisent les services publics et luttent contre la pauvreté", *Opera mundi*, São Paulo, 21 août 2012, repris dans *Courrier international* sous le titre "Venezuela. Une politique sociale financée par le pétrole", 6 mars 2013.

[11] Marina Terra, *id*.

[12] Marina Terra, *id*.

000 points de vente sont installés dans le pays, y compris dans les territoires les plus enclavés. Au milieu des années 2000, la moitié de la population, soit plus de 13 millions de personnes, fait ses courses dans ces magasins, qui vendent 6 000 tonnes de nourriture par jour et 250 produits alimentaires de base.[13] Toujours pour solvabiliser la population la plus modeste, le gouvernement subventionne l'acquisition de logements et fait adopter des lois pour limiter les taux d'intérêts.

Le Venezuela déploie en complément une campagne d'alphabétisation et de développement des études universitaires ainsi qu'un Système national public de santé s'accompagnant de l'installation de dispensaires dans les quartiers les plus pauvres. En novembre 2004, Hugo Chavez confie[14] qu'il a demandé à Fidel Castro de soutenir son plan: *"Je lui ai dit:* 'Ecoute, j'ai une idée. Il faut attaquer avec toutes les forces.' *Il m'a répondu:* 'Tu peux compter sur mon soutien.' *Alors, des médecins [cubains] ont commencé à débarquer par centaines, un pont aérien a été lancé, il y a eu des avions dans tous les sens"*.

Ces actions donnent, évidemment, des résultats. À la lecture des bilans gouvernementaux, ils sont considérables. En réalité, ils sont sans doute moindres, si l'on pouvait effectuer librement des évaluations pour mesurer leur efficacité.

En outre, cette politique de lutte contre la pauvreté interroge déjà au moment de son déploiement et, plus encore, depuis pour quatre raisons.

D'abord, selon certains, il s'agit d'une politique clientéliste dont le véritable objet est de s'attacher et de fidéliser des électeurs par un quadrillage de services sociaux. Ainsi, selon Yolanda D'Elia et Luis Francisco Cabezas, chercheurs vénézuéliens à l'Institut latino-américain de recherches sociales, "les Missions sont devenues un outil de contrôle politique et social au service de la révolution".[15] D'autres chercheurs se demandent si "les politiques sociales (de Chávez) ont été l'un des moyens privilégiés d'acheter la paix sociale dans une société fortement inégalitaire".[16]

Ensuite, l'un des principaux problèmes de la politique contre la pauvreté promu par le Président Chavez est qu'elle repose presque exclusivement

[13] Lamia Oulalou, "Mercal et ses 14 000 points de vente, un grand succès populaire", *Le Figaro*, 13 avril 2006.

[14] Marina Terra, *id*.

[15] Marina Terra, *id*.

[16] Daguerre, Anne, " Les programmes de lutte contre la pauvreté au Venezuela", *Critique internationale,* n° 46, 2010.

sur la rente pétrolière. Effectivement, dès l'origine, les Missions s'inscrivent dans la gestion d'un État rentier "patrimonial", dont les recettes publiques peuvent être soumises à de fortes variations cycliques en raison de la fluctuation des revenus pétroliers liée à la volatilité des cours du brut. Or, par exemple au cours du deuxième trimestre 2014, confronté à la baisse du prix du pétrole et, donc, des ressources du budget national, le président du Venezuela, Nicolás Maduro, successeur de Chavez, dut procéder à des coupes budgétaires touchant notamment les Missions sociales.

En troisième lieu, en dépit du poids des forces de sécurité, le Venezuela connaît un haut niveau d'insécurité. D'ailleurs, selon des sondages réalisés au milieu des années 2010, pour le quotidien vénézuélien *El Nacional*, l'insécurité serait la première préoccupation de 61 % de la population. Les statistiques officielles sur cette question sont devenues lacunaires mais celles établies au milieu des années 2000 donnaient précisément, pour la période 2005-2007, un taux très élevé d'homicides : 33 pour 100 000 habitants pour l'ensemble du Venezuela et 105 à Caracas. Le Venezuela apparaît donc comme l'un des pays les plus violents au monde.

En quatrième lieu, l'économie du Venezuela ne s'étant pas diversifiée, elle continue de reposer sur les hydrocarbures. Sous ces trois effets – budgets publics trop dépendants des recettes d'hydrocarbures, insécurité, très faible diversification de l'économie – au milieu des années 2010, une étude universitaire considère que la pauvreté au Venezuela touche désormais près de la moitié des foyers, conséquence de la crise économique qui frappe le pays. La réduction du nombre de pauvres lors des années 2000, caractérisées par un prix élevé du baril de pétrole, a laissé la place à une augmentation de la pauvreté. En outre, les chercheurs soulignent que 33% des familles vivant sous le seuil de pauvreté sont de "nouveaux pauvres".[17]

Tournons-nous désormais vers un grand pays émergent, le Brésil, dont le futur a souvent fait l'objet, dans le passé, de propos très optimistes puisque, selon la phrase attribuée au général de Gaulle: "Le Brésil est un pays d'avenir".[18]

Au moins depuis les années 1990, le Brésil agit contre la pauvreté en cherchant à améliorer le pouvoir d'achat des plus nécessiteux. Il s'agit de

[17] "La pauvreté rattrape les Vénézuéliens", *Courrier international*, 5 février 2015, selon une étude publiée par le quotidien *El Universal*.

[18] En réalité, de Gaulle aurait dit "Le Brésil est un pays d'avenir et il le restera".

compenser les insuffisances des revenus du travail par un accroissement des transferts sociaux.[19]

En 1995, deux élus locaux, chacun de leur côté, José Roberto Magalhaes Teixeira, de Parti de la social-démocratie brésilienne (PSDB), maire de Campinas, et Cristovam Buarque du PT – Parti des travailleurs –, gouverneur de Brasilia, lancent un programme connu sous le nom de *Bolsa Escola* qui attribue un revenu minimum sous conditions. Il s'agit de verser une allocation aux familles ayant des faibles revenus en les encourageant à faire en sorte que leurs enfants fréquentent régulièrement l'école. Le principal objectif est de remplacer l'aide humanitaire sporadique des pouvoirs publics, tels que des paniers de nourriture, par un système de distribution directe de revenus pour les couches les plus pauvres de la population. Cela paraît plus pratique, plus objectif et mieux protégé de la corruption.

En 2001, sous le gouvernement de Fernando Henrique Cardoso, le programme devient fédéral par la loi du 11 avril 2001 et concerne plusieurs dizaines de millions d'habitants dans des millions de famille. Reçoivent une aide financière fédérale les familles dont le revenu est faible, inférieur à un montant précisé, dont les enfants vont régulièrement à l'école (présence attestée par un contrôle de fréquence) et qui se sont inscrites dans ce qui est appelé le programme "registre unique", système d'alimentation des données sociales du gouvernement fédéral créé par un décret du 24 juillet 2001. En effet, l'objectif est que chaque famille insérée dans le programme ait un nombre d'identification sociale (NIS) afin d'identifier toutes les familles pauvres et contrôler ainsi les paiements, donc écarter les risques d'éventuelle corruption.

En 2003 et 2004, le programme *Bolsa Escola* est incorporé par le président Lula Da Silva à un programme plus ambitieux d'aide aux familles dénommé *Bolsa Família* (PBF). Ce programme de versement de revenu par le gouvernement fédéral unifie et élargit différents programmes antérieurs : Programme de revenu minimum national lié à l'éducation (*Bolsa escola*); programme de revenu minimum national lié à la santé; subvention des aliments; programme aide-gaz; accès national au programme Aliments. Il s'agit de faire reculer la pauvreté par le biais de transferts monétaires conditionnels.

[19] Székely M. (2001), "The 1990s in Latin America: Another Decade of Persistent Inequality, but with Somewhat Lower Poverty". IADB, Research Department Working Paper 454.

À la suite du développement du programme *Bolsa Família* qui vise les familles aux revenus fiables, dont les enfants sont scolarisés[20] et suivent les programmes de vaccination obligatoires, en novembre 2015, près d'un quart de la population brésilienne en bénéficie, soit près de 50 millions de personnes.

Dans les années 2000 et au début des années 2010, le financement du programme ne pose pas de problèmes particuliers car l'économie du Brésil se porte bien, grâce aux produits primaires (produits agricoles, produits miniers, hydrocarbures) que le pays vend notamment aux pays émergents, comme la Chine et l'Inde, qui connaissent eux-mêmes un forte croissance économique.[21] Les résultats annoncés sont spectaculaires. Il est considéré que la combinaison du programme de lutte contre la pauvreté et de la croissance de l'économie du Brésil a permis, au cours de la décennie 2000, de sortir 35 millions de Brésiliens de la pauvreté.

Economy Watch[22] écrit: "Au moins 53 pour cent de la population du Brésil – 104 millions de Brésiliens – font désormais partie de la classe moyenne du pays, comparativement à seulement 38 pour cent il y a dix ans, selon une étude officielle du gouvernement, publiée jeudi […]. Selon la 16e édition du rapport du ministère des Finances, "L'économie brésilienne en perspective", publié à la fin du mois d'août 2014, la baisse du taux de pauvreté atteindra 70 % à la mi-2014, que ce soit à partir de l'action d'intégration des programmes sociaux ou de l'accroissement des possibilités pour les jeunes sur le marché du travail".

Puis, au milieu des années 2010, le ciel s'assombrit pour trois raisons: des coupes budgétaires dans les programmes sociaux par suite d'une économie désormais en berne, des inégalités qui demeurent considérables et une insécurité encore très élevée.

Après sa croissance des années 2000, le PIB du Brésil, à peine en hausse de 0,1 % en 2014, enregistre en 2015 une récession (-3,7%),[23] sa plus grave crise économique depuis un quart de siècle. Enfin, le commerce extérieur

[20] Langellier, Jean-Pierre, "Au Brésil, une bourse pour aller à l'école", *Le Monde*, 17 septembre 2008.

[21] En effet, le commerce entre le Brésil et l'Union européenne est fort modeste; cf. Dumont, Gérard-François, Verluise, Pierre, *Géopolitique de l'Europe: de l'Atlantique à l'Oural*, Paris, PUF, 2016.

[22] "35 millions de Brésiliens ont échappé à la pauvreté": http://www.economywatch.com/in-the-news/35-million-brazilians-escaped-poverty-over-last-decade.21-09.html, 20 septembre 2012.

[23] http://www.tresor.economie.gouv.fr/pays/bresil, consulté le 13 octobre 2016.

est pénalisé par la baisse des prix des matières premières, l'investissement chute et la consommation marque le pas.

Pour enrayer la dégradation des finances publiques et réduire la hausse de l'endettement public (déficit public à 6,75 % du PIB en 2014), le gouvernement coupe dans les dépenses, y compris dans *Bolsa familia*. Comme le Brésil souffre d'un déficit de compétitivité, d'un manque de productivité dans l'industrie et d'une défiance des investisseurs, le chômage augmente. Et les pauvres voient l'inflation s'accroître, sachant notamment que le gouvernement, au début de 2015, décide d'augmenter les prix subventionnés de l'électricité, de l'essence et des transports.

La deuxième difficulté du Brésil vient du fait que, malgré le programme *Bolsa familia*, les inégalités n'ont pas reculé. Selon l'OCDE, l'une des raisons des fortes inégalités tient à "l'étendue de l'économie informelle", assez importante au Brésil où "les emplois informels se concentrent principalement dans les secteurs à faible intensité de compétences, comme l'agriculture, la construction, l'hôtellerie et la restauration, les services domestiques et le commerce de gros et de détail".[24] Toujours selon l'OCDE, les inégalités concernent aussi l'éducation: au Brésil, "les élèves de 15 ans ont des résultats relativement médiocres en mathématiques et dans deux autres domaines cognitifs du PISA, la lecture et les sciences. La faiblesse de ces résultats peut être en partie associée à un investissement insuffisant car le montant total des dépenses publiques d'éducation rapporté au PIB est faible".[25]

En 2003, un auteur[26] avait écrit: "la pauvreté au Brésil n'est pas tant l'effet de la faiblesse du revenu moyen que celui de l'existence de très fortes inégalités[27]". Il précise: "Le Brésil est aussi un pays où la distribution du revenu est extrêmement inégale, en dépit de politiques sociales relativement développées: près de 40 % des dépenses publiques leur sont consacrés, soit environ 15 % du Produit intérieur brut (PIB)". Trois ans plus tard, il republie des extraits de son texte issu de son premier article de 2003. Et, lors de la révision de son texte en 2014, il maintient son analyse première selon laquelle la Brésil est un des pays les plus inégalitaires du monde.

[24] OCDE, Toujours plus d'inégalité. Pourquoi les écarts de revenus se creusent, 2012.

[25] OCDE, *id*.

[26] Sgard, Jérôme, "Pauvreté, inégalités et politiques sociales au Brésil" La Lettre du CEPII, n° 229, Décembre 2003.

[27] Observatoire des inégalités. Date de rédaction le 5 avril 2006; dernière révision le 8 octobre 2014.

Cette analyse d'un Brésil où les inégalités demeurent élevées est également celle de l'organisation *Christian Aid*[28] qui publie, en mai 2012, un texte intitulé "Le vrai Brésil: l'inégalité derrière les statistiques".[29]

En troisième lieu, en dépit des efforts conduits, le Brésil demeure un pays où l'État de droit reste à parfaire et où l'insécurité atteint des niveaux particulièrement élevés. D'une part, les Brésiliens ont été abasourdis par l'importance de la corruption mise en évidence par le scandale qui a éclaté au grand jour en 2015, impliquant le géant pétrolier, des entreprises du BTP et des membres des partis au pouvoir[30] (PT), scandale qui a débouché en août 2016 sur la destitution de la présidente Dilma Rousseff.

D'autre part, le Brésil détient un record mondial pour le nombre des homicides, avec, en 2013, 56 000 homicides, dont la majorité par armes à feu (par comparaison, la France métropolitaine, dont la population représente un tiers de celle du Brésil, a enregistré 665 homicides en 2013). En outre, le Brésil a la police la plus violente du monde : en 2012, les policiers y ont abattu 2 212 personnes – croit-on, car le nombre exact de personnes mortes sous les balles de policiers reste ignoré. Par comparaison, aux États-Unis (un tiers plus peuplé que le Brésil), où la police est souvent considérée comme ayant la main leste, la même année 2012 a compté 461 homicides dus à des policiers.

Enfin, le Brésil est un foyer du cybercrime, le 2e foyer mondial de la fraude sur Internet, ce qui, en 2014, a coûté 8 milliards de dollars aux banques du pays.

Considérons à présent un pays du Nord dont la politique s'est centrée sur la distribution d'un revenu de base *a priori* couplé avec un accompagnement des personnes bénéficiaires avec pour objectif de les faire sortir définitivement de la pauvreté. La réussite d'un tel programme est donc aisée à mesurer à l'examen des évolutions quantitatives.

La réponse par de massifs budgets publics: l'exemple d'un pays du Nord

À la suite d'actions menées localement par des départements, en 1988, le gouvernement français décide de généraliser une formule de revenu de base intitulée revenu minimum d'insertion (RMI). Ce dernier consiste à verser une allocation financière aux personnes sans ressources ou ayant

[28] Christian Aid: http://www.christianaid.org.uk/

[29] http://www.christianaid.org.uk/images/real-brazil-summary.pdf

[30] "Comprendre le scandale Petrobras qui secoue le Brésil", *Le Monde*, 9 mars 2015, mise à jour le 5 mars 2016.

des ressources inférieures à un plafond fixé par décret. Ce versement doit s'accompagner d'actions d›insertion supposées permettre une diminution du nombre de personnes pauvres.

Dans la réalité, l'insuccès n'est pas contestable. Fin 1989, le nombre de bénéficiaires est inférieur à 500 000, puis il augmente pour, à compter de 1997, dépasser le million. Même à la fin des années 1990, à une période où l'économie française se porte bien et où le chômage baisse, il demeure au-dessus de ce seuil. Ensuite, à compter de 2004, donc bien avant les effets de la crise financière et des excès de l'endettement public révélés en 2008, il augmente à nouveau et dépasse les 1,2 million. Cet indicateur qu'est le nombre de bénéficiaires du RMI montre que la pauvreté, en France, avec des mesures axées sur un revenu de base, ne diminue pas. Les raisons avancées à l'augmentation du nombre de bénéficiaires du RMI sont diverses.

D'abord, dans la réalité, le RMI fonctionne comme un revenu de base sans véritable contrepartie,[31] attribué selon des règles purement administratives. Le volet insertion du dispositif, bien qu'ayant été conçu dès l'origine comme un élément majeur, est souvent négligé, d'autant plus que les départements, collectivités territoriales chargées de sa mise en œuvre, sont débordés par le nombre. Aussi de nombreux allocataires du RMI ne font-ils l'objet d'aucun suivi parce que l'administration n'a guère les moyens de les suivre et de leur proposer suffisamment de projets d'insertion.

Ensuite, un calcul rapide des avantages relatifs conduit certains bénéficiaires du RMI, en particulier les moins qualifiés, à estimer que leur intérêt ne réside pas vraiment dans un retour à l'emploi payé au niveau du salaire minimum fixé par la réglementation (SMIC), notamment lorsqu'il s'agit de travail à temps partiel. Le revenu de base qu'est le RMI est alors jugé, selon certains, comme une "trappe à inactivité" incitant ceux qui en bénéficient à rester inactifs. En effet, le faible écart entre, d'une part, le RMI et les droits sociaux qui s'y attachent – les bénéficiaires du RMI sont automatiquement affiliés au régime général de la sécurité sociale et à la couverture complémentaire au titre de la couverture maladie universelle pour une durée d'un an renouvelable – et, d'autre part, le revenu et les droits moindres que pourrait engendrer une activité professionnelle "désincite" le retour vers l'emploi.

[31] En octobre 2016, la justice française, précisément le tribunal administratif de Strasbourg, saisi par la préfecture, a annulé la délibération du Conseil départemental du Haut-Rhin de février 2016 qui souhaitait que les bénéficiaires du RSA effectuent du bénévolat.

Le RMI entraînait donc chez certaines personnes une espèce d'addiction à l'assistanat, ce qui peut expliquer en partie la situation paradoxale du marché de l'emploi en France: de nombreuses offres d'emploi non satisfaites et, pourtant, un taux de chômage élevé.

Face aux critiques ci-dessus, deux mesures ont été prises. La première est la création en 2001 d'une nouvelle allocation, la prime pour l'emploi (PPE), destinée aux contribuables ayant une activité professionnelle mais percevant de faibles revenus, et devenue depuis le 1er janvier 2016, à la suite de nouvelles réformes, la prime d'activité.[32] En second lieu, le 1er juin 2009, face à la critique d'absence de projets et d'encouragement réel à l'insertion, et face au nombre toujours plus élevé de bénéficiaires, le RMI est remplacé par le revenu de solidarité active (RSA), qui se donne pour but de remédier aux principaux défauts du RMI.

Mais, en réalité, "le RSA, dont l'épure du projet contenait une simplification drastique, est une construction administrative très compliquée que même ses promoteurs ont du mal à expliquer..." [33] et "Au delà des prestations, la complexité s'est nichée dans les organisations et dans la " gouvernance" des politiques de lutte contre l'exclusion".[34]

Ainsi, en France, au bout de plus d'un quart de siècle de mise en place d'un revenu de base, et en dépit d'autres mesures contre le risque pauvreté-exclusion sociale,[35] de nombreuses autres initiatives[36] et d'un système

[32] Résultant précisément de la fusion entre ce qui s'appelait le "RSA activité" et la prime pour l'emploi.

[33] Damon, Julien, "Lutter contre la pauvreté avec efficacité. Pistes d'évolution pour les structures associatives et administratives qui luttent contre la pauvreté" dans: Claude Bébéar (dir.), *Réformer par temps de crise*, Paris, Les Belles Lettres, 2012.

[34] Damon, Julien, *id*.

[35] En France, les prestations du risque pauvreté-exclusion sociale s'élèvent à 20,1 milliards d'euros en 2014 dont: revenu de solidarité active (RSA), 12,3 milliards d'euros ; prestations versées par les centres communaux et intercommunaux d'action sociale (CCAS-CIAS) avec 2,3 milliards d'euros ; autres prestations versées par les administrations publiques, pour 0,6 milliard, soit notamment l'aide personnalisée de retour à l'emploi (APRE) ; prestations versées par les Institutions sans but lucratif au service des ménages (ISBLSM: 2,6 milliards), seul régime du secteur privé intervenant sur le risque pauvreté-exclusion sociale. Celles-ci recouvrent principalement les aides liées à l'hébergement des personnes en situation précaire. Au fil des années, la croissance est portée par les dépenses de RSA.

[36] Campagnes hivernales de mobilisation contre la pauvreté (1984), services d'aide médicale urgente (Samu) sociaux pour aller au devant des sans-abri (1993), loi d'orientation pour la lutte contre les exclusions (1998), Couverture maladie universelle (1999), programmes de rénovation urbaine (2003), plan de cohésion sociale (2004), opposabil-

très élaboré de protection sociale[37] (maladie, retraite, politique familiale), non seulement la pauvreté n'a pas diminué en France, mais elle a augmenté. Et il faut noter que la pauvreté se révèle tout autant présente dans les grandes agglomérations que dans les autres territoires[38] bien que celles-là soient censées, selon la doctrine officielle des gouvernements français favorable aux "métropoles",[39] bénéficier de la mondialisation.

Des insuffisances dues à des approches trop unidimensionnelles de la pauvreté

Les exemples ci-dessus de pays tentant de conjurer la pauvreté par une amélioration du pouvoir d'achat des plus nécessiteux ont, bien sûr, des effets à court terme pour les personnes et les familles bénéficiaires. Mais, considérés dans leur évolution sur le moyen terme, ils conduisent à des résultats bien insuffisants, de façon générale comme au regard des moyens financiers déployés. Surtout, non seulement ils ne permettent pas d'en finir avec la pauvreté mais, tributaires des évolutions macro-économiques des pays, ils peuvent même connaître une augmentation de la pauvreté alors qu'il faudrait l'éradiquer. L'un des exemples, celui de la France, témoigne même d'une croissance de la pauvreté pendant une période où la croissance économique, alors satisfaisante, s'accompagnait d'une baisse du chômage.

Comment expliquer ces résultats décevants? En réalité, ces politiques, même lorsqu'elles affichent d'autres objectifs que le souci de donner un pouvoir d'achat suffisant aux plus pauvres, privilégient une conception unidimensionnelle de la pauvreté, fondée essentiellement sur une insuffisance de revenus et/ou une amélioration des possibilités de consommation. Cette conception unidimensionnelle de la pauvreté conduit à centrer la politique destinée à l'éradiquer sur la distribution de ressources et de biens. Parfois, cette conception unidimensionnelle de la pauvreté est officiellement tempérée dans la présentation de ses modalités par la mise en œuvre d'autres mesures, concernant par exemple l'éducation (Brésil), la santé (Venezuela et France) ou l'insertion (France). Mais le fait de se centrer sur les

ité du droit au logement (2007).

[37] En France, les dépenses de protection sociale représentent 715 milliards d'euros en 2013, soit 33,8% du PIB, selon les données de la Drees (service statistiques du ministère des Affaires sociales), *La protection sociale en France*, rapport 2016.

[38] Dumont, Gérard-François (direction), *Géographie urbaine de l'exclusion*, Paris, L'Harmattan, 2011.

[39] "Une idéologie de la métropolisation?", *Population & Avenir*, n° 722, mars-avril 2015.

possibilités de consommation des pauvres consiste implicitement à penser que le thermomètre de la pauvreté peut se contenter d'un seul indicateur, la connaissance du revenu des personnes.

Or, en réalité, la pauvreté, comme les processus de paupérisation, ont un caractère multidimensionnel qui ne peut se résumer à une dimension monétaire. La privation de droits, comme le droit à la sécurité, peut engendrer beaucoup plus sûrement un processus de paupérisation que la baisse d'un revenu liée par exemple aux difficultés rencontrées par l'entreprise où la personne travaille.

C'est pourquoi les politiques contre la pauvreté doivent être mieux réfléchies afin d'apporter des réponses adoptées pour contrecarrer les processus de paupérisation.

Le "triangle magique" de politiques réussies contre la pauvreté

Afin de réduire le nombre de personnes pauvres, il faut agir sur les facteurs explicatifs de la pauvreté, donc en amont sur les causes de la pauvreté et pas seulement en aval pour essayer d'en corriger les conséquences. Selon ce principe, une politique efficace contre la pauvreté repose sur une triade: la sécurité des personnes, le développement de l'éducation ainsi que de l'emploi formel et un État de droit social.

La sécurité, socle impératif de toute politique contre la pauvreté

L'insécurité sur un territoire, quelle que soit l'échelle géographique considérée (un quartier, une ville, une région ou un pays) engendre inévitablement de la pauvreté. C'est évidemment le cas des guerres qui déstabilisent la vie économique et sociale. Pour ne prendre qu'un exemple, le conflit civil qu'a connu la Côte d'Ivoire dans les années 2000 s'est accompagné d'une hausse de la pauvreté, le pourcentage des Ivoiriens subissant l'extrême pauvreté étant alors passé du dixième au tiers de la population,[40] d'où d'ailleurs une importante hausse des taux de mortalité.

L'histoire contemporaine de la Chine offre un autre exemple. Lorsque Mao Zedong, pour écraser toute opposition, crée de l'insécurité en lançant en 1958 la politique dite du "grand bond en avant" maintenue jusqu'au début de 1960, cela se traduit par une forte désorganisation du fonctionnement de l'industrie et, surtout, de l'agriculture chinoise, et engendre

[40] Sachs, Jeffrey D., The Age of Sustainable Development, Columbia University Press, 2015.

des famines qui entraînent la mort de plus de 40 millions de Chinois,[41] même si ce drame est ensuite masqué durant une vingtaine d›années par les statistiques largement truquées du régime communiste chinois.

Depuis que le gouvernement de la Chine a cessé de vouloir dicter autoritairement le comportement économique de tous les Chinois en suscitant des violences, comme à nouveau en 1966 avec la "révolution culturelle" qui causa plusieurs millions de morts,[42] et, donc, d'organiser une sorte d'insécurité institutionnelle, la pauvreté a considérablement reculé d'autant plus que, parallèlement, la politique économique s'est ouverte en vue de privilégier la production dans le cadre de conceptions assez nettement capitalistes.

Des pays du Nord peuvent connaître, sur certains de leurs territoires, les mêmes difficultés. Par exemple, la France possède de nombreux quartiers marqués par une insécurité élevée, comme en témoignent des comportements violents ou le fait que des gardiens d'immeubles vont dormir en dehors de leur logement de fonction afin de trouver un peu de calme. Dans ces quartiers qui sont des quartiers de non-droit puisque leurs habitants ne bénéficient pas du droit à se déplacer sans crainte et sans danger,[43] les activités et l'emploi ne sont pas florissants. Ainsi, des commerces, soumis à des violences et des rackets réguliers, ferment, faisant disparaître des emplois liés, et ne sont remplacés par aucune autre activité créatrice d'emplois; quant aux entreprises, elles rechignent à s'y implanter, faute de garantie de sécurité. Du coup, un processus de paupérisation se développe. Aussi, en dépit des nombreuses mesures sociales comme le RSA présenté ci-dessus, non seulement la pauvreté n'est pas jugulée mais elle s'aggrave.

Une politique visant à contrer les processus de paupérisation consiste donc d'abord à tout mettre en œuvre pour instaurer la sûreté des personnes, selon le terme utilisé dans l'article II de la Déclaration des Droits de l'homme et du citoyen du 26 août 1789: "Le but de toute association politique est la conservation des droits naturels et imprescriptibles de l'Homme. Ces droits sont la liberté, la propriété, la sûreté, et la résistance à l'oppression". Au sens de cette Déclaration des Droits de l'homme et du

[41] Domenach, Jean-Luc, *Chine: L'archipel oublié*, Paris, Fayard, 1992.

[42] Courtois, Stéphane (direction), *Le Livre noir du communisme. Crimes, terreur, répression*, Paris, Robert Laffont, 1997.

[43] L'actualité française a de nouveau été marquée par des violences avec tentatives de meurtres de policiers au sud de Paris dans le quartier de la grande Borne, sur les territoires des communes de Grigny et Ris-Orangis, en octobre 2016.

citoyen, la sûreté est plus qu'un droit de l'homme; c'est une garantie, c'est la donnée première de l'exercice des droits de l'homme. Pour que cette garantie soit réelle, elle doit être assurée par une force publique.

Cette importance de la sûreté est à nouveau formulée dans la Déclaration universelle des droits de l'homme du 10 décembre 1948 dont l'article 3 précise: "Tout individu a droit à la vie, à la liberté et à la sûreté de sa personne".

Ainsi, toute la tradition démocratique place la sécurité, tant des personnes que des biens, au premier rang des droits de l'homme, sachant que les deux mots sûreté et sécurité sont équivalents puisqu'ils viennent du mot latin *securitas*.

Le dictionnaire Robert propose une définition selon laquelle la sûreté est la "situation d'un personne qui ne risque rien, qui n'est pas en danger". Et la sécurité est, du point de vie de l'organisation, "les conditions matérielles économiques, politiques propres à créer un état de sécurité pour les individus".

La sécurité est donc une mission impérative que l'État doit assurer sur l'ensemble des territoires placés sous sa souveraineté et pour l'ensemble de ses habitants. Elle est une condition première pour enrayer tout processus de paupérisation et doit être complétée d'une politique favorisant l'éducation et le développement de l'emploi formel.

L'éducation et le développement de l'emploi formel

Ces deux éléments sont essentiels. D'abord, l'accès à l'école est bien l'outil privilégié pour transmettre de façon égale des connaissances aux jeunes générations. L'école est un instrument également important pour réduire les inégalités de santé car elle peut faire connaître des règles d'hygiène et de prévention sanitaire, ce qui suppose notamment un accès égal à l'école pour les garçons et pour les filles. Dans les pays du Sud, l'école est également un lieu privilégié pour faire reculer l'analphabétisme.

Dans les pays du Nord où le taux de scolarisation est proche de 100%, la question de l'éducation mérite d'importants efforts pour faire reculer l'illettrisme Ce phénomène concerne "toute personne incapable de lire et d'écrire en le comprenant un exposé simple et bref de faits en rapport avec la vie quotidienne". Il est souvent un élément essentiel du processus de paupérisation. Plus précisément, les politiques contre la pauvreté doivent enrayer les risques d'illettrisme dès l'école primaire, aux âges entre 6 et 12 ans. Exténuer l'illettrisme aujourd'hui, c'est prévenir la pauvreté de demain. Or, tout se passe comme si la prise en compte de ce phénomène

était insuffisante. Pourquoi? Avançons comme explication un mythe récurrent: on veut croire que les lacunes de l'école primaire seront comblées au collège et celles du collège faire l'objet d'un rattrapage au lycée. Ce mythe fait fi des réalités de la biologie humaine, comme nous l'avons si souvent constaté auprès de personnes handicapées. Les handicapés physiques, qui ont eu le malheur d'être privés d'école dans leur enfance à cause de cela, ne parviennent que très difficilement (et même parfois pas du tout) à assimiler ce que les neurones frais de l'enfance acquièrent sans beaucoup d'effort, sous condition d'une pédagogie adaptée.[44]

Plus généralement, l'éducation permet d'acquérir des compétences facilitant l'insertion dans le marché du travail. Les taux de chômage sont généralement corrélés avec le niveau de formation, donc beaucoup plus élevés pour les personnes sans diplômes que pour les autres.

Ensuite, la politique contre la pauvreté doit tout faire pour réduire l'emploi informel car, sans que des chiffres absolument précis puissent être avancés, il y a incontestablement une corrélation entre l'importance de la pauvreté et celle de l'emploi informel. Ce dernier concerne tous les travailleurs qui ne sont pas couverts par des dispositions formelles. Certes, ce type d'emploi procure des revenus à des personnes mais ne leur offre ni protection, ni espoirs de pérennisation de leurs revenus. En outre, l'emploi informel, par définition, ne peut participer aux recettes contribuant à la protection sociale des populations.

Deux types d'emploi informel se distinguent, appelant des réponses en partie différentes. Le premier concerne des personnes qui exercent des activités légales (dans l'agriculture, l'industrie, le bâtiment et les travaux publics, les services à domicile ou les transports) mais qui ne disposent d'aucune protection réglementaire. La loi ne leur est pas appliquée alors même qu'ils opèrent dans le cadre de la loi. Pour lutter contre ce type d'emploi informel, l'amélioration des services d'inspection du travail est nécessaire, ainsi que l'accès à l'assistance juridique de personnes abusées par leurs employeurs. Mais d'autres pistes sont à envisager comme la simplification des lois imposant des réglementations trop contraignantes, la minoration de contraintes fiscales engendrant des charges excessives pour l'emploi formel ou des mesures de simplification fiscale pour encourager les contribuables à s'acquitter spontanément de leurs obligations. Il faut

[44] Dumont, Gérard-François, " Les sept défis de la lutte contre l'exclusion sociale ", *Population & Avenir*, n° 647bis, mars-avril 2000.

ainsi agir sur les causes de l'informalité et lever les obstacles à l'entrée dans l'économie formelle.

Le second type d'emploi informel recouvre des activités illégales (trafic de drogue, de faux médicaments, de faux papiers, prostitution, etc.) qui, du fait de leur nature, se trouvent hors du champ d'application de la loi. Ce type d'activité doit être durement sanctionné.

Selon les pays, les politiques visant, par la réduction de l'emploi informel, à diminuer la pauvreté, peuvent être différenciées.[45] Cette réduction peut passer par des mesures de régularisation de personnes ayant un emploi informel, comme l'Espagne l'a fait en 2005 pour près de 700 000 immigrants.[46] L'Espagne a alors fait coup double en donnant une protection sociale à 700 000 personnes et en élargissant la couverture du secteur formel pour accroître la capacité redistributive du système fiscal et de protection sociale.[47] En Chine, où l'emploi informel concerne environ 200 millions de personnes au sein de ce qu'on appelle la population flottante,[48] c'est la suppression du livret de résidence (*Hukou*) qui serait une grande avancée favorable à l'emploi formel.

Une autre nécessité des politiques de lutte contre la pauvreté est le développement de ce que nous appellerons un "État de droit social".

L'État de droit social

L'État de droit (*Rule of Law*, en anglais) est un système institutionnel dans lequel chacun est soumis au même droit, que ce soit l'individu ou la puissance publique. Un tel système signifie donc, par ailleurs, l'égalité des sujets de droit (individus, associations, entreprises) devant les normes juridiques et l'existence de juridictions indépendantes.

L'État de droit implique notamment la lutte contre la corruption puisque celle-ci, par définition, signifie le non-respect de certaines normes juridiques. Or, cette lutte requiert une bonne gouvernance. Les efforts à

[45] Sur divers exemples d'expériences, cf. José Luis Daza, *Économie informelle, travail non déclaré et administration du travail*, Genève, Bureau international du Travail, juin 2005.

[46] Selon les chiffres officiels communiqués le 9 mai 2005, sur les 690 679 demandes de régularisation, seules 3,15% ont été rejetées.

[47] La secrétaire espagnole à l'immigration Consuelo Rumi a alors reconnu que la régularisation consolidait la sécurité sociale (puisque les employeurs devait désormais cotiser) et grossissait les recettes fiscales par la réduction du travail au noir.

[48] Dumont, Gérard-François, Yiliminuer, Tuerxun, "Les migrations internes accentuent l'inégalité historique du peuplement de la Chine", *Informations sociales*, n° 185, septembre-octobre 2014.

conduire en ce domaine sont considérables, que l'on considère les niveaux de corruption des pays du monde publiés annuellement par *Transparency international* ou l'indice *Ibrahim* sur la gouvernance en Afrique, dont la dernière parution couvre 37 des 54 États africains, soit 70% de la population du continent.[49] Selon cet indice, en Afrique, la gouvernance ne s'est pas améliorée entre 2006 et 2016, surtout à cause d'une nette détérioration de la sécurité et de l'État de droit. Cette détérioration s'explique par divers éléments, dont la corruption et la bureaucratie à propos desquelles des indicateurs, fournis par la Banque mondiale, mesurent la probabilité pour le citoyen de se voir confronté à des fonctionnaires corrompus, ainsi que le volume et le poids de la paperasserie.

Au delà de l'État de droit *stricto sensu*, ce que nous appelons l'État de droit social est celui qui se conforme à l'article 22 de la Déclaration universelle des droits de l'homme du 10 décembre 1948: "Toute personne, en tant que membre de la société, a droit à la sécurité sociale ; elle est fondée à obtenir la satisfaction des droits économiques, sociaux et culturels indispensables à sa dignité et au libre développement de sa personnalité, grâce à l'effort national et à la coopération internationale, compte tenu de l'organisation et des ressources de chaque pays". L'État de droit social doit, tout autant, se conformer à l'article 25 de la même délibération: "Toute personne a droit à un niveau de vie suffisant pour assurer sa santé, son bien-être et ceux de sa famille, notamment pour l'alimentation, l'habillement, le logement, les soins médicaux ainsi que pour les services sociaux nécessaires ; elle a droit à la sécurité en cas de chômage, de maladie, d'invalidité, de veuvage, de vieillesse ou dans les autres cas de perte de ses moyens de subsistance par suite de circonstances indépendantes de sa volonté. La maternité et l'enfance ont droit à une aide et à une assistance spéciales".

L'État de droit social consiste donc à élaborer des lois, politiques et programmes visant à assurer une protection à tous les travailleurs et une couverture de la sécurité sociale à tous les habitants. Il doit aussi apporter des réponses aux questions spécifiques des besoins des personnes SDF (sans domicile fixe).[50]

[49] "L'état de droit décline dramatiquement en Afrique", Euractiv, octobre 2016. L'étude *Ibrahim* se penche notamment sur la sécurité, les droits de l'Homme, la stabilité économique et le développement humain.

[50] Damon, Julien, "Zéro SDF": est-ce possible?", *Population & Avenir*, n° 695, novembre-décembre 2009.

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La diminution incontestable de la pauvreté dans le monde ces dernières décennies doit, comme en Asie, au déploiement de politiques économiques ouvertes se substituant à des politiques autarciques, ayant permis de faire croître l'offre de biens et services, de politiques éducatives et sanitaires conformes à un État de droit social. Effectivement, une grande part de l'humanité est parvenue, depuis deux siècles et demi, à limiter la misère et faire reculer la mortalité auparavant massive de ses enfants, de ses adolescents et de ses parturientes.[51]

En revanche, les effets de l'aide internationale sont peu concluants. Cette aide n'a pas été un levier essentiel de la lutte contre la pauvreté dans les pays du Sud. En effet, les pays ayant, ces dernières décennies, bénéficié des montants par habitant les plus élevés en matière d'aide au développement, comme l'Algérie (qui a bénéficié, pendant plusieurs décennies, d'un paiement surévalué de ses hydrocarbures par la France), Haïti ou Madagascar, n'ont pas réduit leur pauvreté de façon sensible par rapport à d'autres pays ayant reçu des aides au développement beaucoup plus modestes. Cela ne signifie nullement que l'aide internationale ne soit pas nécessaire pour apporter à ces pays de meilleures possibilités d'investir dans les infrastructures, l'éducation ou la santé. Mais cette aide, pour être efficace, doit être "appropriée" et il faut de nombreux relais pour accompagner les démarches d'appropriation. En outre, l'aide internationale doit être bien contrôlée pour éviter les pratiques de corruption qui nuisent à son efficacité.

Demain, la pauvreté doit continuer de reculer. Dans ce dessein, la priorité des États concernés doit être d'assurer la sécurité sur l'ensemble des territoires placés sous leur souveraineté, de satisfaire aux besoins éducatifs, de déployer une économie dynamique limitant l'emploi informel, de favoriser l'amélioration de la santé et de l'hygiène publiques, notamment grâce aux réseaux d'assainissement, et de déployer un État de droit social. Et, pour la satisfaction des besoins élémentaires de l'homme, les États doivent se rappeler cette phrase de Montesquieu: "Les terres produisent moins en raison de leur fertilité que de la liberté des habitants", à commencer par la liberté d'aller et venir dans son territoire de vie, donc la sécurité.

[51] Deaton, Angus, *La grande évasion, Santé, richesse et origine des inégalités*, Paris, PUF, 2016.

Comment on Professor Gérard-François Dumont's Paper

Marcelo Sánchez Sorondo

Firstly, I am not an expert in this subject and the World Bank says that priests do not understand much about the economy. In some sense this is true, but not completely. I would like to thank Stefano Zamagni for his trust in me and I believe this is enough for me to speak about this subject with some authority. Anyway, reading what the World Bank has to say and examining the recent publications on poverty, I am very impressed by the idea that in the last 200 years absolute poverty has greatly decreased. Interestingly, Bourguignon and Morrisons's statistics show that from 1820, to recent times, the decrease in poverty has been staggering. I do not want to repeat these statistics, but my conclusion is that capitalism, aligned with scientific and technological advances, has enabled goods to be produced like never before, that is clear.

Mass-production as a consequence of capitalism is a fairly new thing, and it has caused world population to grow. The same is true for advances in medicine, amongst other things, as an increase in health standards worldwide has clearly provided people with new possibilities. Nonetheless, trickle-down economics, as mentioned by Pope Francis, and traditional capitalism, tend to focus on growing capital rather than on people's happiness and the common good. This is the law of capitalism and it results in unequal distribution of wealth and growing inequality but, also, in the birth of new evils such as the new forms of slavery decried by Pope Francis: forced labour, organ trafficking, prostitution and digital sex made possible by the Internet. Pope Benedict XVI had already denounced these forms of slavery in his speech to the new German Ambassador to the Holy See in 2011.[1]

There are other very serious problems contained in globalisation, which Saint John Paul II, in the wake of Pope Paul VI in *Populorum Progressio*, defined as "structures of sin". These structures are harmful not only because

[1] *Address of His Holiness Benedict XVI to H.E. Mr. Reinhard Schweppe, New Ambassador of the Federal Republic of Germany to the Holy See, Monday, 7 November 2011,* http://w2.vatican.va/content/benedict-xvi/en/speeches/2011/november/documents/hf_ben-xvi_spe_20111107_ambasciatore-germania.html

of their own evil purposes and activities, but also because of their corroding effect on other social institutions. It is clear that many corporations participate in structures of sin. This is especially the case when corporate power dominates the state, as well as other institutions that should provide countervailing power, such as unions, small businesses, and civil society organizations. Furthermore, we have all the issues that were denounced by the director of the World Bank, who unfortunately could not be here today. Things such as tax havens and the underground economy that is not accounted for. We do not know how to represent these aspects on the balance sheets and Professor Jeffrey Sachs estimates that these "unknowns" can account for approximately 2 billion dollars a year of Gross World Product (GWP). Drug trafficking, illegal arms trade, human trafficking and forced labour, according to the International Labour Organisation, account for one hundred and fifty billion dollars per year. This is an incredible amount and, yet, it is only an estimate. According to some, the money generated by these new forms of modern slavery represents 10 per cent of GWP per year. It is clear that these things contribute to poverty and to its increase, not to mention the problems highlighted in *Laudato Si'*, i.e. climate change and its consequences, including deforestation, rivers running dry, pollution and all other environmental disasters.

I think we can control these phenomena in favour of sustainable development and to solve the poverty problem. I do not know how much these things are worth, but it might be important to make an estimate of these issues and include it in the balance drawn up by the World Bank. On the contrary we can only make an educated guess but we do not have a real description of the situation. Another very interesting point that can be made is that in many countries, especially in the United Kingdom, the Gross Domestic Product (GDP) includes revenues generated by organised crime. This point was emphasised yesterday by a Bishop, who asked the British Home Secretary why they fight modern slavery but, at the same time, include revenues from these criminal activities in their GDP. The Home Secretary acknowledged this as a very important question and pondered over what the solution could be. We also know that, for example, Government Representatives of the United States have an issue with a bank that has its headquarters in the United Kingdom, HSBC. This bank has been accused of paying traffickers and drug cartels in Mexico. What is the consequence of these actions? A mere fine.

In short, capitalism, in the course of history, has favoured production over the equal distribution of wealth and goods. It has also generated ter-

rible crimes such as modern slavery. In general, capitalism historically produces forced labour; but globalisation has produced a new form of global slavery. We do not know the exact amount of money these forms of slavery generate in terms of GDP and GWP. Thus, I urge the World Bank to attempt to establish the exact amount of money that can be traced back to these practices.

However, the real danger is that unbridled capitalism, which is based on profit alone, can alter democracy and convert it into a plutocracy, if it is not guided by national and international political governments, which seek people's happiness and the common good.

Thank you.

The Civil Economy Strategy Against Marginalization: Theory, Practice and Policy Suggestions[1]

Leonardo Becchetti

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. Inequality is the root of social ills.
Pope Francis, Evangelii Gaudium, n. 202

"*Niuno consiglio è mai del fine, ma in che modo et con che mezzi al fine si possa venire, onde i medici non consigliano della sanità, ma in che modo faccino sano; nella repubblica non consiglia della pace, ma con che mezzi si abbia la pace; nell'arti minori il calzolaio non delle scarpette, ma con che et come le faccia*"
("An advice is never about the goal, but on how and with what means it is possible to achieve it. So that doctors do not advice about health but on how patients can be healthy; no one in the republic advices about peace, but with what means we can achieve it; in the lower arts the shoemaker does not advice about shoes but on now and with what they can be made")
Antonio Genovesi in Bruni L., Zamagni S., *Economia civile. Efficienza, equità, felicità pubblica,* Il Mulino, Bologna, 2004, p. 80.

1. Introduction

The standard "Ptolemaic" economic paradigm hinges on the idea that a multiplicity of monadic individuals and a multiplicity of firms maximise their self-interested goals while the titanic work of two *dei ex machina* (the invisible hand of the market and the visible hand of benevolent and fully informed institutions, strong enough to avoid regulatory capture) transform this multiplicity of self-interested actions into a socially optimal outcome.

The same old-fashioned economic paradigm has been forced to admit that the two-handed system fails to deliver what it promises. The invisible hand is far from being perfect and competition is a delicate equilibrium requiring a sophisticated system of antitrust rules that regulators must have

[1] It would have been impossible to write this paper without the support and lively exchange of ideas during these years of colleagues that are leading exponents of the Civil Economy paradigm. And among them especially Stefano Zamagni, Luigino Bruni, Benedetto Gui, Vittorio Pelligra.

the power to enforce to contrast the collusive, oligopolistic and monopolistic instincts of corporations. As far as the second visible hand is concerned, the "triple dead jump" assumption on the quality of institutions is quite distant from reality. Institutions are far from being benevolent (as the political business cycle theory[2] clearly documented), cannot be perfectly informed and most often risk to be captured by regulators (especially after globalisation modified scale and bargaining power in favour of the regulated large transnational corporations).

The failure of the two-handed system is best documented by a recent contribution of Bonica et al. (2013) with its illuminating title ("*Why Hasn't Democracy Slowed Rising Inequality?"*). Why, in other terms, we assist to growing inequality (with the number of the richest individuals summing up to the same wealth of the poorer half of the planet having dramatically fallen over the last decade)[3] if the small number of the richest represent a negligible minority of voters at elections? Bonica answer is that the top rich accounted for 40% of electoral funds at US Federal elections in 2012, up from around 15% in 1980. This finding implies that we cannot just rely on representative democracy (and on the second visible hand of institutions) for the solution of the problem of marginalisation and of social/environmental sustainability. And that grassroot participation cannot be limited to the electoral vote if it aims to be effective. These considerations help to understand the urgent need of the development of a four-handed system where active citizens (the third hand) discover the immense power they have when voting everyday with their consumption and saving choices (beyond many other forms of participation not involving the vote-with-the-wallet) and responsible corporations (the fourth hand) supported by the vote with the wallet make social and environmental responsibility a new competitive dimension. The civil economy paradigm has deep roots in the Christian Social Doctrine. To document this point we present some of the most relevant implicit references to it in the most recent Encyclical letters and Pontifical documents in our Appendix.

The four-handed economic system going beyond the three (anthropo-

[2] The literature of the political business cycle dates back to the seminal paper of Nordhaus (1975) and has developed for decades since them. See among others Persson and Tabellini (1980), Alesina et al. (1997) and Drazen (2000).

[3] The number was calculated to be 62 in the last (2016) Oxfam Report down from 388 in 2010 (https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bp210-economy-one-percent- tax-havens-180116-en_0.pdf).

logical, corporate and value) reductionisms using the lever of the vote with the wallet is not just theory, it is already in action.

Some qualifying examples

The 2014 KPMG world report on globally conscious consumers registers, vis-à-vis the 2011 report, an increase of 10% of respondents willing to pay more for products of socially and environmentally responsible companies (with a share ranging from 40 to 64% around the different continents).

In May 2016 the network of the world fairtrade organisations organized the World Fairtrade Challenge asking consumers around the world to buy fairtrade coffee using the web. The result has been the equivalent of 1,8 million of coffee cups consumed between 15 and 17 of May.[4]

The Italian Slotmob movement originated from the decision to contrast the diffusion of slot machines in cafeterias. In the last two years the movement has gathered more than 100 organisations and around 10000 people who participated to more than 200 slotmobs around Italy. Slotmobs are public manifestations where groups of supporters gather at local cafeterias to buy products there in order to award the owners for their decision not to host slot machines inside. The Slotmob movement had a relevant political impact in Italy contributing to the decision of several local administrations and regions to limit the diffusion of slot machines with proper regulation. At a national level the bottom-up pressure of the Slotmob movement contributed to the issue of a law banning advertising on gambling in all-round TV channels.

The most successful contemporary example of vote with the wallet is probably occurring in finance in the field of investment funds where a coalition of funds (totalling at July 2016 around 10 billion dollars of managed assets) signed the Montreal's pledge in September 2014.[5] Signers of the agreement committed to measure the carbon footprint of their portfolios with the goal of progressively reducing it. The move has increased economic convenience and pressure on the energy industry and on all other industries to move toward environmental sustainability.

The above-mentioned facts are examples of the fourhanded civil economy in action where the engagement and bottom-up pressure of the civil society helps to create consensus for social and environmental sustainability.

[4] http://www.fairtrade.net/new/latest-news/single-view/article/world-fairtrade-challenge-more-than- 18-million-coffee-lovers-join-the-worlds-largest-coffee.html

[5] http://montrealpledge.org/

The civil economy approach, by emphasizing the role of the two additional hands does not want to neglect or minimize the traditional role of markets and institutions. Its starting point is that in the global economic system the two hands cannot work without proper support from the other two. And that, enunciating what is good or demanding that human or constitutional rights be respected, is absolutely insufficient to solve a problem (the quote at the beginning of this introduction is illuminating on this point view). The probability of creation of a good law strictly depends on the social consensus created around it and, even if a good law is created, its probability of survival, enforcement and execution depends on proximity and consistence between the legal norm and the social and moral norms. Seen in this perspective the civil economy aims to work on the creation of sound and adequate social norms that can support the creation of good laws.

The paper that follows explains how on these premises the civil economy paradigm can solve the marginalization problem. It is divided into six sections. In the second section we elaborate and discuss two definitions of civil economy. In the third section we illustrate the path of progress in theoretical and empirical research along the directions indicated by the civil economy definitions (behavioural economics against anthropological reductionism, corporate responsibility against corporate reductionism and objective and subjective wellbeing indicators beyond GDP against value reductionism). In the fourth section we illustrate characteristics, potential and limits of the vote with the wallet as a crucial tool of the fourhanded civil economy allowing the hands of responsible citizens and corporations to complement the work of the two traditional hands of markets and institutions. In the fifth section we illustrate the most promising policy measures and directions of progress that may help civil economy to solve the problem of marginalization. The sixth section concludes

2. Two definitions of civil economy (and how civil economy is crucial to overcome marginalisation)

Based on what anticipated in the introduction the civil economy paradigm can be better understood with the two definitions that follow.

According to the first definition, *civil economy is a paradigm that aims at broadening our perspective by going beyond three (anthropological, corporate and value) reductionisms.*

For *anthropological reductionism* we mean the approach that models the human being as homo economicus, that is, as a purely (and myopically) self-regarding individual whose utility/happiness can grow only if his

own disposal of goods and monetary endowments grow. It is important to emphasize that going beyond anthropological reductionism does not mean abandoning the rationality paradigm that ensures consistence between means and ends (and, with it, the utility maximisation approach that implies the best use of means in order to reach ends). The alternative proposal of the civil economy paradigm states that the human being is not just animated by myopic self-interest but as well by longsighted self-interest (where happiness of the other human beings is essential for my happiness) and a mix of other regarding preferences such as reciprocity, altruism, inequity aversion whose existence has been widely demonstrated by experimental evidence behavioural economics.[6]

For *corporate reductionism* we mean the approach that models corporations as pursuing the goal of maximising profits, that is, prioritising hierarchically the interest of one stakeholder (the shareholder) over those of the other stakeholders (workers, consumers, suppliers, local communities). The alternative proposal of the civil economy paradigm is that companies should be socially and environmentally responsible shifting their goal from profit maximisation to the satisfaction of the interest of a wider set of stakeholders. This does not mean that profit is not valuable (being essential to accumulate internal resources for investment), but just that it is not the value to which all other goals and interests (human rights, workers' dignity, environmental sustainability) can be sacrificed.

For *value reductionism* we mean the approach by which the pursuit of wellbeing coincides with GDP growth (under the implicit assumption that GDP growth is a sufficient indicator in capturing subjective wellbeing). The alternative proposal of the civil economy paradigm is that community wellbeing does not coincide with the flow of goods and services produced in the geographical area where its members live, whereas wellbeing is the stock of spiritual, relational, environmental, economic and social goods that the community can dispose of and enjoy in a given geographical area. This broadened concept of wellbeing does not limit itself to GDP but does not exclude it from its wider circle.

[6] As a synthetic reference in the literature on other-regarding preferences see contributions on the existence of elements of (positive and negative) reciprocity (Rabin, 1993), inequity aversion (Fehr and Schmidt, 1999, and Bolton and Ockenfels, 2000), other-regarding preferences (Cox, 2004), social welfare preferences (Charness and Rabin, 2002), and various forms of pure and impure (warm glow) altruism (Andreoni, 1989 and 1990).

According to the second definition *civil economy is the move from an old-fashioned two-handed to a novel fourhanded paradigm*. In the two-handed approach the invisible hand of the market and the visible hand of institutions (where the latter possess the three properties of being benevolent, fully informed and so strong not to be captured by regulators) are enough to reconcile the self-interested pursuit of *homines economici* and profit maximising corporations with the common good. In the fourhanded approach of the civil economy paradigm the two (visible and invisible) hands of markets and institution fail to reconcile private and social optimum if acting alone. In order to work properly they need the complementary action of two additional hands. The third hand is the hand of other-regarding citizens acting as responsible consumers and investors with the vote with the wallet (see section 4) or playing various roles of active citizenship. The fourth hand is the hand of companies that depart from the reductionist profit maximisation goal to satisfy the interests of a wider set of stakeholders.

As it is clear from what stated above the two definitions are strictly connected. Without departure from corporate and anthropological reductionism there is no action of the third and fourth hand and no move from the two-handed to the fourhanded system which is characteristic of the civil economy paradigm.

The civil economy paradigm performs much better than the traditional paradigm in overcoming marginalisation.

In the standard paradigm anthropological and corporate reductionisms prevent human beings and companies from caring about the wellbeing of the marginalised (unless this coincide with their myopically self-regarding interest). The two hands of the market and institutions are not strong enough to solve in favour of the marginalised the problem of the negative social and environmental externalities that can be generated by the reductionist behaviour of corporations and human beings. The invisible hand of the market (competition), when it works, acts only in favour of consumers endowed with sufficient purchasing power by raising their surplus with lower prices. It does not ensure per se that, beyond the low price, the dignity of workers is respected and, by doing so, it neither covers nor it cares about the wellbeing of this fundamental stakeholder. The distribution problem left aside by the market should be obviously tackled by the second visible hand of institutions. The problem here is that institutions are often neither benevolent, nor fully informed and so strong not to be captured by the regulated. In addition to it, as shown in the introduction, their action is too influenced by the interest of the top 1% class that has a dominant

power in determining political and cultural outcomes and does not generally care about redistribution and policies for the marginalised (Bonica et al., 2013). In other cases such as those of the provision of global public goods (i.e. contrast to climate change and global warming) the visible hand of institutions is too complex to be activated since decision makers are sovereign states and there is often no enforcement power over them for the violation of collective agreements and international treaties. It is from the observation of so many institutional failures that the need for the fourhanded solution proposed by the civil economy paradigm originates.

3. Scientific pathways of progress for civil economy

As it is clear from what discussed above the first definition of civil economy opens the way to three important directions of research. The three sections that follow will resume what does it mean thinking and modelling the human being, corporations and wellbeing in a broadened non-reductionist perspective and testing empirically whether human beings go beyond the homo economicus paradigm, companies go beyond the profit maximisation paradigm and whether it makes sense to conceive wellbeing beyond the GDP paradigm (sections 3-1-3.3). In the other sections that follow (4-4.8) we will operationally explain how we can move toward the civil economy paradigm and which policy measures may help us to reach the goal that will allow us to exploit the three broader perspectives in order to fight successfully marginalisation.

3.1 Beyond value reductionism

The main interest in pursuing this important field of theoretical and empirical investigation that aims to overcome value reductionism in direction of the civil economy comes from the same politicians. When they became aware with the Easterlin paradox and several other historical episodes of the decoupling between GDP and subjective wellbeing[7] they understood that the former cannot be a synthetic indicator of voters' satis-

[7] Among the most relevant examples in the last decade we remember the loss of Bulgarian elections of the ruling party after a 3% growth in its 2001-2005 mandate, the decoupling of happiness and GDP very close to that shown in the Easterlin paradox in Egypt at the eve of the Arab spring and the more recent loss of political election of the Irish government who arrived at the election with a rate of growth of 6.6% achieved just before them.

faction helping to predict the probability of their re-election.[8] This awareness opens the way to the research on objective and subjective wellbeing indicators beyond GDP. It is not our goal to survey this immense branch of the literature.[9] What is important here is that the Easterlin paradox and the debate that followed can be viewed as symbolic thresholds marking the beginning of a new and promising field of research.

The crucial issue in this literature (and in its practical consequences) is in moving from a single indicator (GDP) to a set of indicators with the implied problems of selection and weighting of different components and aggregation into a synthetic measure (see among others Munda and Nardo, 2003; Massoli et al., 2014 and Zhou et al., 2006). In order to achieve this goal the two main paths are the statistical and the expert weight approach. The statistical approach uses methodologies such as principal component analysis to eliminate statistical redundancy. The expert weight approach uses the subjective evaluation of a group of experts (or of a representative sample of citizens) to define proper weights.

Another crucial issue in this field of research is the distinction between subjective and objective indicators. Both of them have critiques. The first are subject to the Sen's "happy slave" critique[10] since the poor can lack of confidence in the possibility of improving their conditions so that the

[8] The well known passage illustrating in words this decoupling in the Kennedy 1968 speech to students of Arkansas "*Our Gross National Product, now, is over $800 billion dollars a year, but that Gross National Product – if we judge the United States of America by that – that Gross National Product counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for the people who break them. It counts the destruction of the redwood and the loss of our natural wonder in chaotic sprawl. It counts napalm and counts nuclear warheads and armoured cars for the police to fight the riots in our cities. It counts Whitman's rifle and Speck's knife, and the television programs which glorify violence in order to sell toys to our children. Yet the gross national product does not allow for the health of our children, the quality of their education or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country, it measures everything in short, except that which makes life worthwhile. And it can tell us everything about America except why we are proud that we are Americans. If this is true here at home, so it is true elsewhere in world*." 1968 speech to Kansas students.

[9] See among others Veenhoven (1993), Blanchflower and Oswald (2004), Frey and Stutzer (2002), Stevenson and Wolfers (2008), Bartolini et al. (2008) and Easterlin and Angelescu (2009).

[10] "*The defeated and the downtrodden come to lack the courage to desire things that others more favourably treated by society desire with easy confidence"* (Sen, 1985: 15).

absence of a gap between their expectations and realisation yields good subjective wellbeing in spite of dismal objective conditions. On the other hand, objective indicators (and GDP as well) are all subject to the paternalistic critique since it is a group of experts that decide by setting wellbeing standards what is good and what are the wellbeing goals to achieve for the overall population. In this respect, the process of construction of the set of BES (*Benessere Equo e Sostenibile* or sustainable and equitable wellbeing) indicators in Italy is an example of how these critiques can be overcome. The three-step process started with a consultation of different representative members of interest groups of the Italian society that defined 12 wellbeing domains. Groups of experts worked in each domain to produce a mix of subjective and objective indicators. The indicators were validated by the representatives of the Italian society in a third step.

The most important finding of this approach is that, even though wellbeing indicators have methodological limits, they perform better in predicting citizens' satisfaction than GDP. Becchetti et al. (2016) show on this point that synthetic BES measures perform much better than GDP at regional level in predicting regional life satisfaction. This finding implies that, in spite of the methodological difficulties, this field of research beyond value reductionism is promising and urgently needs to be further developed

3.2 Beyond corporate reductionism

Profit maximisation has been and was so much the norm in the Ptolemaic two-handed economic paradigm that alternative ways of modelling corporate constrained maximisation problem have been conceived and tolerated as rare exceptions. The reconciliation of corporate private optimum with social optimum was granted by the two-handed paradigm. The invisible hand of the market transformed a sum of self-interested corporate goals of profit maximisation into the social goal of low prices and high consumer surplus through market competition. The invisible hand of the market was so far from a laissez faire mechanism that its functioning had to be granted by the existence of antitrust authorities and articulated regulation. The "visible" hand of institutions addressed the remaining market failures (negative externalities) by intervening with proper taxes and regulation. The Pigou tax[11] raising the marginal cost of pollution in order to bridge the gap between social and private cost of it was a classical example of this approach.

[11] Pigou, A.C. (1920). *The Economics of Welfare*. London: Macmillan.

The open-economy globalised scenario however creates a new framework in which the two-handed paradigm cannot work. Consider again a carbon tax à la Pigou that raises the private (corporate) cost of producing with negative pollution externalities and therefore the cost of producing domestically. The effect of a Pigou tax in only one country is that of rising the corporate cost differential across countries and triggering delocalisation thus creating a trade-off between environmental sustainability and domestic economic development. The only way to avoid a race to the bottom on environmental and labour costs is a world Pigou tax that is far from looming at the horizon given the difficulty of creating international agreements among sovereign states or international institutions on such rule and on its enforcement and application.

This is one of the main reasons why corporate social responsibility has emerged in the last decades as a departure from the profit maximisation approach: concerned individuals realized the limits of world rules in this direction and increasingly started to demand transnational corporation to behave in a responsible way.

However the rationale for going beyond corporate reductionism is not just that of amending some market failures that the invisible hand of competition and the visible hand of institutions cannot solve. If this were the case we would validate the view of Ward (1958) and Furubotn and Pejovich (1970), among others, arguing that non profit maximising companies (i.e. cooperatives in their specific reflection) find just temporary reason of existence since they are asked to solve some temporary pitfalls of the two-handed system (i.e. efficient provision of public goods and services through the market) until markets and rules will be perfect. In this perspective the existence of non profit maximising corporations will not be justified anymore and the latter should disappear when such perfection will be achieved (even though there are solid grounds to believe that this day will never arrive). The already mentioned KPMG survey shows however that this is probably not going to happen for an additional reason if 67% of the individuals interviewed in the five continents say that they aspiration is to work in a socially responsible company. Hence non profit maximising corporations find a more profound ground for existence than that mentioned above as they are designed to fulfil the ideals and aspirations of those who want to work in them. And such aspirations are linked to the social impact of corporate action. If this were the case the Ward (1958) position could be reversed. Profit maximising corporations (and not non profit maximising corporations) are intermediate and imperfect stages of realisation of human

aspirations that could give the way once efficient enough non profit maximising companies will appear on the market. The recent development of a new vintage of "more ambitious" entrepreneurs prioritising impact over profits and the rise of B-corporations (Clark et al. 2013) pursuing the same goal seems a promising move in this direction.

In the meanwhile one of the main objects of analysis in this specific field of research beyond corporate reductionism is the comparison of the relative performance of conventional versus CSR companies. This is because CSR companies can survive and prosper only if they prove to be competitive with traditional companies. The well-established synthesis of findings here is that corporate social responsibility entails some costs related to the satisfaction of stakeholders interest (ie. better working conditions, respect of human rights along the value chain, introduction of environmentally sustainable goods and/or productive processes). Such costs can be offset by potential benefits such as the reduction of the risk of conflicts with stakeholders, higher intrinsic motivations for workers who respond with higher productivity, increase in the value of the intangible of corporate reputation, innovation through environmentally sustainable and/or energy saving product/processes that may improve corporate productivity.[12] Last but not least, CSR oriented companies may enjoy the vote with the wallet of responsible consumers (see section 4 that follows). The economic benefits related to these factors are obviously not time invariant and depend also on the institutional rules of the game and on the degree of sensitiveness of consumers/investors to vote with the wallet issues. This is why the dispute on the relatively higher competitiveness and productivity of conventional versus socially responsible firms cannot, by definition, be definitely solved.

3.3 Beyond anthropological reductionism

One of the main claims of the civil economy paradigm is the urgent need to go beyond anthropological reductionism. The *homo economicus* paradigm states that human beings are individuals whose utility/happiness depends solely on the growth of their money holdings and/of the set of goods and services of which they dispose. It does not matter that the two-handed economic paradigm claims "*not to be committed to any particular view of how human minds work"* and "*remains the same whether [players in game theory] are Attila the Hun or St. Francis of Assisi*" (Binmore and Shaked, 2010).

[12] On the CSR literature see among others Kitzmueller and Shimshack (2012).

The reality and practice of the vast majority of economic models (and almost all that is taught in Economics and in business schools) closely reflects the *homo economicus* paradigm without considering the introduction of other-regarding preferences.

In its narrower, purely self-regarding version the *homo economicus*, is sad, minority and socially harmful.

He is sad because life satisfaction studies document in various ways that materialist views are negatively correlated with subjective wellbeing and that hedonic adaptation makes the enjoyment of additional amounts of money a short-term phenomenon (Kasser, 2002).

He is minority since a well-known meta-paper of Engels (2010) elaborating on data from 328 different Dictator game experiments around the world (20,813 observations) finds that the *homo economicus* conduct is followed only in one third of cases and concludes that "*While normally a sizeable fraction of participants does indeed give nothing, as predicted by the payoff maximisation hypothesis, only very rarely this has been the majority choice. It is by now undisputed that human populations are systematically more benevolent than homo oeconomicus*". He is socially harmful, technically a "social idiot" in the Amarthya Sen's definition, since he is unable to solve social dilemmas that are the basic condition of human and economic interactions. The game theoretical literature has modelled such dilemmas in several ways (prisoner's dilemmas, trust investment games, traveller's games, etc.). Without going into technical details some of the essential features of these dilemmas are synthetically described in this well known Hume's aphorism

"*Your corn is ripe to-day; mine will be so tomorrow. It is profitable for us both, that I should labour with you to-day, and that you should aid me to-morrow. I have no kindness for you, and know you have as little for me. I will not, therefore, take any pains upon your account; and should I labour with you upon my own account, in expectation of a return, I know I should be disappointed, and that I should in vain depend upon your gratitude. Here then I leave you to labour alone: You treat me in the same manner. The seasons change; and both of us lose our harvests for want of mutual confidence and security*" *(Hume Treatise on Human Nature, 1740, book III).*

The main features of social dilemmas are that most social and economic endeavours are collective realisations where there is a cooperative equilibrium that would yield the best outcome to both players. Such equilibrium is however often not attained due to lack of trust and the result is a subop-

timal non cooperative solution.[13] Even though trust may just be strategic and unrelated to other-regarding preference it is however well known that altruism may significantly contribute to it solving the social dilemma.

The obsessive focus on the homo economicus model prevented as well the economic discipline to discover the existence and potential of the "electron" of relational goods that are a crucial factor for satisfaction and fulfilment of our lives. Technically speaking relational goods consist in the enjoyment produced by consumption, production and investment in activities that cannot be realised alone (i.e. club or association membership, friendship or love relationship, participation to team sports, etc.). Relational goods are local public goods that are antirivalrous and (locally) non excludable. It has been shown in many recent empirical contributions how relational goods play a crucial role for life satisfaction and how relational good shocks are among the most important causes of the insurgence of pathological illness among the elders (Becchetti et al., 2008). If the economic discipline falls behind in understanding the importance of relational goods, the latter is absolutely clear to entrepreneurs since social networks (who sell the opportunity of cultivate relational goods at distance) have proven to be among the most profitable enterprises in the last years. Relational goods may also be crucial in solving the above described social dilemmas: trust and cooperation are much more natural and easily achievable in warm relational contexts where their violation entails high relational costs to participants.

4. A crucial tool of the civil economy strategy against marginalisation: the vote with the wallet

The crucial lever to move from the two-handed to the fourhanded system with its much higher potential to fight marginalisation is the vote with the wallet.

For vote with the wallet we mean the power that any citizen has as consumer or investor of voting for (choosing) the company that is at vanguard in the three-sided efficiency that consists of creating economic value in a socially and environmentally responsible way. As mentioned in the introduction democracies fail to address the main market failures (related

[13] The same vote with the wallet game discussed below (section 4) as the crucial lever of the civil economy paradigm to fight marginalisation is a special version of a social dilemma and the possible solutions to solve it in order to avoid the non cooperation trap will be discussed in the policy section of the paper (section 5).

social and environmental sustainability) if citizen's participation is limited to the electoral vote. The vote with the wallet is much more powerful than the electoral vote since even small shares of consumers/investors changing their vote may affect significantly corporate conduct given that entrepreneurial success depend also on tiny changes in market share in highly competitive global markets.

The vote with the wallet has three main properties: it is *pragmatic*, *an act of (long-sighted) self-interest* and highly *contagious*. It is *pragmatic* since it is not wishful thinking, a utopic conception of an ideal world that is far from the reality and out of reach. This is because, with the vote with the wallet, consumers/investors award with their choices an existing top-ranked company that is at the frontier in the capacity of creating sustainable value and has demonstrated to be able to do it today while surviving and being competitive on global markets.

The vote with the wallet is an act of *longsighted self-interest*. It is in the ultimate interest of consumers/investors to award environmentally sustainable companies so that green and healthier products can win on the market thereby improving their own life in terms of pollution reduction, successful challenge to climate change and health. It is as well in the ultimate interest of consumers/investors to award socially sustainable companies that give dignity to human labour since the consumers/investors are generally as well workers and their interest is in having a market were corporations give dignity to workers. Last but not least, it is in the ultimate interest of

consumers/investors to award fiscally sustainable companies so that the market winners are companies that avoid tax dodging practices and finance local welfare with their taxes.

The vote with the wallet is highly *contagious* since small shares of citizens voting with the wallet may trigger changes toward corporate social, environmental, fiscal sustainability. Several papers in the literature have demonstrated theoretically this point in duopolies or oligopolies where product differentiation is modelled along the two coordinates of prices and social responsibility. In most of these models the entry of a responsible pioneer triggers imitation in responsibility as the best competitive reaction of the incumbent under reasonable parametric conditions (Becchetti and Solferino, 2011).

Based on these characteristics the vote with the wallet has in principle the property of being a solution to the problem of marginalisation and of social and environmental sustainability: if today all consumers/investors understand that it is their longsighted self-interest to vote with the wal-

let and act accordingly corporations are forced to be responsible and the world is changed today.

What are the obstacles that prevent this to occur in the current economic reality?

In order to understand it we must write and discuss the following inequality modelling the utility differential arising from voting versus non voting with the wallet. In its simplest perfect information/no search cost version the formula tells us that consumers/investors will vote with the wallet if the inequality is positive or $\varpi\beta+\alpha-c>0$ (1)

There are four crucial elements in the formula:[14] i) c is the price differential between the responsible and the conventional product and is generally higher than zero taking into account that sustainable products may and often cost more than conventional products (i.e. electric cars versus traditional cars, fair trade coffee vs traditional coffee, etc.); ii) α is a nonnegative nonmonetary argument in the utility function measuring the utility related to the choice of the responsible product. α is assumed to be nonzero and positive if the individual has some kind of other regarding preferences (i.e. inequity aversion, altruism, taste for environmental responsibility) such that the purchase of the responsible product gives her/him a form of satisfaction;[15] iii) β is the public good created by the act of voting with the wallet. This public good may be composed of two elements, the first being the public good incorporated into the responsible product (i.e. by buying an electric car I reduce pollution), the second being the impact that the action has on the behaviour of corporations competing with the responsible firm inducing them to more responsible behaviour; iv) ϖ (ranging between zero and one) is the share of consumers voting with the wallet.

[14] More in detail, the inequality is the utility difference between the choice of the responsible versus the conventional product where individuals are assumed as having a simplified utility function where the public good component and the costs of buying the product enter linearly. More complex versions assuming more elaborated functional forms for the effect of the public good component and utility of money can be devised without substantially changing the result of the simplified inequality in (1).

[15] An obvious critique to the vote with the wallet framework may concern the heterogeneity of views and values that translate into heterogeneity of CSR tastes. Such heterogeneity can be expressed along the range of values of α. Empirical evidence on this point however documents that views on some crucial issues of corporate responsibility are extraordinarily common and shared among experts and the public opinion, and among different value and religious views (Becchetti et al. 2016).

This fourth parameter is multiplicative in β since the public good effect of β depends on the share of consumers voting with the wallet.

The formula clearly shows that the main problem of the vote with the wallet is a problem of coordination. With ϖ close to one everyone votes with the wallet and the maximum political effect is generated. With ϖ close to zero the vote with the wallet act is politically irrelevant and will be done only if the psychological nonmonetary satisfaction is higher than the cost differential. Becchetti and Salustri (2015) demonstrate that, under reasonable parametric conditions, the vote with the wallet is a Prisoner's dilemma, that is, in the socially optimal equilibrium all players vote with the wallet. This equilibrium Pareto dominates the equilibrium in which all players choose the conventional product, which is unfortunately the Nash equilibrium of the game. They also show that the parametric interval of the Prisoner's dilemma gets wider as far as the number of players grows as it is the case in mass consumer markets. What this means outside the model is that the vote with the wallet must overcome a serious coordination problem. The above quoted Hume paradox applies here: even though the cooperative choice (all players buy the responsible product) would be better for everyone the suspect that the other will not cooperate makes the non cooperation strategy optimal from a *homo economicus* point of view.[16] In other terms, a joint vote with the wallet action of all the population would change the market but coordination of many individual consumers is very difficult to achieve even though the internet era makes such coordination technically easier (as shown by the FT Challenge described in section 1).

A more elaborated version of the vote-with-the-wallet inequality is the following $\varpi E[\beta]-\gamma\sigma^2+\alpha-c1-c_2>0$ (2) where $\beta= \beta_0+\varepsilon$ with ε $(0, \sigma^2)$

The two (realistic) elements of complexity added here are the uncertainty of risk averse consumers/voters about the responsible characteristics of the products – whose political impact has now a deterministic component $\beta 0$ and a stochastic zero mean component ε - and the search cost differential (c_2) that sums up to the price differential (c_1). On the first point, as is well known, we must consider that corporate responsibility is not an experience good (that is, a good whose asymmetric information problem

[16] A typical stylized fact of experiments in behavioural economics is that the majority of individuals behave as conditional cooperators against small minority of unconditional cooperators. This vast majority of conditional cooperators progressively stops cooperating when seeing that other players do not cooperate as well. The decay of cooperation over time is therefore a typical finding in this literature.

may be overcome by the high frequency of purchasing habits as it can be for the taste of an ice-cream that we have never tried before). The solution to the problem of the asymmetric information on the responsibility features of the product is therefore delegated to third parties such as labels, rating agencies, certification entities, whose reputation depends on the reliability of their evaluations. The second element of complexity is related to the fact that responsible products may have worse distribution channels thereby suffering from a positive search cost differential. It is not a case the per capita consumption of fair trade product is higher in Northern European countries where distribution is much more widespread.

The two (simple and augmented) formulas in (1) and (2) clearly illustrate why the enormous potential of the vote with the wallet is still far from being achieved. They as well indicate the directions for future progress. In order to make the vote with the wallet more attractive to the citizen/consumer/investor it is necessary to: i) make the public opinion aware of its potential and to create coordination mechanisms that can rise ϖ; ii) reduce the cost differential if compatible with the maintenance of the social and environmental responsibility features of the product; iii) reduce distributive problems that create the positive search cost differential; iv) create a better information infrastructure allowing citizens to know corporate performance on social and environmental responsibility.

Some tentative policy measures related to these directions of progress will be discussed in the section that follows.

4. Political pathways of progress for civil economy: 9 directions

In the sections that follow we discuss some potential policy solutions (most of them already activated and representing promising directions for achieving the goal of common good) that may make it easier the positive outcome of (1) or (2) and help to understand how in the reality the four-handed civil economy paradigm going beyond the three (anthropological, corporate and value) reductionisms can help to fight marginalisation.

4.1 The role of ethical investment funds and further progress in this direction

A first straightforward solution to the inequality that can render the choice of the responsible product more convenient is cutting the cost differential (c). This has obviously to be done without endangering the specificity of the responsible product (i.e. part of the cost differential may be due to the decent pay that preserves the dignity of labour and, as such, cannot be compressed). The field where this is easier is definitely responsible finance.

Becchetti et al. (2015) and Nofsinger and Varma (2014) demonstrated that the risk-adjusted returns of ethical investment funds voting with the wallet (i.e. pursuing active portfolio strategies that include in the portfolio only stocks above a given responsibility threshold) are not significantly different than those of conventional funds. More in detail, the ethical investment funds face in principle three extra costs: i) acquiring corporate responsibility information from ethical risk agencies; ii) excluding from their portfolios companies that loose the responsibility characteristics even when it could not be profitable to do so; iii) limiting the universe of investable stocks to the subset of companies that overcome the minimal responsibility threshold. It can be demonstrated that the third cost tends to zero when the subset of responsible stock is large enough and that the other two extra costs do not affect significantly fund performance. From an empirical point of view Nofsinger and Varma (2014) confirm what mentioned above and show that ethical investment funds have performed better than conventional funds during the global financial crisis. Based on these considerations we therefore understand why the market share of ethical investment funds out of the total of assets under management has grown enormously in the last decade and why the strongest bottom-up vote with the wallet pressure on global markets is actually that of ethical investment funds (see the data on Montreal's pledge in the introduction). What needs to be done in the future is to strengthen this instrument of action to fight marginality. The most promising directions are the definition of a *labour dignity footprint* and of a *managerial compensation footprint*[17] to create in these two specific fields the same successful pressure created on the environmental domain with the carbon footprint. The other crucial issue in this perspective is to bridge the gap between ideals and values of benevolent institutions and their investment decisions. Why institutions such as churches, trade unions, foundations, local administration that have enlightened goals oriented to

[17] The managerial compensation footprint consist in verifying whether the company adheres or not to a series of rules for optimal compensation including proportionality between fixed and variable wage, existence of clawback rules, proper time windows for the measurement of managerial performance for stock option or bonuses. The most important measure is however the presence of social and environmentally responsible key performance indicators for the definition of managerial performance. Without them the risk is that bonuses based only on profits or stock values enhance distributional conflicts in the company. This occurs when there is no value added growth and the manager has the incentive to compress remunerations of other stakeholders in order to raise profits and cash the bonus.

the global common, labour dignity and fight of marginalization do not invest their wealth in ethical investment funds using the vote with the wallet approach (provided that there is no loss of returns in doing it)? What is the sense, for instance, for a trade union that fights for labour dignity, of investing wealth of their own pension funds into company that are at the bottom of social responsibility in this specific CSR domain? The historical experience tells us that institutions have unfortunately much more constraints and opportunity costs in taking this choice and that the market for ethical finance has mainly developed so far for the demand of individual responsible investors. The removal of such constraints and opportunity costs will be fundamental in the future for the development of this market and for the fulfilment of goals of enlightened institutions.

4.2 Strengthening the information on corporate social responsibility (compulsory CSR information and corporate advisors)

If we look at the augmented formula (2) of the vote with the wallet we understand that the reduction of informational asymmetry is a crucial direction of progress. If we reasonably assume that individuals are risk averse, more information on indicators measuring social and environmental sustainability of individual companies could reduce their information risk thereby raising the share of consumers/investors voting with the wallet. The main policy measure to be supported here is compulsory information on social and environmental indicators in balance sheets. A qualifying example is the law Grenelle in France fixing at 500 employees the threshold above which such information is compulsory. Other countries adopting similar laws are India, Indonesia and UK (for carbon emission information only) (KPMG, 2015). The European Union will make the Grenelle Law compulsory for all member countries by the end of 2017.

The goal of the improvement of information infrastructure on CSR can however be achieved more successfully with a combination of public and private initiative. A promising innovation in this direction is the development of the market of collective reputation. In this market informational asymmetries are bridged by quality scores aggregating evaluations of individual customers (as in TripAdvisor stars). The market for collective reputation has grown considerably in parallel with the sharing economy. In the sharing economy the traditional distinction between suppliers represented by companies with established reputation and consumers is blurred. The traditional corporate structure is disintegrated and staff workers sell directly their products/services to the web platform, while

the distinction of roles between demand and supply fades and many consumers become pro-sumers (that is, they chose whether to be supply or demand according to the circumstances). In these new markets (i.e. car travel services offered by private drivers as in Blablacar, rents of private houses as in Airbnb, organization of dinners as in Gnammo) the issue of reputation of a multiplicity of pro-sumers that want to sell their goods/services without established background is solved by the collective reputation system since any supplier is identified on the web with the synthetic quality score from previous performances calculated as an average of previous customers' evaluations.

The birth and growth of large players in the market of collective reputation such as TripAdvisor is playing a crucial role in reducing informational asymmetries on quality generating a significant growth of tourism revenues. This is because, with the birth of such market, small producers of high quality can bridge the informational gap with customers with reduced advertising costs.

The needed innovation here in the perspective of the fight against marginalization is the rise of a Corporate Advisor, that is, a player in this market that aggregate evaluation and produces corporate scores not just on product quality but also on social and environmental responsibility. In an ideal world with no asymmetric information any consumer has the information about the CSR score of any company and therefore disposes of all information to choose between the sustainable and the conventional product.

4.3 Balanced budged tax/subsidy schemes incentivizing the vote with the wallet

The other obvious policy suggestion given our inequalities (1) and (2) is a balanced budget tax/subsidy scheme where the individual choosing the responsible product receives a subsidy paid by an extra tax charged on the individual choosing the conventional product. This policy measure changes (1) into $\varpi\beta+\alpha-c+s-t>0$ (1') where s is the unit subsidy perceived when choosing the responsible product and t is the unit tax paid when choosing the conventional product.

This policy measure has strong theoretical grounds. If we make the example of the gambling tax/subsidy scheme applied in 5 Italian regions, cafes with slot machines pay a higher corporate tax rate while those without slot machines pay a lower tax rate. The logic is that the former are producing a negative externality (gambling addiction) that implies extra costs for the government budget (anti-addiction therapies). Another well

known example of similar mechanisms are feed-in tariffs that grant a subsidy to individuals using solar panels for producing energy paid by those using conventional sources of energy. Couture and Gagnon (2010) document that feed-in tariffs are applied in 62 legislations around the world. A third mechanism is the so called "Samaritan Tax" where efficient provision of food and product wastes to charities is incentivized with a reduction of the garbage tax that will be paid by those not opting for this opportunity in a framework of balanced budget (see the *legge Anti spreco* recently approved in Italy). The convenience of the tax/subsidy scheme in the government perspective crucially depends on its zero balanced budget property. The problem therefore is that tax/subsidy rates cannot be defined once forever but must vary accordingly to the share of consumers choosing one or the other option. To make an example, if we have only one consumer installing solar panels its subsidy may be easily paid with almost negligible costs divided among all other consumers choosing non renewable sources of energy. As far as the share of solar panel installers grows the burden for the "conventional" consumers grows if the balanced budget constraint has to be met. Up to the opposite situation of n-1 consumers installing solar panels and only one consumer choosing conventional energy, with the burden for the latter that becomes clearly unsustainable. What is needed therefore is a feed-in tariff mechanism with flexible tax/subsidy rates conditional on the share of citizens choosing the two options that has the further advantage of reducing uncertainty for companies working in the field.

A new emerging literature has simulated in the lab the effects of feed-in tariffs in multiperiod vote with the wallet games. The main findings are that the traditional decay of cooperation is inverted when the tax/subsidy scheme is introduced. These findings show that human beings are for the most part "conditional cooperators", that is, if they believe that everyone will cooperate they may opt for the more costly choice that contributes to the common good and ends up producing a better private outcome. When however they realise that a significant share of individuals are opportunistic and do not cooperate they as well switch to non cooperation even when such change has a cost for them (negative reciprocity). The introduction of the feed-in tariff tax/subsidy scheme is therefore crucial to solve the dilemma. To make a concrete example the share of inhabitants driving electric car is by large higher than in Rome. The main difference between Oslo and Rome is only in part the better infrastructure and mostly the more generous subsidy scheme.

4.4 Communication and cash mobs

As clearly implied by the $\varpi\beta$ factor in (1) the crucial problem of the vote with the wallet is coordination and aggregation of a multiplicity of atomistic consumers in order to solve the Prisoner's dilemma (see Figure 1 for a well-known picture expressing this concept). The literature has proposed several solutions for the problem of coordination in these types of social dilemmas. The role of tax/subsidy schemes has been discussed in the previous section. Other authors have explored the possibility of costly private punishment showing in labs that pro-social individuals may opt for it thereby contributing to the solution of the dilemma (Fehr and Gachter, 2000). The possibility that a systemic solution to the problem may arise along this specific channel is however minimal. What we consider here is the potential of private and voluntary action on the positive side signalling to the rest of the market one's own willingness to vote with the wallet. Cash mobs (mobs where a crowd of pro-social consumers gather at a shopping place and buy the products) are a typical instrument to perform this action. Cash mobs are therefore a mix of action and communication and their role is to stimulate awareness and promote coordination of all other consumers.

Results on simulation of the effects of cash mobs reveal that an increase in the number of experiment participants that have the possibility of being cash mobbers and take this opportunity produces a significant and positive change of cooperative choices a. The slotmob campaign in Italy and the Fairtrade challenge described in the introduction are examples on how cash mobs are becoming a novel and interesting tool to make large mass of consumers aware of their vote with the wallet potential helping them to coordinate toward the cooperative outcome.

4.4.1 A new form of grassroot participation: civil wikieconomics

As it is clear from the vote with the wallet formula communication plays a crucial role for the success of this initiative in promoting social and environmental sustainability and fighting marginalization. This is because working on the awareness of the maximum number of citizens of the potential of the vote with the wallet is crucial to raise the multiplicative factor ϖ that is decisive in determining the political effect of its action. The Fair Trade Challenge mentioned in section 1 is a clear example of how communication and coordination may work in producing significant amount of responsible consumption around the world. In this respect the civil economy paradigm has created the new concept of "civil wikieconomics". As is well known the web revolution represents the second

cultural revolution. The first cultural revolution signs the passage from the era of performed arts to the possibility of mass reproduction of cultural products (books, newspapers) through the press. This revolution ensured the diffusion of cultural products to a vast number of readers at low costs. The second revolution signs the passage from the era of the press to the era of the web. The web allows the masses to be not just passive consumers of cultural products but co-producers of them. Wikipedia is an example of how a cultural product (an online encyclopaedia) can been created by a mass of producers around the world gratuitously cooperating to the creation of a global common good. The same approach should be followed for the civil wikieconomics, that is, the progressive global awareness and knowledge around the potential of the bottom-up action of the vote with the wallet. The Civil wikieconomics therefore consists in working on all the social network platforms to disseminate the contents of the idea, exchange information, inform about collective actions being organized around the word on this issue.

4.5 Voting without the wallet: the Oxfam behind the brand campaign

Another interesting example of creation of information infrastructure and stimulus to the vote with the wallet is the Oxfam Behind the Brand's campaign. The NGO created an articulated set of indicators on which experts provided evaluation of corporate conduct the 10 most important multinationals in the food industry with quantitative measures. Such measures have been aggregated into a synthetic evaluation of corporate performance along its product chain on the specific fields of "land", "water" "human rights" "transparency" "climate" "women" "farmers".

The campaign websites stimulate citizens around the world to create pressure on companies for the improvement of their scores by sending messages of approval/disapproval for their scores through Twitter or Facebook. The important point of the campaign is that of promoting a bottom-up pressure that has negligible opportunity and monetary costs for participants. In this sense the proposed action may be seen as a vote without the wallet or as a choice where the two goods of participating to the creation of a public good and enjoyment for one's on choice can be obtained without any extra-costs (c) involved. The campaign originated an important flow of messages to the 10 companies and a process of engagement by which the latter agreed to start a path of improvement along corporate responsibility. New rankings of the companies are updated every two months in order to measure their progress along this dimension.

4.6 Institutional rating stimulating the vote with the wallet: the experience of "rating di legalità" and procurement preferential treatment

Institutions may give an important contribution to the vote with the wallet promoting social and environmental sustainability by creating proper rating standards. A prominent example in Italy is the legality rating created by the Antitrust Authority.[18] The rationale is that legal companies suffer the unfair competition of illegal companies that evade taxation and dispose of an illegal and cheaper source of finance represented by money laundering. In order to offset this illegal competitive advantage the Authority gives the opportunity to companies that decide to participate of obtaining a (one to three stars) legality standard. The success of the standard in attracting the willingness to pay of responsible consumers that decide to vote with the wallet depends on proper communication and advertising of companies obtaining it. Preferential treatment in procurement for the rated companies can as well help to correct their competitive disadvantage vis-à-vis illegal companies. Ethical procurement is another crucial sector where institutions can support with their choice the vote with the wallet process. As is well known green and social procurement are already well developed. The crucial issue here is the reconciliation of the two principles of ethical responsibility and competition. The international legal tradition in this field is that procurement rules based on the requirement of ethical products and not on the exclusion of conventional firms have been successful and not banned by judges and courts.

4.7 Institutional moves to capture wellbeing beyond GDP: the Italian BES

The Italian case is a success story in the development of measures beyond GDP (see section 3.1). In June 2016 the Italian parliament approved a law requiring that the quality of DEF (the comprehensive document of economics and finance outlining all government measures of the oncoming year) should be evaluated not just in terms of impact on GDP but as well in terms of impact on BES. The problem now lies in developing proper methodologies to perform such evaluation in a synthetic way out of the 137 BES indicators and 11 domains. Research in the field of the definition of social value and social return of investment is urgently needed in this moment.

[18] http://www.group.intesasanpaolo.com/scriptIsir0/si09/contentData/view/Rating_Legalit%C3%A0_e ng.pdf?id=CNT-04-000000011635A&ct=application/pdf

4.8 Traditional policies against marginalization (not related to the vote with the wallet): the civil economy approach to an active universal measure)

Civil economics' policy measures against marginalization are not limited to the vote with the wallet issue. A main question in this phase of the globalisation characterised by high pace of innovation and growing future expected replacement of workers with machines is how to redistribute creation of wealth that inevitably tends to be concentrated in the hands of the owners of the new technologies or of the capital needed to develop them. And, with it, how to avoid marginalization of all the low skilled workers performing repetitive tasks (lacking of creative knowledge and/or skills in social activities) that are more likely to be excluded from the labour market.

Two main positions that emerge in the debate are those of a universal unemployment subsidy or of a universal citizens' income. There are limits in both. The first measure does not cover the poor (the younger and the elder) that are not in the intermediate age cohort of active population. The second, beyond its high costs, is a measure that solves the first problem but has negative impact in terms of life satisfaction and self-fulfilment since what gives dignity to human beings is their capacity of being active in the society. The proposal of the civil economy paradigm is therefore for a universal measure extended also to the non working age population conditional to the performance of an activity useful for the society (study for the younger, some form of social activity for the elder). The measure should cover the gap between actual income and the absolute poverty threshold (or some higher threshold) and should be conditional, that is, removable if the recipient does not accept the proposed social activity (if in the non active age cohort) or does not demonstrate to be actively in search of a job. The universal measure should as well be participative involving the most active and representative organisations of the civil society that

should take in charge the beneficiaries. This would ensure appropriate selection of those who are really in need, accompanying and proper monitoring of the beneficiaries during the process.

The universal active measure is fundamental to fight poverty, reduce in part inequality and sustain aggregate consumption in the economy.

4.9 Other bottom-up measures for local administrators in the logic of the civil economy paradigm

The strong focus of the civil economy paradigm on societal participation finds support in the empirical findings in the subjective wellbeing literature on the positive effect of participation on life satisfaction.

Frei and Stutzer (2005) with their concept of procedural utility among others demonstrate that the same proposal may find much more consensus if those who have to vote it have been involved in the process of their formulation. In this direction the civil economy paradigm propose a series of policy measures for local administrators stimulating grassroot participation. Typical examples of them are: i) grassroot management of local common goods; ii) multistakeholder cooperation commissions.

All these measures may have an important role to stimulate grassroot participation and fight marginalization

5. Conclusions

Marginalisation, environmental unsustainability are not illness whose remedies are still unknown and undiscovered. We know very well how these illnesses can be cured. The correct way to tackle the problem is not just to enunciate one of these remedies (see our introductory quote). What is absolutely urgent to do is to understand why the known remedies are not applied and what can help us to apply them. In this respect saying that human rights must be respected or that a world government has to be created to fight poverty is a value claim but it is absolutely irrelevant in terms of probability of solution of the problem. The true progress in the desired direction may be done by understanding the forces at work in the socio-economic system and how these forces at work may be shaped and redirected to create enough momentum for the application of the solutions.

In this respect we start by explaining why the traditional two-handed approach (where markets and benevolent institutions are expected to solve the problem) has not properly worked so far and cannot solve all the problems and why the political vote is a necessary though absolutely not sufficient form of civic participation. We start from this point to elaborate a two-sided definition of civil economy as a fourhanded system where anthropological, corporate and value reductionist perspectives are overcome for richer and broader visions of human beings, companies and wellbeing. We then discuss how the desire to overcome the three reductionist perspectives has led the way to promising research fields. We finally elaborate and discuss a core concept for the civil economy represented by the vote with the wallet, a powerful level that can crucially help the civil economy to work in solving the marginalization problem. We end up with indicating promising directions of progress and policy measures that can bring us closer to the solution of successfully contrasting marginalization.

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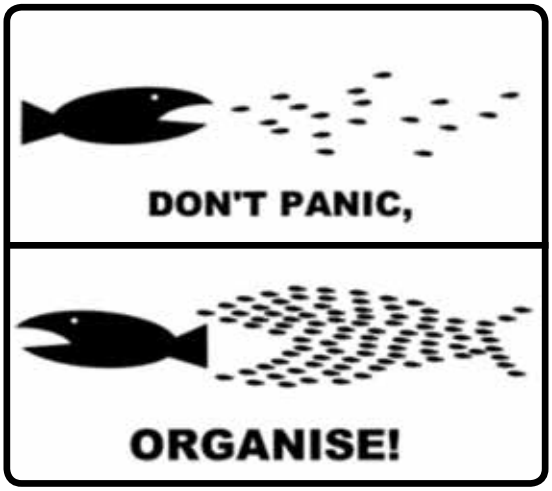


Figure 1. The coordination problem in solving social dilemmas.

Appendix

CHRISTIAN SOCIAL DOCTRINE ROOTS OF THE CIVIL ECONOMY PARADIGM

On the limits and imbalances of the two-handed system

In the course of history, it was often maintained that the creation of institutions was sufficient to guarantee the fulfilment of humanity's right to development. Unfortunately, too much confidence was placed in those institutions, as if they were able to deliver the desired objective automatically. In reality, institutions by themselves are not enough, because integral human development is primarily a vocation, and therefore it involves a free assumption of responsibility in solidarity on the part of everyone.

Caritas in Veritate n. 11

We can no longer trust in the unseen forces and the invisible hand of the market. Growth in justice requires more than economic growth, while presupposing such growth: it requires decisions, programmes, mechanisms

and processes specifically geared to a better distribution of income, the creation of sources of employment and an integral promotion of the poor which goes beyond a simple welfare mentality. I am far from proposing an irresponsible populism, but the economy can no longer turn to remedies that re a new poison, such as attempting to increase profits by reducing the work force and thereby adding to the ranks of the excluded.

Evangelii Gaudium n. 204

Keeping democracies alive is a challenge in the present historic moment. The true strength of our democracies – understood as expressions of the political will of the people – must not be allowed to collapse under the pressure of multinational interests which are not universal, which weaken them and turn them into uniform systems of economic power at the service of unseen empires. This is one of the challenges which history sets before you today.

Pope Francis speech to the European Parliament (25 November 2014)

Beyond corporate reductionism

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*.

Caritas in Veritate n. 38

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.

Caritas in Veritate n. 39

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.

Caritas in Veritate n. 40

Vote with the wallet

What is needed is an effective shift in mentality which can lead to the adoption of *new life-styles* "in which the quest for truth, beauty, goodness and communion with others for the sake of common growth are the factors which determine consumer choices, savings and investments"[123].

Caritas in Veritate n. 123

Global interconnectedness has led to the emergence of a new political power, that of *consumers and their associations*. This is a phenomenon that needs to be further explored, as it contains positive elements to be encouraged as well as excesses to be avoided. It is good for people to realize that purchasing is always a moral — and not simply economic — act. Hence *the consumer has a specific social responsibility*, which goes hand-in- hand with the social responsibility of the enterprise. Consumers should be continually educated regarding their daily role, which can be exercised with respect for moral principles without diminishing the intrinsic economic rationality of the act of purchasing.

Caritas in Veritate n. 144-145

A change in lifestyle could bring healthy pressure to bear on those who wield political, economic and social power. This is what consumer movements accomplish by boycotting certain products. They prove successful in changing the way businesses operate, forcing them to consider their environmental footprint and their patterns of production. When social pressure affects their earnings, businesses clearly have to find ways to produce

differently. This shows us the great need for a sense of social responsibility on the part of consumers. "Purchasing is always a moral – and not simply economic – act"

Laudato Si' n. 206

Generativity and fertility of bottom-up processes

One of the faults which we occasionally observe in sociopolitical activity is that spaces and power are preferred to time and processes. Giving priority to space means madly attempting to keep everything together in the present, trying to possess all the spaces of power and of self-assertion; it is to crystallize processes and presume to hold them back. Giving priority to time means being concerned about initiating processes rather than possessing spaces. Time governs spaces, illumines them and makes them links in a constantly expanding chain, with no possibility of return. What we need, then, is to give priority to actions which generate new processes in society and engage other persons and groups who can develop them to the point where they bear fruit in significant historical events. Without anxiety, but with clear convictions and tenacity.

Evangelii Gaudium n. 223

Comment on Prof. Leonardo Becchetti's Paper

Jeffrey Sachs

Thank you very much. This is a wonderful paper, and it is part of a wonderful tradition of civic economics, which Leonardo Becchetti, Stefano Zamagni, Luigino Bruni and other colleagues are promoting. I think this work of putting civic economics on the global stage is very important and something that we should very strongly support. It is grounded in the desire to overcome the reductionist fallacies that Leonardo described at the beginning. He named three: the anthropological reductionism of a completely self-interested *homo oeconomicus*, otherwise known in psychology as a psychopath who cares only about self-motivation and has no intrinsic, emotional or moral connections with others; second is the value reductionism of defining market transactions as the measure of what is good; and third is the corporate reductionism as defining the aim of enterprise to be the shareholder value. All of these have deep consequences for us, and I would say that there are two kinds of consequences to keep in mind. One is that we know, in many contexts, that a market economy depends, for its proper functioning, on what we call "prosociality", which means that a market economy cannot result in desirable outcomes unless there is a prosocial attitude of its agents. That prosociality means a number of things: first, do not cheat on your counterparts, do not have financial fraud, do not create external costs, like pollutants, do not degrade the environment in ways that harm others. And one of the great questions of economics is how to achieve those prosocial outcomes.

There is a second dimension which I would just say is "sociality", which is the idea that while prosociality is to make markets work for a society of *homo oeconomicus*, even for self-interested individuals, they have a desire for prosociality; in the sense that that is functionally important for arriving at good market outcomes or good economic outcomes. But sociality goes beyond that, it is to say that we, as social beings, not only look to our sociality to avoid cheating and fraud, and so forth, but to achieve what Aristotle talked about as friendship or kinship or camaraderie in society, and what we have talked about is inclusive solidarity.

So, it is that we have an intrinsic, not only an instrumental, desire for sociality because it is just not fun being alone in this world, it is a lot better

to be part of society and the only people who completely go alone are, as Aristotle pointed out, insane. And this is another reason why the sociality should count. So, there are really two issues that face us, one is to get the right kinds of outcomes to ensure behaviour that is functional from a social point of view, not only from an individual point of view, and the second is to reap the benefits of being social beings, because that is an intrinsic part of our well-being.

If you look at these reductionisms, they fail on both counts. They certainly fail on prosociality, in that the assumption of *homo oeconomicus* is an invitation, in fact, to behave badly – abuse of the others for the sake of getting private gain. And, that is why it is famously known that if you put economists and economics students in a room together and have them try to cooperate they do miserably. They are trained to cheat on others, as long as that is within the behavioural framework that they are acting in. If you put nurses in a room together they cooperate with each other – they are not trained to cheat on each other. Probably, in both cases, by a bit of self-selection and a bit of training, one group cooperates and the other is disposed to "defect", as we say in game theory. Maybe, it is very unfortunate that nurses do not run the world, but economists are much more likely to run the world, and that means that we are living in a much tougher environment. Of course, value reductionism, measuring things by GDP, is profoundly flawed because we do not count most of what is important in life, as Robert Kennedy famously said in 1968, and many things that we do count are ills of society rather than the goods of society.

And, finally, corporate reductionism is like *homo oeconomicus*, it is an invitation to companies to do whatever they can to raise their shareholder value, even at the deliberate cost to the rest of society. In Milton Friedman's telling, with the asterisk "as long as it is legal", that is the only standard. Not whether it is right or wrong, moral or immoral, positive or negative, in true value added, but rather whether it is legal. And that is what I quoted yesterday of Mr Shkreli who says he devotes his life to raising drug prices a thousand times higher because it is only in the service of his shareholders, after all. That is a kind of demented social view and this man probably is a clinical psychopath from everything that we have seen about him. But, in any event, it is a professional view that is held by the largest industry nearby where I live, which is Wall Street, and it is embedded by the second largest industry where I live, which is Madison Avenue, and both of them are designed to maximize share value notwithstanding the costs to others.

So, the question is how to achieve prosociality? One of the main points of civic economics is that we have a wider range of tools that we have conceived. Many of the tools include law, contract, punishment, lawsuits, and so forth, but another part of the answer is to tap into our semi-altruistic nature and be able to use that to leverage prosocial outcomes. There is a debate in economics – of course, it is a debate that goes a long way, I think the Church has given the right answer to it – "Are people altruistic or are they selfish?" And the answer is yes, they are both. The idea that altruism reigns is not right, the idea that pure selfishness prevails is not right. These are matters of choice, of morality, and I think the word that I would like to emphasize is also of cultivation; that you cultivate values, and that is what virtue ethics is about. Virtue ethics is not that people are virtuous or unvirtuous, it is that you cultivate virtue, that, indeed, a core purpose of life is to develop virtues and it is a core purpose of society to build virtues, and that is actually, of course, what the *Nicomachean Ethics* were about, not only defining what is virtue and what is *Eudaimonia*, but also how virtue is cultivated through mentorship, through habit, through example and through education; and education provided by the state, in the case of Aristotle's *polis*. So, I think that the question is what tools are available and what Leonardo is bringing in is the idea of the moral consumer and the moral producer as real potential agents in society and, of course, we see examples of this. We see consumers who buy fair trade coffee, and Leonardo gave us many examples on the screen, we see producers who abide by standards that go beyond shareholder value. So this is not a myth.

There is a major question of how to cultivate it. I am not convinced that it is as contagious as you say, because we know that virtue is partly contagious, yes, but it is also partly invadable, as we say in game theory. It is not necessarily evolutionarily stable, as game theorists say. Meaning, if everybody is virtuous and you add in a sociopath into a society of virtuous people, that sociopath is going to have the run of the day, they are going to be able to exploit all of those trusting, wonderful people.

One of my favourite movies is called "The Invention of Lying". I do not know if people have seen it – do people know that movie? It is movie were in society everybody is a truth teller, and then one person discovers lying, and he discovers how much power he has in that society. In the end, he tries to use it to manipulate, to win the girlfriend, in the end, and he does so but, then he, of course, finds his moral core despite all of this. But, in the end, the last scene is the child is born and the mother serves the food and obviously the father and the son look at each other, how horrible the food is, and the

mother asks, "Is this good, son?" and he says "It is wonderful Mommy!" and then he winks to the father. Now, that is the end, the child has inherited the gene of lying, is the point. If you take that from a purely evolutionary psychology point of view, it shows that the truth-telling society is invadable by liars. And it means that, what we know from game theory, that pure truth-telling is not stable, it can be invaded by creeps.

This is a big challenge, because we are constantly being undermined, of course, by evil – that is a real ontology. Being good in this world does not lead necessarily to good outcomes at a macro level, and it is very interesting analytically. I do not think economist have done an adequate job, at least as far as I know, to understand in which kinds of industries one can sustain good moral outcomes and which ones are less susceptible. For example, it is clear that consumer-facing industries are much more susceptible to the vote by wallet than are the big oil companies. This is obvious because consumers face Unilever or Nestlé or Mars or Coca-Cola or PepsiCo everyday and these companies, whether they are cheating or not cheating, care about their reputation as a result, and so this matters. The big producer companies that do not face consumers really do not care very much. And the financial markets probably care the least, in practice, because, if you are trusting and you undervalue an asset because you do not like its moral behaviour, you will be arbitraged. In other words, someone else is going to buy the asset and someone is going to be able to borrow heavily on the market and even take over that innocent little company that tried to do good. And that is how Mr Shkreli makes a living. If a drug company tries to do good and it therefore earns less profit, he will swoop in and say "You idiots, you were charging 1000^{th} of the price of the drugs".

So, I think the question of what can work, in what ways, is a very practical question. I do believe that there can be some contagion, but I am not convinced by the formula, by the way, because the public good part, the *pi beta* in that formula, seems to me to be independent of the individual action. You are just one, so your marginal result does not depend on *pi* – so *pi beta* is just given for you. So, it is not an individual incentive, so I do not think you have got the proof of the contagion there – the way that it is stated, at least.

So, what are things that we can do were we have seen some contagion? Things like divestment from fossil fuels is a good example, where there is contagion taking place. It is not necessarily complete, but it is an example of what you are talking about, that I think is very powerful. Trying to get companies in the apparel sector not to have child labour in their

value chains has been a highly successful activity, and I think the role of the Church in demanding the end of modern slavery is going to give an extremely strong new impulse to this. So this is absolutely powerful, but within limits, and we have to understand those limits.

What are other tools that we should be championing? Of course, one is corrective pricing. So, it is not only cooperation, but it is feed-in tariffs, financed by putting taxes on "bads" and thereby subsidizing "goods". This is a standard strategy that has merit to it. Another which I really like and commend is spreading class-action lawsuits, making it easier. What I mean by that is that another way to defend against the bad is to sue the companies that impose costs on others. Usually, this is extremely difficult because you have corporate giants against individuals and, indeed, the corporate giants, every time you click an "I agree" on a website right now, you are also clicking – somewhere in the 50 pages of tiny print – that you will only go to arbitration, you will never go to a lawsuit. We have tried to close down class-action lawsuits as a remedy for abuse but companies really do care about this. Volkswagen was just fined 16 billion dollars for its cheating on the pollution, but that was the US government as the plaintiff in that case. BP paid about 30 billion dollars for the oil spill, but once again it was the US government that was the main plaintiff in that case. We need to find ways for individuals to be able to protect their value also and class action is one way to do it. So, let me stop here by strongly congratulating Leonardo on the analysis and, even more, for the championing of civic economics, it adds a whole new set of tools to our arsenal. In all public policy, if you debate should you do ABCD and E? The answer almost always is to do all of them. In other words, you have to use almost all the tools at hand, and you have introduced some very important and powerful tools to add to the arsenal for the common good. Thank you

The Solidarity Motive

Christoph Engel

1. Introduction

Solidarity is a key concept in Catholic social teaching. As Pope Francis in his address on the occasion of the World Peace Day 2014 put it:

> The many situations of inequality, poverty and injustice, are signs not only of a profound lack of fraternity, but also of the absence of a culture of solidarity. New ideologies, characterized by rampant individualism, egocentrism and materialistic consumerism, weaken social bonds, fuelling that "throw away" mentality which leads to contempt for, and the abandonment of, the weakest and those considered "useless". In this way human coexistence increasingly tends to resemble a mere *do ut des* which is both pragmatic and selfish.

But what is meant by solidarity? And to which degree is this a normative concept: feeble human nature is tempted to let us replace what we all *should* be doing by what serves our immediate satisfaction? And to which degree is this a descriptive concept: some of us or even most of us, under some or even most circumstances, are willing to live up to the expectations of solidarity. Hence which is the culprit: bad motives, or circumstances that do even turn essentially good-natured individuals into beings who ignore the call of solidarity?

These are eternal questions. Ultimately these questions are exploring *conditio humana*. Traditionally, tentative answers to these questions have been speculative. There is nothing wrong with speculation. The good thing about speculation is: it is not limited by any conceptual or methodological constraints. It is free to formulate novel thoughts, to express a concern that has escaped disciplinary attention, or disciplinary custom. But the scientific taste for rigor is no aberration. It helps disciplines see distinctions, and it helps them gauge the degree of confidence in factual statements. This is why Catholic social teaching might have something to gain from confronting its major claims with an interdisciplinary endeavor that has been going on for quite a while. Behavioral and experimental economics, together with compatriots from neighboring disciplines like the psychology of judgment and decision-making, or the sociology of norms, have been striving hard for conceptualizing and testing motives that transcend profit maximization.

In this endeavor, the term solidarity rarely features. But if one checks the multiple ways in which the word solidarity is used in Catholic social teaching, in a productive way some of them resonate very well with behavioral and experimental research, while others do less so. This creates an opportunity for cross-fertilization. Catholic social teaching on solidarity stands to gain conceptual clarity and empirical evidence for some of its key claims. And behavioral research stands to generate new hypotheses by taking Catholic social teaching on solidarity seriously. It is the purpose of this paper to facilitate this cross-fertilization.

2. (Near) Tautologies

A rose is a rose is a rose, as Gertrude Stein famously put it. Some Catholic social teaching comes close:

When interdependence becomes recognized in this way, the correlative response as a moral and social attitude, as a 'virtue', is solidarity.[1]

Solidarity is a precept of "moral theology".[2] It follows from a "sense of moral responsibility".[3] It counteracts "that desire for profit and that thirst for power".[4]

3. Utilitarian Interpretations

But seemingly equally vague statements are already more contained. Solidarity implies the "opposed attitude: a commitment to the good of one's neighbor".[5] This is a utilitarian interpretation. Solidarity matters (be that normatively or descriptively) since some beneficiaries are better off, and the increase in terms of well-being is caused by acts that are motivated by solidarity. In this perspective, private property is "under a social mortgage".[6]

Now behavioral and experimental research are in business. Experiments have literally hundreds of times tested the following very simple situation: two participants are randomly matched. One is randomly assigned the active role. Another is assigned the passive role. The participant in the active role receives an endowment. She is free to keep the endowment, or to share any fraction with the passive participant. A substantial minority

[1] Sollicitudo Rei Socialis, 29.
[2] Id. 33.
[3] Id. 30.
[4] Id.
[5] Id.
[6] Id. 34.

(36.11 %) indeed keep all the money (Figure 1 Right Panel). Yet most participants give a substantial fraction. On average they give 28.35% (Figure 1 Left Panel).[7]

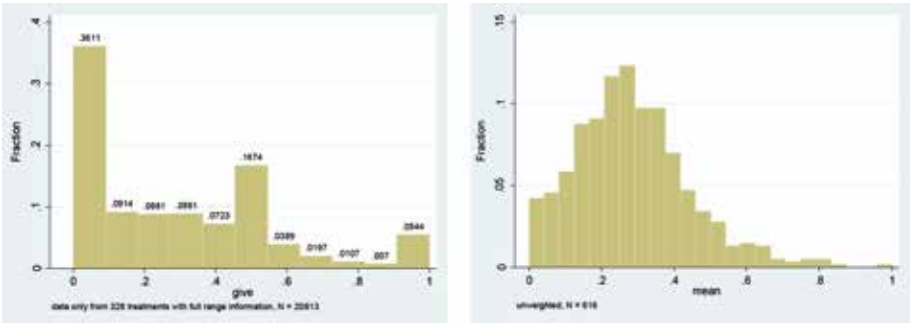


Figure 1. Dictator Game Giving. x-axis: percentage of dictator's endowment.

This speaks against the average participant being plain selfish. It seems that the "desire for profit and that thirst for power"[8] have limits. Typical participants seem to have some "sense of moral responsibility".[9] This is all the more remarkable since donor and recipient are typically completely anonymous. The donor is not even remunerated by the recipient learning who was her benefactor.

But what exactly drives these choices? The easiest interpretation is the most involved. If an individual is truly altruistic, she cares about other individuals' well-being – period. If this held, individuals should give the same amount in the following two situations:

The experimenter gives an individual power to decide upon the allocation of 40 units of money.

(1) For any unit they keep for themselves, they earn 3 units. For any unit they give to an anonymous passive participant, this participant earns 1 unit.

(2) For any unit they keep for themselves, they earn 1 unit. For any unit they give to an anonymous passive participant, this participant earns 3 units.

[7] For composition of the sample(s), and the methodology of the meta-study see Christoph Engel, 'Dictator Games. A Meta-Study' (2011) 14 Experimental Economics 583.

[8] Sollicitudo Rei Socialis, 30.

[9] Id.

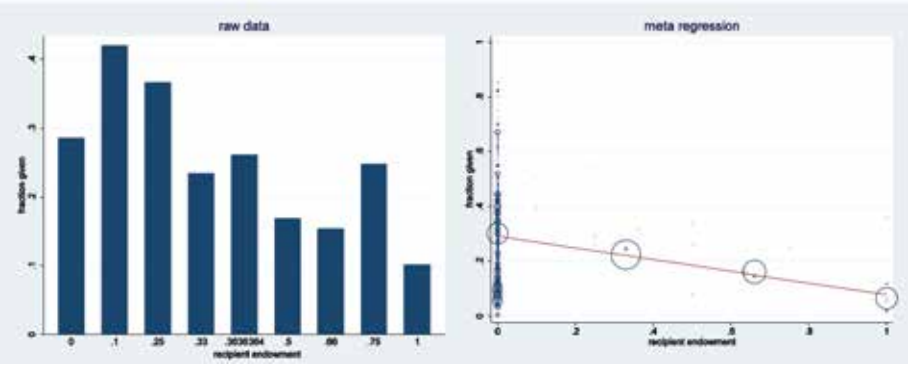


Figure 2. Effect of Recipient Endowment on Dictator Giving; left panel: x-axis: recipient endowment as a fraction of dictator endowment; y-axis: mean fraction of dictator endowment given right panel: same x-axis; y-axis: mean per experiment, bubble size indicates precision.

In both situations, they loose the money themselves, and the other individual is better off. But in the former situation, participants on average only give 8 units, while they give 12.8 units in the latter situation.[10] Generosity is sensitive to price. "Pure altruism" is not a good explanation for such behavior.

Experimenters have also manipulated another parameter: which is the endowment of the potential recipient? In the standard setting, the recipient has nothing. Figure 2 compares this with settings where the recipient was less poor (expressed in percent of the dictator's endowment). The more the recipient has already, the less she gets.[11]

These findings are typically rationalized with sensitivity towards relative well-being. The donor is averse to "advantageous inequity".[12] The more the dictator's own payoff exceeds the recipient's payoff, the more she feels uneasy. Hence if the recipient has nothing, the dictator gives away half of her endowment. This is indeed what is frequently observed.[13] And this

[10] James Andreoni and John Miller, 'Giving According to GARP. An Experimental Test of the Consistency of Preferences for Altruism' (2002) 70 Econometrica 737.

[11] Engel, 'Dictator Games. A Meta-Study'.

[12] Ernst Fehr and Klaus M. Schmidt, 'A Theory of Fairness, Competition, and Cooperation' (1999) 114 Quarterly Journal of Economics 817; Gary E. Bolton and Axel Ockenfels, 'ERC: A Theory of Equity, Reciprocity and Competition' (2000) 90 American Economic Review 166.

[13] James Andreoni and B. Douglas Bernheim, 'Social Image and the 50-50 Norm.

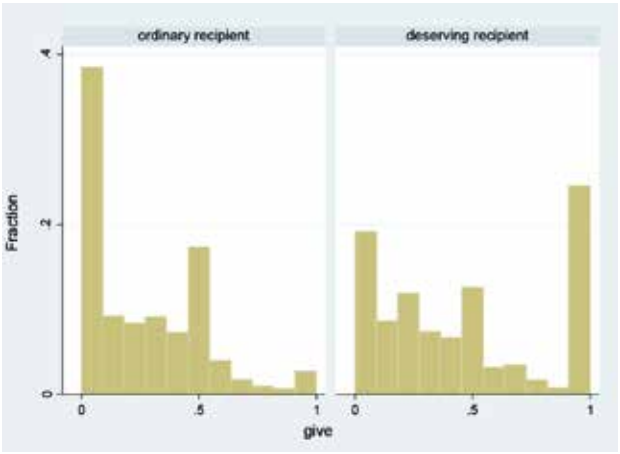


Figure 3. Effect of Deservingness on Dictator Giving; x-axis: fraction of dictator endowment; y-axis: frequency of choice in sample.

resonates with demands made in Catholic social teaching. It deplores the "injustice of the poor distribution of the goods and services",[14] calls for "fundamental equality",[15] and stresses the "points of contact between solidarity and charity".[16]

But Catholic social teaching has an additional focus. The alternative reading is potentially more demanding. The Encyclical *Sollicitudo Rei Socialis* admonishes not to neglect the "multitudes of the hungry, the needy, the homeless, those without medical care and, above all, those without hope of a better future".[17] Individuals "should feel responsible for the weaker and be ready to share with them all they possess",[18] for those who "do not succeed in realizing their basic human vocation because they are deprived of essential goods".[19] This can be interpreted as respect for the fairness norm of need.[20]

A Theoretical and Experimental Analysis of Audience Effects' (2009) 77 Econometrica 1607.

[14] Sollicitudo Rei Socialis, 20.

[15] Id. 25.

[16] Id. 31.

[17] Sollicitudo Rei Socialis, 34.

[18] Id. 30.

[19] Id. 20.

[20] On the competition between alternative definitions of fairness see James Konow,

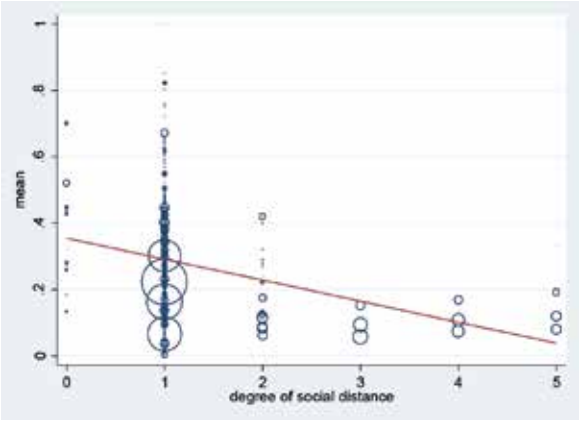


Figure 4. Effect of Social Proximity on Dictator Giving; x-axis: degree of social distance (see main text for codes); y-axis: mean fraction of dictator endowment given, per experiment, bubble size indicates precision.

The evidence from dictator games is consistent with this motive as well. Experimenters have made the recipient deserving, most frequently through replacing the anonymous member from the same experimental population by a charity. This has a profound effect (Figure 3).

The following finding is also consistent with respect for the needy. Experimenters have manipulated the social proximity of the recipient. The standard recipient is an anonymous member of the same experimental population, usually students from the same university. Experimenters have replaced the recipient by a direct friend, or the friend of a friend, or the friend of the friend of a friend,[21] or they have asked for donations to anonymous members of a distinct other group.[22] Statistically one even finds that the amount given is smaller the higher the social proximity.[23] As one

'Which is the Fairest One of All? A Positive Analysis of Justice Theories' (2003) 41 Journal of Economic Literature 1186; James Konow, 'Mixed Feelings: Theories of and Evidence on Giving' (2010) 94 Journal of Public Economics 279.

[21] Stephen Leider and others, *What Do We Expect from Our Friends?* (2009); Pablo Brañas-Garza and others, 'Altruism and Social Integration' (2010) 69 Games and Economic Behavior 249; Jacob K. Goeree and others, 'The 1/d law of Giving' (2010) 2 American Economic Journal: Microeconomics 183.

[22] Coded as 0, whereas members from the same experimental population are coded as 1, friends of friends of friends as 3, friends of friends as 4, direct friends as 5. 2 stands for any situation where dictators had additional information about social proximity.

[23] The regression line in Figure 4 has a negative slope.

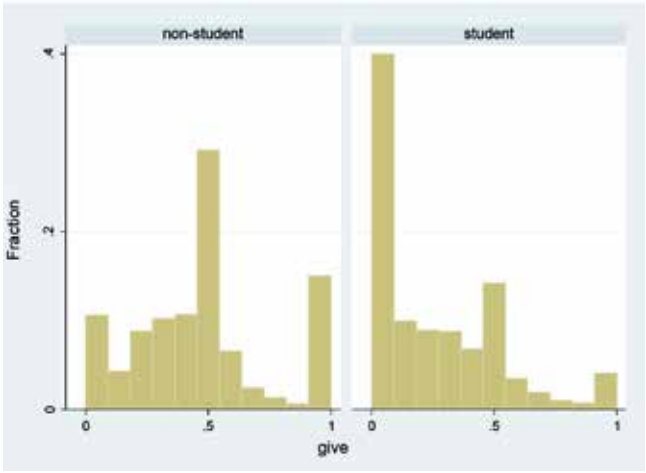


Figure 5. Dictator Giving by Students and Other Participants; x-axis: fraction of dictator endowment; y-axis: frequency of choice in sample.

immediately sees when inspecting Figure 4, this is however a statistical artifact. It results from the fact that the large majority of dictator games have been done with student participants from the same subject pool. In those experiments, other factors have been manipulated that increase generosity. But social proximity does clearly not increase giving.

One of my own experiments provides further support for the interpretation in terms of concern for the needy. The experiment had two parts. In the first part, we gave dictators 10€, and recipients 5€. As we expected, based on the evidence in Figure 2, dictators were not generous. On average, recipients only received 60 Cents. Then we repeated the experiment. Participants kept roles, but were rematched. Dictators received another endowment of 10€. We manipulated the information dictators received about the recipient's endowment. Dictators gave most (1.20€ more than in the baseline) if we did not tell them anything about the recipient's endowment. The more hints we gave dictators that, actually, the recipient had again received 5€, the less dictators gave. We conclude that dictators were concerned that "the worst comes to the worst", and the recipient leaves the lab with nothing. They did not want to be responsible for this outcome.[24]

[24] Christoph Engel and Sebastian J. Goerg, *If the Worst Comes to the Worst. Dictator Giving When Recipients' Endowments are Risky* (2016).

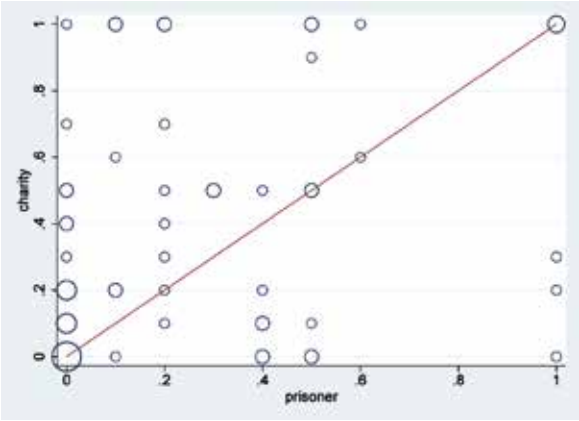


Figure 6. Dictator Giving by Prisoners to Co-Prisoners and to Charity; x-axis: fraction of dictator endowment given to other anonymous prisoner from same institution; y-axis: fraction of dictator endowment given to charity bubble size indicates frequency.

Experiments are run by researchers. The most convenient subjects for professors are students, which is why most experiments have been run with this sample. As Figure 5 shows, this choice is not innocent. For students, the most frequent choice is the selfish one: almost 40% of them keep the entire endowment. By contrast for non-students, the most prominent choice is splitting the endowment equally between the recipient and themselves.

Students are typically in their 20s. That too creates a bias. Students on average give 26.9% of their endowment, the middle aged give 40.7%, and the elderly give 71.2%. And as one would have expected, women give more.[25]

In one of our own experiments, we went even further and tested prison inmates on the dictator game. This is certainly not the population where one would have expected generosity. But they turned out to be even more generous than students. More interestingly even: prisoners gave more to charity than to their co-prisoners, which excludes that giving could be driven by an ingroup bias among prisoners, or by fear for social sanctions after the experiment.[26]

[25] This effect is less pronounced though, and it only is present if one confines the sample to those 6 experiments that have explicitly tested for gender. In these experiments, men on average give 21.2%, while women give 27%.

[26] Thorsten Chmura, Christoph Engel and Markus Englerth, 'At the Mercy of a Prisoner. Three Dictator Experiments' (2016) *** Applied Economics Letters ***.

In an important respect, the dictator game is perfect for isolating the empirical force of the solidarity motive: it is so radically simple that alternative explanations can be ruled out. One may in particular exclude that people actually are only willing to help others because they expect others to help them, should they need it. In the dictator game, the driving force cannot be reciprocity, which economists usually model as a motive based on reacting to good (or bad) intentions, not to (absolute or relative) outcomes.[27] The recipient is passive (she cannot react within the experiment) and anonymous (she cannot react outside the experiment).

But this simplicity has a price. One only sees the social benefit of solidarity. Those who need help are not left alone. But there might be a social cost. Those who pay for the help might anticipate that they will feel the urge to share. Even if they derive some utility from helping others, this utility might be smaller than the utility from keeping their income for themselves. Then ultimately, the economy would be less wealthy. In the short run, those concerned about helping the needy might not care. But in the long run, the needy might suffer as well. This argument even holds if one completely assumes away the sovereign state. Even if nobody can force anyone to contribute to any public project, some public projects would be provided, just because enough wealthy individuals stand to gain enough from them. There for instance would be some streets, or some medical research, or some defense against enemies. Even if one focuses on the needy, it therefore matters whether solidarity deters productive effort in individuals with high ability, and therefore a high prospect of earning a lot.

In a dictator game, helping the needy is completely voluntary. This is good for showing that the solidarity motive is real. But voluntary giving puts the needy at the mercy of those who are touched by their fate. If society cares about the living conditions of the poor, this may be insufficient. Society may want to tax those with higher income or wealth, and redistribute the proceeds to the needy. Imposing redistribution may also be desirable as a means for distributing the burden evenly. Society may deem it more just if all those who have more contribute their fair share to helping others. And society may be concerned that, otherwise, those who in principle would be willing to help will stop to so. Experimental research

[27] Gary Charness and Matthew Rabin, 'Understanding Social Preferences with Simple Tests' (2002) 117 Quarterly Journal of Economics 817; Matthew Rabin, 'Incorporating Fairness into Game Theory and Economics' (1993) 83 American Economic Review 1281.

suggests that this is not unlikely. Many participants are strongly averse to being the sucker.[28] The underlying motive can be expressed in terms of inequity aversion. Many individuals are not only averse to outperforming others. They are even more averse to being outperformed.[29] Often the same finding is couched in the more suggestive terms: many individuals are even more averse to being exploited by others, rather than to exploit others themselves. To the extent that this is true, imposing redistribution reduces opposition by those who, in principle, are good-natured and would be happy to help. Now in Western countries the state is sovereign. But the state is not a despot. Government receives power from the electorate. If that is the case, it is not only theoretically or morally relevant whether those who have to pay for redistribution support it. This is also relevant for practical politics. If this opposition is strong, government is unlikely to impose redistribution since it puts re-election at risk.

One of our own experiments is designed to answer these questions.[30] Participants have to solve math problems. We first measure their ability, and then classify them in four ability classes. The graphs in Figure 7 focus on choices from participants with the highest ability. These participants know they will have to pay for redistribution. We elicit effort choices, while exogenously imposing differently intense redistribution. As the left panel shows participants with high ability indeed reduce effort if a higher percentage of their earned income is taxed away and used for redistribution. But the deterrent effect is relatively mild. While they on average solve

[28] The point has been made most forcefully in dilemma games. In such a game, collectively all are best off if they act in one way (e.g. contribute a lot to a joint project). But individually each participant is best off if all others do while she freerides on their efforts (and contributes nothing to the joint project, in the example). If they experience such free-riding, individuals stop acting in a socially desirable way themselves. This is why socially desirable behavior erodes over time. For a summary of this experimental literature see Jennifer Zelmer, 'Linear Public Goods. A Meta-Analysis' (2003) 6 Experimental Economics 299; Ananish Chaudhuri, 'Sustaining Cooperation in Laboratory Public Goods Experiments. A Selective Survey of the Literature' (2011) 14 Experimental Economics 47.

[29] See again the canonical model by Fehr and Schmidt, 'A Theory of Fairness, Competition, and Cooperation'.

[30] Claudia M. Buch and Christoph Engel, *Effort and Redistribution: Better Cousins Than One Might Have Thought* (Max Planck Institute for Research on Collective Goods 2012) For a survey of redistribution experiments see Franziska Tausch, Jan Potters and Arno Riedl, 'Preferences for Redistribution and Pensions. What Can We Learn from Experiments?' (2013) 12 Journal of Pension Economics and Finance 298.

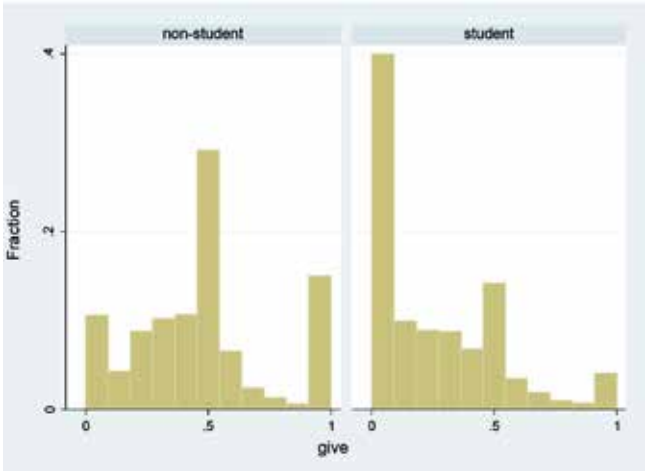


Figure 7. Effort and Redistribution Choices of Participants with High Ability; data from individuals only in highest ability quartile; left panel: x-axis: degree of exogenously imposed redistribution, in % of earned income; y-axis: chosen effort (number of math problems individuals commit to solve); right panel: x-axis: "easy": find the one pair of numbers that add up to 10 in a table of size 2x2; "fair": table of size 3x3; "hard": table of size 4x4; y-axis: chosen percent of redistribution.

31.25 math problems with no redistribution, with imposed redistribution of 45%, they still solve 25.94 problems. The right panel is even more interesting. We have made it increasingly hard to solve these problems. The preference of individuals with high ability for redistribution monotonically increases in the difficulty of the task. The more earning an income by one's own labor becomes difficult, the more even those who have to pay for it support redistribution. However the desired redistribution rate remains modest (8.52% of earned income) even when problems are hard.

4. Deontological Concerns

Catholic social teaching is not only based on utilitarian arguments. It also raises deontological concerns.[31] "Members recognize one another as persons".[32] "Awareness of the value of the rights of all and of each person [...] implies a lively awareness of the need to respect the right of every in-

[31] On the distinction of deontological and utilitarian normative thinking see Eyal Zamir and Barak Medina, *Law, Economics, and Morality* (Oxford University Press 2011).

[32] Sollicitudo Rei Socialis, 30.

dividual to the full use of the benefits offered by science and technology".[33] This follows from the "virtues which favor togetherness".[34]

These claims resonate with economic models of "identity utility".[35] In one of our experiments, we have put these claims to the test. We used a public good game, which is a bit richer than the dictator game. Participants are randomly matched to groups of four. They have a joint project. If all maximally contribute to this project, the group is best off. But each group member has a higher payoff if she keeps her endowment for herself. There is a conflict between selfishness and the common good. Our manipulation was introspection. After each period of the game, we asked each participant to state (a) what they thought other group members thought they would contribute; (b) which contribution they thought should be optimally made; (c) which contribution they thought should be minimally made. We made it clear that no other group member would ever learn

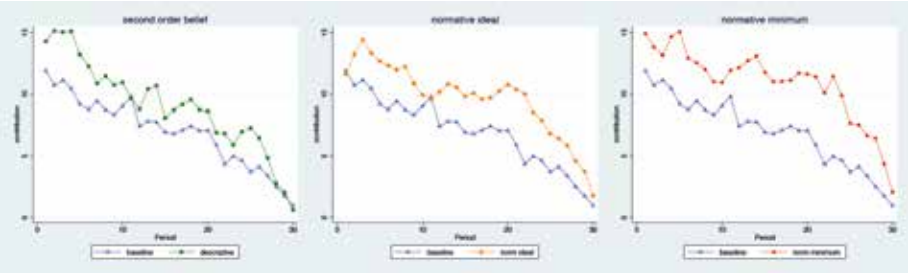


Figure 8. Public Good with Elicitation of Subjective Norms; x-axis: period in a game with announced 30 repetitions; y-axis: mean number of 20 tokens invested in joint project.

their statements.[36] Descriptively, all manipulations increased contributions, compared with a baseline where we did not ask for any statement (Figure 8). But the only significant difference was between the baseline and the

[33] Id. 25.

[34] Id. 31.

[35] George A. Akerlof and Rachel E. Kranton, 'Economics and Identity' (2000) 115 Quarterly Journal of Economics 715; Roland Bénabou and Jean Tirole, 'Identity, Morals, and Taboos. Beliefs as Assets' (2011) 126 Quarterly Journal of Economics 805; Esteban Klor and Moses Shayo, 'Social Identity and Preferences Over Redistribution' (2010) 94 Journal of Public Economics 269.

[36] Christoph Engel and Michael Kurschilgen, *The Jurisdiction of the Man Within. Introspection, Identity, and Cooperation in a Public Good Experiment* (2015).

final treatment (c). Arguably, all treatments make identity salient. They shift the focus to the fact that the individual is a member of a group, and that group members have descriptive (a) or normative (b and c) expectations. Apparently the effect of elaborating social identity only has a sufficiently strong effect on behavior if individuals translate this in a norm to which they feel committed (c).

Linking solidarity to the provision of common goods also fits Catholic social teaching. It stresses the "firm and persevering determination to commit oneself to the common good",[37] and speaks of "solidarity, based upon the principle that the goods of creation are meant for all".[38]

5. Too Good to be True?

All the foregoing suggests that the solidarity motive is a solid asset on which human society can build. It seems that, essentially, humans are good-natured. They are prepared to help those in need. Institutional intervention can be very soft-handed. The occasional gentle reminder may already do the trick.[39] Doesn't this sound too good to be true?

There is indeed a considerable amount of evidence tainting the picture. Take the following finding: in the baseline the standard dictator game was played with student subjects. Dictators and recipients received a show up fee of 4£. Dictators were additionally given an endowment of 7£. As the left panel of Figure 9 shows, they were rather generous. More than a quarter of dictators gave the passive recipient half of their endowment. In the treatment, it was made to possible for dictators to also take at most half of recipients' show up fees. As the right panel of shows, this became the most prominent choice. And even participants who were still willing to share part of their endowment gave less once it became possible for them to even take money from the passive participant.[40]

One of our own experiments cast an even more skeptical light.[41] A stealing game is a dictator game in the negative domain. The active participant

[37] Sollicitudo Rei Socialis, 29.

[38] Id. 30.

[39] See the famous book by Richard Thaler and Cass R. Sunstein, *Nudge. Improving Decisions about Health, Wealth, and Happiness* (Yale University Press 2008).

[40] Nicholas Bardsley, 'Dictator Game Giving. Altruism or Artefact?' (2008) 11 Experimental Economics 122.

[41] Christoph Engel and Daniel Nagin, 'Who is Afraid of the Stick? Experimentally Testing the Deterrent Effect of Sanction Certainty' (2015) 2 Review of Behavioral Economics 405.

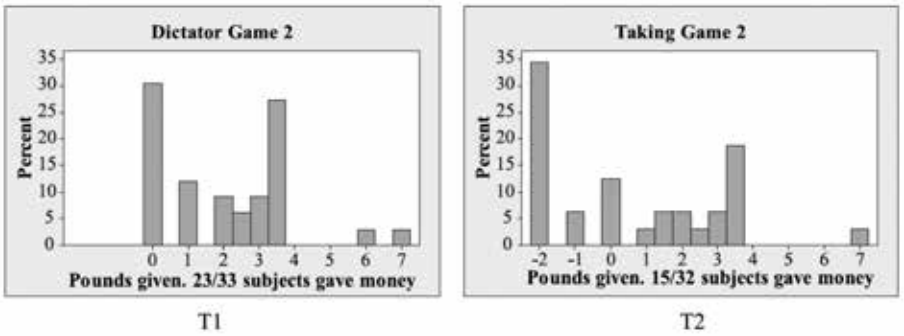


Figure 9. Dictator Giving When Taking is Possible; x-axis: how many £ of a 7£ endowment does dictator give to passive recipient? y-axis: % of dictators making this choice.

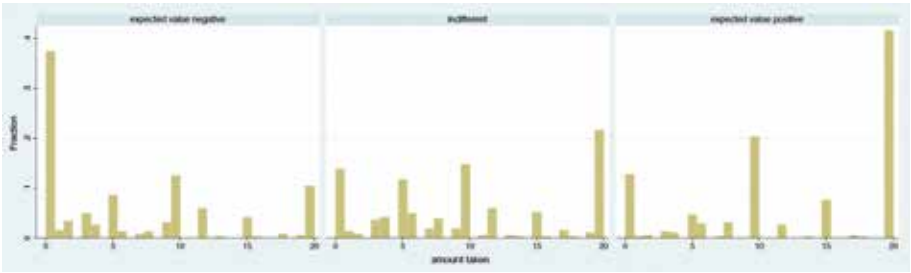


Figure 10. Stealing Game; x-axis: number of tokens (from a total of 20) taken from passive player; y-axis: fraction of dictators making this choice.

may take money from the passive participant. We have played this game, but added punishment. Punishment was stochastic though. We had three treatments. In the "indifferent" treatment, the probability of being punished, and the size of the sanction, were such that a participant who maximizes her expected payoff is indifferent between stealing and not stealing any money from the passive participant. In this condition, participants on average took almost half of the passive player's endowment of 20 tokens (9.81). If we made stealing individually profitable, they on average even stole 12.75 tokens. Only 6 of 48 participants in 8 repetitions never took anything. Most surprising is the left panel of Figure 10. In this condition, the expected value of the sanction was higher than the expected value of stealing. A "rational" person should not steal, just because this is a bad deal.

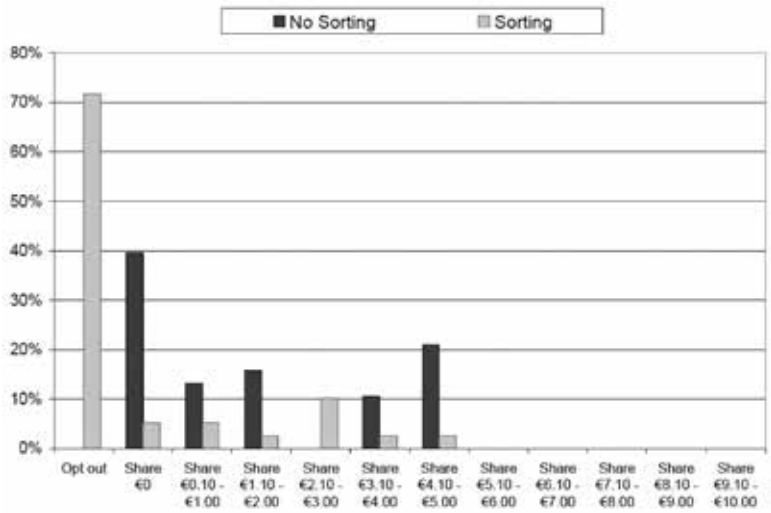


Figure 11. Dictator Game with Possibility for Dictators to Opt Out; x-axis: dictator choice (share €0: dictators reveal game, but do not share anything); y-axis: % of dictators making that choice; black bars: dictators did not have the option not to reveal the game to the recipient; grey bars: this option existed.

Yet we still find that the average stolen amount is 6.28 tokens. Only 21 of 48 participants never stole anything.

Further skeptical news comes from a dictator game that gave dictators the possibility to opt out. If they chose "not to participate", they would keep the dictator's endowment, and the recipient would never learn that she was on the passive side of a dictator game. More than 70% of participants took this option, and then kept everything (Figure 11).[42]

The authors even pushed the analysis one step further and "subsidized" that dictators let recipients know that they participated in a dictator game. As Figure 12 shows, dictators were sensitive to the subsidy. If the subsidy is as large as 100% (the dictator's endowment doubles), all their participants were happy to let recipients know. But even then, they would on average

[42] Edward P Lazear, Ulrike Malmendier and Roberto A Weber, 'Sorting in Experiments with Application to Social Preferences' (2012) 4 American Economic Journal: Applied Economics 136. This is data from Barcelona. The authors replicated their experiment in Berkeley, where 50% opted out.

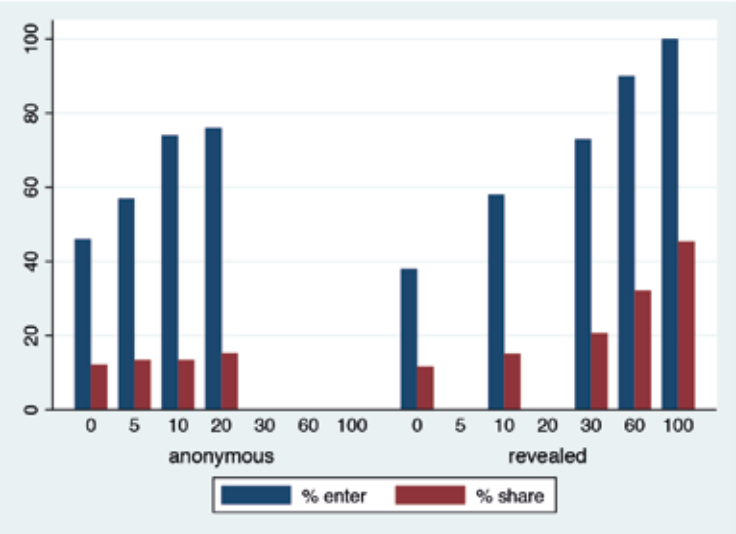


Figure 12. Dictator Game with Possibility for Dictators to Opt Out and Opt In Subsidy; x-axis: subsidy for revealing game to recipient, in % of dictator endowment in case she does not reveal; "anonymous": in case the game is revealed, recipient does not learn dictator identity; "revealed": in case the game is revealed, recipient also learns dictator identity; y-axis: blue bars: % of dictators making that choice; red bars: % of endowment shared by those dictators who choose to reveal the game.

only be willing to share 45.3% of the original endowment, or 22.8% of the new endowment, including the subsidy. The data can also be interpreted the following way: by paying the subsidy, experimenters introduced a price for not revealing the structure of the game to the potential recipient. If this subsidy was small (5% of the original endowment), 43% of participants were willing to pay this price if, after the structure of the game had made known, their identity would still remain disclosed (left part of the panel). If the subsidy was 10% of the original endowment, the experimenters compared this choice under two conditions: if anonymity was preserved, and if the dictator's identity was revealed as soon as the structure of the game became known (right part of the panel). Anonymity had a profound effect. If they could still hide behind the screen of anonymity, 74% of all dictators chose to reveal the structure of the game. If, however, revelation included their identity, 42% found it preferable to keep the original 10€, rather than accept revelation and receive an endowment of 11€.

The authors who had first found the effect dubbed it "moral wiggle room".[43] Dictators are more likely to be selfish if they have a chance to hide behind the veil of uncertainty. This for instance is the case if there is a small probability that the less selfish choice does not increase the recipient's payoff; if the poor outcome for the recipient only obtains provided a second dictator also behaves selfishly; if the dictator's choice is with a small probability overridden by chance.

A final study is most sobering.[44] The experiment was implemented at Las Vegas, at a bus stop not far away from the major casinos. Participants did not know they participated in an experiment. They were singled out while waiting alone at the bus stop. A first confederate of the experimenter passed by and talked on his cell phone. Then the second confederate arrived and was seemingly in a hurry to reach the airport. He told the participant: "I still have a few casino chips which I did not have time to cash in. You can take them". The critical sentence followed: "If you wish you can share some of them with that guy over there" (i.e. the first confederate). Not a single one of the 90 participants shared anything with the confederate.

6. Solidarity Needs Institutional Support

The Is is not the Ought. Every normative theorist is wary not to commit the naturalistic fallacy.[45] Had experimental evidence shown that individuals are unequivocally socially minded, normative theorists, and Catholic social teaching in particular, would not be out of business. It would still be relevant to trace back the moral request to exhibit solidarity with other humans to its conceptual foundations. Moral theology is not bound by the empirics of morality.

This is, however, not to say that empirical evidence about the solidarity motive is irrelevant for Catholic social teaching. Typical experiments have been run with student subjects in Western universities. Even if the typical student at these universities is not necessarily Christian, let alone Catholic, they have grown up in cultural contexts that have been profoundly shaped by a Christian past and present. Christian religions do not

[43] Jason Dana, Roberto A Weber and Jason Xi Kuang, 'Exploiting Moral Wiggle Room. Experiments Demonstrating an Illusory Preference for Fairness' (2007) 33 Economic Theory 67.

[44] Jeffrey Winking and Nicholas Mizer, 'Natural-field Dictator Game Shows No Altruistic Giving' (2013) 34 Evolution and Human Behavior 288.

[45] William K Frankena, 'The Naturalistic Fallacy' (1939) 48 Mind 464.

only support solidarity. Christian theology expects its members to exhibit solidarity. Selfishness is sinful. The experimental evidence can thus be read as information about the success, and the failure, of attempts at educating the population to show solidarity. The experimental evidence thus serves a backward looking purpose. It implicitly evaluates the effectiveness of teaching solidarity.

The evidence also serves a forward-looking purpose. The enterprise is not called Catholic social theorizing. It is called Catholic social teaching. Interest not only lies in consistently deriving the norm of solidarity from Catholic first principles. While normative in nature, Catholic social teaching serves a practical purpose. It is meant to guide the faithful in their actions. Those who teach others how to be a good Christian shall learn what this implies when others are in need of help. They shall formulate appropriate behavioral rules, and they shall shape appropriate attitudes. The practical arm of Catholic social teaching cares about effectiveness. If experimental evidence had shown that solidarity is a robust human universal, teaching efforts could concentrate on other matters.

Now this is not what the evidence shows. It does, however, also not show the opposite. In hundreds of experiments, anonymous dictators have shared substantial fractions of their endowments with anonymous recipients they knew not to have an endowment. In richer games, many participants also show behavior that is not plainly selfish. In many experiments such behavior can also not be rationalized by a longer shadow of the future. Acting in a socially responsible manner now is not just an investment in future exploitation.[46] On average, humans seem to show solidarity, but solidarity is fragile.

Actually the story is even more complicated. Very few behavioral effects are near universal. The willingness to show solidarity, even if this is unlikely or impossible to be individually profitable, if certainly not universal. This willingness is heterogeneous. The distribution of dictator choices in Figure 1 illustrates the point. There is not only variance. The heterogeneity is patterned. A solid minority are plain selfish. People who give more to the passive participant than to themselves are rare. The majority give something, but at most half of what they have.

Consequently, for solidarity to be practical, two challenges must be parried. Those who are potentially good-natured, but tempted to be selfish,

[46] On the theoretical background see David M. Kreps and others, 'Rational Cooperation in the Finitely Repeated Prisoners' Dilemma' (1982) 27 J Econ Theory 245.

need support. And a solid body of experimental evidence shows that people hate being the sucker.[47] Of course the Bible teaches: Whenever someone slaps you in the face you give the other cheek. But if Catholic social teaching cares about effective solidarity, teaching this principle is a long shot. It might be wiser to check out the work by Nobel Prize winner Elinor Ostrom. Based on decades of fieldwork, she had formulated five principles for the successful provision of common goods; arguably solidarity is a common good. The two principles of relevance at this point are vigilance and mild sanctions.[48] Those who are essentially willing to show solidarity may need an occasional nudge themselves. And they will quite likely need a sufficient degree of confidence in not being exploited if they follow the urge for solidarity.

The bottom line thus is: human nature is not bleak. Catholic social teaching is not on mission impossible if it calls for solidarity. But solidarity is also not to be taken for granted. It needs institutional backing. In providing useful nudges, and sufficient confidence, the church has an important role to play.

[47] See again "aversion to disadvantageous inequity", Fehr and Schmidt, 'A Theory of Fairness, Competition, and Cooperation'.

[48] Elinor Ostrom, *Governing the Commons. The Evolution of Institutions for Collective Action* (The Political economy of institutions and decisions, Cambridge University Press 1990).

What Motivates Solidarity? An Alternative Approach to Christoph Engel's

Margaret S. Archer

When Emile Durkheim confronted the failure of social solidarity to develop in nineteenth century France, because of people's growing interdependence upon one another given the burgeoning division of labour, he proffered a range of 'solutions'. All rested upon changes in social institutions: common schooling, occupational associations, and the abolition of inherited wealth etc. In a variety of practical forms, which we can call 'welfarism', such remedies for declining solidarity have been with us ever since in the developed world. Some would call them Holistic, though that is not necessarily the case. Generically, these endorsed that the 'redistribution' of society's scarce resources was capable of increasing solidarity and diminishing the chances of class warfare. This is only one solution on offer. In parallel, there are also the competing claims of Individualism, emanating from Classical Economics and now long enshrined in mainstream economics. These basically advocate 'fair competition' as their panacea, given their similar interest in obviating class conflict. As Zamagni once characterized this approach, the growth ensuing from harnessing talent to capitalism assumed 'a rising sea would lift all boats', leaving all better off and less disposed to the expression of disruptive grievances.

However, Holism versus Individualism is old division within the social sciences; one that was gradually superseded by new social ontologies that cast doubt upon the existence and 'downward' influence of 'holistic entities', unless they were viewed as 'activity-dependent' upon interested agents. The successors to the old debate were equally dubious about the social order deriving directly from the upward aggregation of individual doings and convictions.

In social and political policy, Holism had fostered the *lab* approach; Individualism the *lib* thrust, yielding what Donati usefully dubbed the *lib/lab* oscillation in stable democracies and Archer termed 'centrist politics' in the last thirty years – a politics without conviction, but still reflecting a *lib/lab* compromise in the measures countenanced and legally enacted. As our collaboration intensified, what we elaborated was an alternative to

the above two approaches, namely 'Relational Realism'. In opposition to Holism, Donati and I construed social institutions as the *emergent properties* generated by the interplay between structure, culture and agency and possessing their own properties and powers (for example, a centralized educational system exerts very different causal powers upon all actors within them). In complete contradistinction to Individualism, we held relations between people and groups to be ontologically real and, in terms of explanation, considerably more powerful than any aggregate of individuals' characteristics.

Engel is an unapologetic Methodological Individualist and therefore the old ontological terms in which he poses the question for our Workshop about solidarity are ones to which an alternative is proposed. Acknowledging only Individualism and Holism, he asks the question in terms of 'which is the culprit: bad motives [individualist], or circumstances [holistic] that do even turn essentially good-natured individuals into beings who ignore the call of solidarity?' (p. 1). What is welcome in his work is his openness to interdisciplinarity. However, the first element he offers to Catholic Social Teaching is 'Behavioural and experimental economics', which will be questioned, and, whilst he grants that the sociologists do indeed have a contribution to make, this is restricted to the 'sociology of norms' (p. 1), a restriction also requiring questioning – especially if the collaborative goal is 'conceptualizing and testing motives that transcend profit maximization' (p. 1). This, it must be acknowledged is Engel's strength, that he does indeed hold that transcendence of the profit motive is necessary for the development of social solidarity.

The main grounds that justify advancing an alternative approach to that presented by Engel are the following and will take up the rest of this brief text:

1. Explaining and understanding solidarity (and its opposite) cannot be captured by empiricism (observation using the perceptual criterion) nor by experimentation that depends upon the expression of attitudes upon which nothing whatsoever hangs for the subjects involved in his experiments.
2. 'Aggregate Individualism' cannot account for solidarity (or its opposite) because this is/these are emergent from our social relations rather than being additive phenomena. The motivation promoting solidarity (and its reverse) are emergent outcomes of our human relationality not the summation of individual attitudinal differences, which in any case beg for sociological explanation in non-individualistic terms (involving

'context- dependence' and 'concept-dependence'), because both 'structure' and 'culture' enter into their formation.

3. Unlike mainstream economics (or the 'Economic approach to Everything'), the sole currency under which subjects consider the payoffs (gains and losses) of their decisions are far from being exclusively monetary. Our 'concerns', the things that matter to us, also involve and pre-eminently entail caring, time, and, above all, 'relational goods' whose recompense (or disappointment) is also not a material matter of $s, €s or £s. As Engel states, 'generosity is sensitive to price – pure altruism is not a good explanation' p. 3, but prices are not calculated exclusively or predominantly in cash terms; nor is pure individual altruism, as Engel states, a satisfactory explanans.
4. The 'social component' cannot be reduced to cultural normativity or to normativity *tout court*. Our solidarity with others – especially distant others – is rarely reducible to a matter of duty or social sanction. Frequently, it is non-normative: as in giving blood, acting as foster parents, couples living faithfully and with fulfilment together, those joining a pro-social voluntary association, preferring to work in a co-operative or volunteering for *M*édecins sans *frontières*. Sometimes they do gain social approbation, sometimes they are deemed foolhardy, but neither explain *why* they undertake any of these courses of action. Moreover, since the same actions may well attract *both* responses, it is more than hazardous to presume one homogeneous and shared 'culture' even within a limited geo-local context.

The alternative approach of Relational Realism

There is not space to examine the progressive undermining of empiricism that began in the 1960s and continues to gather momentum. Certainly there are a few positions that tenaciously hold to Individualist empiricism in Sociology and thus parallel 'Behavioural and Experimental Economics', such as Rational Choice Theory, Rational Actor Theory (Goldthorpe) and Analytical Sociology (Hedström and Swedberg). But, this is despite a growing barrage of critique that will only be treated here insofar as it has a direct bearing upon social solidarity which is actually a good touchstone for this ontological debate. My summary points follow the sequence outlined above.

First, the critique of empiricism focuses upon casting serious doubts on social reality being disclosed in universally observable terms, graspable by investigators through sense-data. Empiricism entails that ontological

status is granted to 'observables' alone and causal powers are accorded only on the 'perceptual criterion'; the canon followed in Engel's experiments. The causal contribution of 'unobservables' is disallowed entry. This creates problems for dealing with solidarity, the same ones that dogged Durkheim's account of its role in suicide. Basically, solidarity is not just an objective matter of recording how respondents (such as student volunteers) *state* that they would apportion (hypothetical) cash resources to anonymous others but also of unobservable *subjective* factors (caring for the poor), beliefs (what constitutes a fair distribution of goods), political philosophy (about the point at which inequality becomes dangerous for social stability), structural influences (that have normalized inegalitarian distributions of society's scare resources and created vested interests in their perpetuation) as well as cultural influences (that deontically place some beyond the pale for equitable treatment and justify disproportionate rewards for others).

For any particular respondent all of these are sieved through their personal reflexivity – again unobservable – in which different subjects assign their own 'weights and measures' to the above influences when making their responses in contexts they confront in daily life (including experimental ones) because there is no such thing as non-contextualized action. This was Durkheim's problem, namely could persons be deemed to be *objectively* integrated into their social milieu (for example, by belonging to a large family) if *subjectively* they did not feel so? He simply assumed the former, thus presuming that those in similar objective circumstances would behave in the same ways. Yet, we know this is not the case. Similar social placement does not yield similar courses of action precisely because what matters to particular subjects differs as do their reflexive deliberations about which course to follow. Lack of space prevents me from going further into unobservable generative mechanisms, 'which may be possessed unexercised and exercised unrealized, just as they may of course be realized unperceived (or undetected) by people'. Nor can I discuss the implications of endorsing a stratified social ontology rather than the flat ontology of behaviourism.

Second, one point on which I think we can all agree is that 'solidarity' with others is not merely an abstract calculation of a 'fair deal' towards them, but also entails a relationship of warmth with them such that those with whom each of us links in solidarity constitute a 'we', in togetherness, not an aggregate of 'I's (like those filling in a questionnaire in much the same way). This concerns not only proximate others, but also includes distant others to whom some reach out ethically and empathetically. The

historical stumbling block has always been assigning ontological status to social relations rather than reducing them to those warm feelings that – to different degrees – most individuals entertain towards certain other people, thus making such warmth (or animosity) personal properties and banishing the relationship to the outcome of their conjunction.

In the social sciences, the problem from the beginning was always how to establish relations as real. To the extent that they were taken seriously at all, relationships were generally handed over to hermeneutic understanding, often in the guise of interpretative approaches and methods. These provided no anchorage for ontological status because as can be illustrated from any dyad, mutual understanding of the pair depends upon two individual sets of beliefs which are both fallible and also leads to infinite regress of the form 'He believes that she believes, she believes that he believes, he believes that she believes that he believes…', which not only has no terminus but remains completely individualistic. Ontological matters changed only when causality ceased (in the social sciences) to be uniformly assigned on the perceptual criterion but was increasingly attributed on the causal criterion itself. That, in a nutshell was when in the late 1970s and 1980s, relations came to be credited with causal responsibility for generating irreducibly relational consequences, namely 'relational goods' and 'evils'.

Relational goods and evils are *emergent* properties and powers that are generated by the actors and agents by the interrelationship of those involved and whose production may not have been intentional on their part. Their emergence requires and derives from how the subjects involved combine together, which is not by simple aggregation. In fact, any relational good or evil is a new 'third entity' (a *tertium*) to which those generating it over time often orient their future actions towards defending or escaping it. It cannot be shared with those outside the relationship and it is non fungible; no-one can take away their 'share' of the football team or orchestra.

A simple example is the couple relationship in which relational 'goods' such as 'trust', 'reciprocity' and 'reliance' emerge, are appreciated as such, protected frequently by self-restraint, and acted upon. For instance, a husband may rely on the trust of his wife if he ventures to take time out of his static career to gain a degree, entailing a temporary drop in household income; equally she may restrain her personal purchases 'for the good of the family', which is real and not a reification. Relational 'evils' have the opposite causal effects, generating 'suspicion', 'jealousy' and 'exploitation' as Tolstoy illustrated in *Anna Karenina* for the downward trajectory of Anna and her lover Vronsky. What is good about emergent relational goods is

that they are found so; that enhanced sociability is considered preferable to life as a social monad. Conversely, the exacerbation of relational 'evils' results in the breakdown of relations and the return of the parties involved to a monadic status of embitterment and future mistrust. Neither scenario can be bought by money (or protected by insurance) and cannot be generated by command or law.

Third, Christoph Engel's experiments deal almost exclusively with monetary goods, as if cash incentives/disincentives are all that motivates human behaviour and that what we do with money is the sole indicator of our goodwill or indifference towards others who are worse off. Yet multiple currencies – time, effort, skills, self-giving involvement are also in play, meaning the fact that someone who refuses a cash donation to those in need is not necessarily less altruistic than the generous money donor. I once met a newly arrived Visiting Professor to Oxford University, a Mennonite, who was genuinely distressed that he could not differentiate among the many sleeping 'rough' between those in real need as homeless people and those seeking money for their next fix. His solution was to refuse all such solicitations but to volunteer to work for a night a week in a homeless shelter. (Perhaps Engel's population of prisoners who gave more to charity than to their co-prisoners (p. 7) were reflexively deliberating in the same way, and having better knowledge of their fellow inmates!) Manifestations of solidarity do not turn their makers into suckers, as Engel rightly claims we mostly dislike, but if we steer clear of the cash nexus through use of our reflexivity that might turn out to be more demanding than giving a few $s we will not miss (for instance, we may well miss our Tuesday nights' committed to the shelter).

In this respect, Titmuss's finding about giving blood is particularly salutary because it indicates the existence of an inverse relation between cash and 'altruism'. When a financial reward was given to blood donors, it was found that both that the quantity and the quality of the blood given decreased. A significant proportion of potential donors wanted this action to be free-giving, not the exchange of equivalents.

Fourthly, Engel experiments with the hypothesis that were the recipients to be 'a friend, or the friend of a friend, or the friend of a friend of a friend' (p. 5) giving might be more generous than to anonymous recipients. His statistical conclusion is that 'social proximity does clearly not increase giving' (p. 5). I was rather surprised that a Methodological Individualist would not be daunted by such a finding, except for the fact that his data do show that for donors, recipients have to be considered 'deserving'. Does

this mean that 'familiarity breeds contempt' or that 'human nature is not bleak' (in its altruism towards humankind in general)? At any rate, it clears the ground for Engel to introduce the role (rather odd for an Individualist) that structural (redistribution measures) and cultural provisions (teaching solidarity) are useful and maybe necessary 'nudges'; in short 'Solidarity needs Institutional Support' (p. 15).

Now, without being adversarial or even disagreeing entirely, I would like to run this through the brief previous discussion of 'relational goods and evils'. To begin with, the definition of 'social proximity' (friends, friend of friend, friend of friend of friend), I find unduly empiricist for both friends of friends, let alone their friends, may be complete strangers, i.e. anonymous subjects. (Even further, you can love your friend but detest the company he/she keeps).

Let's return briefly to relational goods and evils, where real proximity gives ample scope for both kinds of relational goods. In *Sense and Sensibility*, Jane Austen gives a splendidly credible analysis of a relational 'evil' in a family setting. On his deathbed, John's father extracts the promise that John will take care of his step-mother and her three daughters who would otherwise be penniless under his father's Will. Now, fast-forward to John's conversation with his mercenary wife Fanny and, though his own initial offer is to settle £1,000 on each of these proximate dependents, Fanny whittles him down, in four bargaining exchanges, to his dying father having meant no more than occasional gifts of game and farm produce – and John once more agrees and this time holds to his (selfish) promise. A range of repercussive relational 'evils' are then unleashed, before we get to the happy ending.

Interpretative freedom is a great battleground. The Individualist would presumably claim that John was 'weak' and susceptible to proximate pressures, whilst Fanny was 'avaricious' for herself and their only son and 'strong' enough to exert her claims over her spouse. The Relational Realist would dwell rather upon the chain of evils unleashed by this couple, until various unpredictable contingencies intervene. At the micro-level, interpersonal relations provide ample space for the emergence of relational goods and evils.

Conversely, as I will seek to demonstrate in the next section, *proximity* plays a considerable role in both promoting solidarity as does the quality of relations for inducing its opposite, at the micro and meso levels, but cannot do so at the impersonal macro-level. This leaves us with the problem of explaining what accounts for the huge difficulties, especially today, in establishing societal solidarity at the macro-level and will be examined in the last section.

Emergent Relational Goods as the basis of Solidarity: Considerations at the Micro, Meso and Macro-Levels

At the Micro-Level

Ultimately, *solidarity* derives from the relationality of Ego and Alter, and their subjective acknowledgement – under their own descriptions – that their relationship has a *worth* that exceeds them as two individuals as well as objectively being irreducible to them. In other words, their relationship itself has emergent properties and powers. It does not have the latter simply because those involved believe it to be the case: that would be to commit the 'epistemic fallacy', i.e. reducing the real to how it is taken to be. Any good sporting team, *qua team* rather than (a) an aggregate of personally talented players, or (b) the matrix of team strategies, illustrates these emergent relational goods. Acknowledgement of their worth may entail curbing individualism (for example, 'sharing the ball' means some players must restrict their personal *brillo* and that spontaneous readjustment to contingency must sometimes disrupt any matrix established in coaching to date, which are both part of what makes for a really good team).

The properties involved for a couple are shared 'relational goods' (such as trust and reliance) that cannot be produced by aggregation and are also deemed highly worthwhile by both. As 'strong evaluators' (Taylor 1985), Ego and Alter, the members of a close family, friendship group, work team or orchestra recognize the value of what they have generated together, which cannot be reduced to the sum of each and every contribution and usually defies inter-personal substitutions. This recognition means respect, sometimes even reverence, for the relational goods generated and concern for the preservation, prolongation and, in different ways, propagation of this worth, all of which engender commitment to fostering the relationship itself.

Let us move towards *solidarity at the micro-level* by considering a couple (a pair of friends, a sporting partnership, co-authorship or an instrumental duo) that is deemed good by both parties. In so doing, Ego and Alter recognize that they have generated a common good. Prior to having evaluated their relationship as 'good' and worthwhile maintaining, they may have experimented at, say, playing doubles with different tennis partners. Alternatively, the nature of their relationship may preclude experimenting with 'substitutes' for fear of damaging it, as in marriage and marital fidelity.

Ego and Alter then have a shared *concern* for this 'relational good', which entails reflexive deliberation about the relationship *qua* relationship and its well-being. Only they know what is 'good' about it from the inside; no-

one else can have their first-person experience, and anyone who tries is providing their own fallible interpretation in the third-person, as Davidson maintained. Together, Ego and Alter have established the 'tolerances' and 'intolerances' of their relationship. This is literally their 'common knowledge' because they have co-produced it and could not have it otherwise. Importantly, this is neither to maintain that they think (say or believe or are bound by) the same thing, contra Plural Subject theorists such as John Searle, Margaret Gilbert or Raimo Tuomela. Nor is it to claim that either of them is correct, for fallibility is shared too. However, the justification for their ensuing solidarity is ontological and not fundamentally epistemic, since it rests on the relational goods themselves and not on how they are taken to be. The co-ordination of any outstanding partnership is objective and independent of subjective beliefs being shared by the partners about it; their mutual respect for it is compatible with one holding 'It was meant to be', whilst the other thinks 'What a piece of luck'. In other words, it is evaluative but does not necessarily result from shared norms, such as keeping promises or conforming to marital fidelity.

Escaping the Double Hermeneutic

This is implicitly denied when such Ego/Alter relationships are considered only individualistically and hermeneutically from the limited interpretivist perspective (for example, King 2004). Yet this is the attraction is of the 'Thee-ness' portrayed in Buber's *Ich-Du* (I-You) relations, although Buber himself held such relationships to be substantially reduced in modernity. Basically, the argument would be that a couple could succeed in forging a life together (for example, 'our' life as a couple after we leave university) on the basis of hermeneutically entering in to one another's aspirations for what kind of life that would be, given appropriate unselfish detachment on the part of both. Empirically, it is also quite likely that in this example their (external) conversations together will have covered this ground to the best of their abilities. But, the best of their abilities are not good enough because they cannot avoid the double hermeneutic. However hard the two try, they produce Alter's interpretations of Ego's self-interpretations and vice versa, doing so *seriatim* and with no way out of this trap. Goodwill on both sides cannot extricate them from it, meaning that hermeneutics cannot provide a secure basis for forging a life that captures what the two people value most. In short, it cannot be a route to 'We-ness', underpinning their solidarity, which is not distorted by fallible interpretations and partial misinterpretations. It is quite differ-

ent if, instead of hermeneutic understandings, we consider the fact that Ego and Alter both *orientate themselves* not directly to one another but to the emergent relational goods they generate. This furnishes the basis for solidarity that develops in so far as Ego and Alter have this common focus and this communal experiential basis of being beneficiaries of their own 'commonwealth'. The couple in question is now co-oriented towards a real emergent property, their relational goods. The double hermeneutic is escaped by replacing 'direct' inter-personal relationships by ones mediated through an emergent – and thus irreducible – relational good. In such cases, dyadic relations are really triadic, but the 'third component' – the relation as *tertium* – is not a person or a thing but rather the product of persons. The *tertium* is not an additional relationship as such; it is always dependent on its generators and ceases to be if they stop being a couple, even though it cannot be reduced to them. It is real by virtue of its causal powers, which is how relational goods and evils are accorded ontological status.

The internal effects of relational goods are directly paralleled by external ones. Because their relationship is of worth to both, its well-being promotes 'free-giving' and reciprocity instead of the exchange of equivalents. Interchange rather than exchange is involved, since sustaining their relational goods is of concern to each of the couple because it has become (partly) constitutive of whom both Ego and Alter are. In turn, this defies a calculative or instrumental rational approach, for relationships of intrinsic worth cannot be sustained by the contractual dealings of market exchange. On the other hand, there is no need to posit any remarkable unselfishness on the part of Ego or Alter, since both are beneficiaries of the relationship they have generated and now seek to maintain together.

At the Meso-Level

The above discussion about the emergence of solidarity and its internal and external effects is applicable to broader settings with bigger numbers. Take the university department in which most of us work. It is not possible either to understand or explain what our colleagues do or refuse to do (their contributions, reactions, motivations etc.) on an intra-departmental basis by examining every permutation of relations between these Egos and Alters hermeneutically (See Figure 1). For many, everything they do in the department or refuse to do (in terms of teaching, administration and research) is mediated through an intangible relational good, generated by them and countless unknown others – the discipline.

So far, 'the discipline' has been assumed to be a relational good; orientation towards it and working for it (reviewing, editing, organizing events etc.) contribute incrementally to its development and diffusion and, if all goes well, broaden the circumference of solidarity because all colleagues are beneficiaries of its growth and prestige. However, there are circumstances under which the discipline as generated becomes a relational evil. Currently, in most developed countries, political relations (expressed through funding, reward and recognition for departments and academics) seek to enforce particular 'appropriate' orientations towards each discipline (via various performance indicators and associated sanctions for non-compliance).

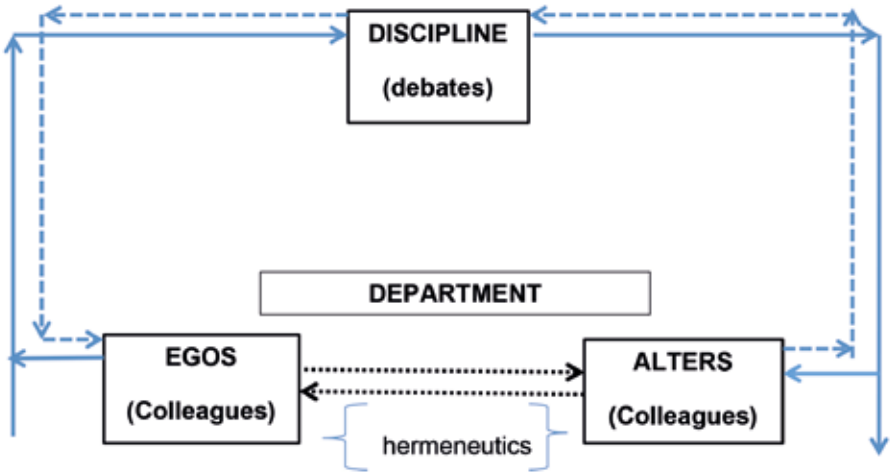


Figure 1. Solidarity as Triadic.

The results are relationally negative and have damaging consequences for departmental solidarity: collaboration become competition; informal esteem becomes a formal hierarchy with the 'non-research active' at the bottom; concern for students becomes keeping 'office hours'; journals are selected for their 'impact factor', articles written with a weather eye to citation indices and so forth as we know too well. Departmental relations themselves only deteriorate under the dehumanization inherent in this induced instrumental rationality which bites hard into collegial solidarity.

The above arguments base solidarity and its loss on the Realist claim that emergent properties have, when exercised, both internal and external

causal powers, unless these are counteracted. Namely, they have the power to modify their constituents and the power to have not only internal effects and also ones outside and beyond them that affect solidarity and subsidiarity alike. Solidarity arises from those actions of reciprocal consideration, care and trust between colleagues, where for example one colleague receives teaching cover from another for a week because he/she has a publishing deadline to meet and meeting it enhances their departmental relational goods. Subsidiarity ultimately derives from placing their *munera* at the service of one another, in order to foster their relational goods. Another colleague may not personally seek the establishment of a particular Research Centre but will co-operate and collaborate in it as an act of reciprocity – and an invitation to its later extension.

Problems at the Macro-level

Why can the above arguments about solidarity not simply be projected onto the 'big screen', as if all social relations were homological with micro and meso-level ones? In principle, it might seem that there is no reason why solidarity (and its opposite) should not work in the same *formal* manner within larger groupings, that is, by the orientation of group members to the relational goods (and evils) generated at the macro-level. It would follow from such an argument that its most powerful positive expression would ultimately be the orientation of all members of the social order to the common good *qua* relational good, because unlike utilitarian indices of the 'total good', used in the market economy and liberal political philosophy,[1] it discounts the well-being of no-one. In that case, solidarity would be maximally inclusive.

The big problem for the Market, State and, perhaps surprisingly, the Third Sector alike generically derives from the same source; namely that '[t]he gap between micro- (interpersonal) relations and the membership of a public macro-institution becomes so wide as to render the constitution

[1] Stefano Zamagni, 2011, uses the following metaphor to differentiate between the Total Good and the Common Good: 'The total of an addition remains positive even if some of its entries cancel one another out. Indeed, if the objective is the maximisation of the total good, it may be convenient to nullify the good (or welfare) of some, if the gains of others more than offset the losses of the former. In a multiplication, this is clearly not possible because even if only one entry is zero, so is the result of the product.' In his 'The proximate and remotes causes of a crisis foretold' in José T. Raga and Mary Ann Glendon (eds.), *Crisis in the Global Economy: Re-Planning the Journey*, Vatican City, 2011, pp, 322-3.

of a 'We' improbable'.[2] Two shared features militate against solidarity in all three institutional components at the Macro-level.

The first could be called the consequences of the *'missing middle'*. In other words, *the organizations, networks and movements that once linked the micro- to the macro-level have atrophied*. In the Market this is epitomized by the shrinkage of the Trade Unions, in the State by the shrinking membership of Political Parties and in the Voluntary sector by the increasing gulf between the big professionalized global players, who take on both Market and State, and the plethora of local associations that remain localized. The traditional social movements that once supplied the link are now missing. It has become vastly easier to organize popular demonstrations of 'outrage'[3] but hugely more difficult to weld any of them into durable organizations with a specific agenda. Howls of populist protest are registered at the macro-level, but protestors play no part in designing the palliative measures intended to defuse them. When this lack of solidarity becomes threatening, resort may be made to Referenda, but with dangerously uncertain outcomes – as the Brexit result illustrates only too well. The alternative is for the elite to resort to the military.

Second, and in very different ways, the three major parts of the macro-level have become increasingly competitive and competition is the ultimate enemy of solidarity and solidary cooperation. The combined effect is to enlarge the scope or scale of the 'missing middle'.

Although, by definition, capitalism is inherently competitive, as is not universally the case for Markets, the globalized and financialized economy intensified competitiveness. The reason being that whilst once the state of collective wage labour *mattered* to every entrepreneur, as did corporate decision-making to the workforce, and produced a brief 'golden age' of *mutual regulation* in the post-Second World War decades in Western developed countries. This period has now ended. The advent of multi-national corporations freed them from dependency on a given national constituency of organized workers. Their global workforce was changeable, production locales were moveable and hence those employed were was not required to give even grudging legitimation to the multinational firm. As synergy with digitalization[4] generated a great augmentation in financialized capitalism,

[2] Donati and Archer, 2015, Ibid, p.191.

[3] Manuel Castells, 2012, *Networks of Outrage and Hope,* Cambridge, Polity.

[4] Margaret S. Archer, 2014, 'The Generative Mechanism Re-configuring Late Modernity', in Archer (Ed.), *Late Modernity: Trajectories towards Morphogenic Society* and 'How

the cooperation of labour shrank in importance in the so-called 'knowledge economy'. Profit and labour became distanced from one another, displaced by the relationship between profit and banking.[5] This argument is very over-compressed, but I want to fast-forward to its consequences.

Worldwide, we now face the paradox that whilst absolute poverty is declining, the income and wealth differentials between the rich and poor are universally on the increase. Such growing inequalities are ever more inimical to solidarity. Those INGOs canvassing for a 'decent wage', those nations that have introduced a 'minimum wage' are at best showing some humanitarianism, but they do not diminish inequalities. These provisions may buy short term quietism but do nothing to reverse the plummeting decline in social integration. Further loss of solidarity is hostage to the Market's competitive gains through banking manoeuvres, tax evasion, more elaborate digitalized stock market trading – all of which most of the '99%' of losers fail to understand and in none of which can they compete. The resulting backlash of xenophobia is scapegoating, but it further exacerbates social fragmentation.

Since democratic politics, whether constituted by political parties or coalitions, consists in electoral contestation, they too, again by definition, are competitive. But the terms of the competition are entirely different and for nearly 40 years could no longer be characterized as the Right versus the Left, as presenting counter-ideologies or alternative strategic blueprints for running their countries in the developed world. With the demise of Social Democracy,[6] representation has itself become ambiguous and government tactical rather than strategic. St Simon's 'administration of things' has displaced the 'government of people'. As the politics of conviction has vanished, with decreasing voter turnout in developed countries and increasing attention riveted on the management of austerity, what are parties and coalitions now fighting over?

The answer may seem simplistic but it is the battle for the middle ground. Confronted with the loss of social solidarity, the manifestly un-

Agency is Transformed in the Course of Social Transformation' in Archer (Ed.), 2015, Dordrecht, Springer.

[5] This is too compressed. See, Jamie Morgan & William Sun, forthcoming 2017, 'Corporations, taxation and responsibility: practical and onto-analytical issues for morphogensis and eudaimonia – *A posse ad esse*?', in Archer (Ed.), 2017, *Morphogenesis and the Good Life,* Dordrecht, Springer.

[6] D.J. Bailey, 2009, *The political economy of European social democracy,* Abingdon, Routledge.

appealing nature of the Third Way, the rhetoric of the 1% versus the 99%, politics has become unapologetically *centrist*. It may still employ diluted fragments of the old lib/lab division in its public policies, but the appeal is now to some construct of a majoritarian 'middle' that supposedly outnumbers supporters of the ultra-right or ultra-left. These constructs seek to persuade that there remains a solidary, though disgruntled, majority whom they would represent: hence the rhetoric about 'one nation', 'ordinary hard working people', 'middle England', etc. Any who doubt this should listen to Prime Minister Theresa May's first address to the British Conservative Party today (5.10.2016) that even named and demonized their opponent, the 'Metropolitan elite'. Ironically, Sociology can congratulate itself; it has convinced our leaders that social stratification has, indeed, changed from being triangular to become diamond-shaped. Yet, the question remains, is this 'middle' not also a 'missing middle' in terms of solidarity?

Indeed it is, as elsewhere, not just in Europe, which is why so many politicians from Hungary to the USA reach out to popular xenophobia as the lowest common denominator, to which they respond with promises of building walls and the use of razor wire on their borders. These are distressing ways of fabricating a temporary national political consensus but they are powerful distractions from revealing how politics without conviction actually manages governance. Elsewhere, I have written about 'Anormative bureaucratic regulation',[7] which could just as well have been entitled 'Government in the Absence of Social Solidarity'. Without the power any longer to 'Command and Control',[8] without any normative consensus upon which to build, without the ability to direct the global economy and without social solidarity beyond their rhetorical constructs, administrative regulation sedulously expands to replace cooperation by regulatory coordination.

Although fragmentation can be exaggerated if it makes no allowance

[7] Margaret S. Archer, 2017, 'Anormative Bureaucratic Regulation', in Archer (Ed.) *Morphogenesis and the Good Life*, Ibid.

[8] Regulation by 'command and control' (CAC) is the preserve of the state, using legal rules backed by criminal sanctions. 'It is "centred" in that it assumes the state to have the capacity to command and control, to be the only commander and controller, and to be potentially effective in commanding and controlling. It is assumed to be unilateral in its approach (governments telling, others doing), based on simple cause-effect relations, and envisaging a linear progression from policy formation through to implementation'. Julia Black, 2001, 'Decentering Regulation; understanding the role of regulation and self-regulation in a post-regulatory world'. *Current Legal Problems.* 54:1, 103-146.

for the growth in international law, human rights law, and the definition of new universal legal prohibitions (for example, 'Crimes against Humanity'), all the same these developments do not nullify the fragmenting bindingness of normativity in most parts of the life-world (locally, regionally, generationally, sexually, ethnically, linguistically etc.) and that the bonds of social solidarity have shrunk accordingly. This is what Douglas Porpora has persuasively and pertinently diagnosed as the 'macro-moral disconnect', *where the guidelines for behaviour show a growing detachment from systems of social normativity (religious and secular alike)*, which are increasingly confined to the private domain[9].

The Ideal Type that follows aims to accentuate the most salient features that are distinctive of 'anormative regulation', without pretending to exhaustiveness or to having eliminated all overlap with other concepts.

- Regulations do not attempt to meet any form of 'normativity requirement', legal, conventional or personal,[10] but are the means of avoiding such appeals, yet they remain regulatory.
- Regulations exert a *causal force* not a *moral one*. They are unrelated to the approbation, approval or assent of those to whom they apply (in some of their actions), although they are not met with a high rate of non-compliance.
- Regulations do contain 'normative operators' (words such as 'ought' or 'must' and is 'required'/'prohibited' or 'permitted' under certain conditions). However, they work through the instrumental rationality of the subjects in question, who feel no obligation but are calculative or prudential in their responses, according to their means.
- Regulations have a heteronomous character, depending upon fines, penalizations and prohibitions, which are punitive without subjects incurring either a criminal record or attracting social sanction.
- Regulations have to be actual (it would sound odd to talk of the 'dead letter of the regulation'), but they can be displaced and replaced overnight without any appeal to the 'democratic defence of validity'.
- Regulations do not necessarily stem from authorities within the legal

[9] Douglas V. Porpora, 2001, Porpora, D.V. (2001). *Landscapes of the Soul: The Loss of Moral Meaning in American Life.* Oxford, Oxford University Press. Porpora, D.V. *et al.* (2013). *Post-Ethical Society.* Chicago, Chicago University Press.

[10] Such as Korsgaard's 'reflective endorsement',1996, Korsgaard, C.M. (1996). *The Sources of Normativity.* Cambridge, Cambridge University Press. Korsgaard, C.M. (2009). *Self-Constitution: Agency, Identity, and Integrity.* Oxford, Oxford University Press.

order. Many do (as in planning regulations), but many others originate from retailers (concerning conditions for return, reimbursement or recompense for products), train and bus services, private utilities, landlords (no pets), hotels, companies, banks, financial services, libraries and taxi drivers. The law may or may not uphold any of the above.

- Regulations do not depend upon such social conventions as maintain; often their avowed aim is the opposite, as in combatting discriminatory practices or policing acceptable vocabulary and behaviour.[11] *In fact, convention is now more frequently re-made by regulation than vice versa.*
- Regulations are concerned with the social co-ordination of action and practises rather than with issues of social co-operation or re-distribution. They are at most binding (without entailing a sense of obligation) *but never socially bonding*. Hence the connection with a decline in social integration.
- Regulations differ from laws or other forms of rules in terms of what makes them social. Bureaucratic regulations have an external not an internal social impact. What makes them social is that people (largely) behave in conformity to them, thus producing manifest social regularities.
- Regulations are ultimately intrusive of previously unregulated (or more loosely regulated) domains.[12]

Their effectiveness and, indeed, acceptance, I maintain, depends upon low social solidarity itself and drives it even lower,[13] even within the Third Sector. First, there is *the paradox of the Charities,* namely that as they grow in number – undoubtedly testifying that the 'goodwill' Engel detects has not atrophied – *but socially they become more competitive rather than cooperative*. This is symbolized in the Mega-Philanthropy status contest; will the Bill and Melinda Gates Foundation succeed in eliminating malaria before the *parvenu*, Mark Zuckerberg, does away with disease altogether? Its predecessors were the expensive 'plate dinners', given in any cause, and patronized for the sake of a photo-call. Now, with the growth in Charitable organizations, comes a Catch 22. Competitively, to have an impact, they resort to the tactics of any other political interest group, by employing professional lobbyists, who are not cheap. In consequence, their overheads rise dispropor-

[11] It is not illegal to swear, conventionally many do, but we are sternly warned not to affront railway personnel or cabin crew in this way.

[12] Such as EU regulation No. 730/1999 on the retail of carrots, banning the public sale of forked specimens or those with secondary roots.

[13] I have developed this argument elsewhere, see Note 33.

tionately in relation to donations. A new competition is unleashed with its own League Table, appealing to donors as being the most effective Charity to sponsor (that with proportionately the lowest overheads). The potential cooperation between those with similar goals is sacrificed to the language and tactics of the mainstream Business School – and it works in the same fragmentary way for supporters of stray cats and dogs as for human causes.

Second, voluntary and pro-social initiatives, such as Food Banks or Microcredit, are at the mercy of 'colonization' from above. This unleashes '*the paradox of incorporation*', such as affected the European Trades Unions long before them. On the one hand, as the centre-right attempts to roll back the Welfare State, the Food Banks are relied upon politically as the resort of the destitute. Aware of this blatant *lib* move, the centre-left remains critical that this is political opportunism and withholds active solidarity from their *lab* humanitarian supporters, alienating many of them. Public-Private 'partnerships' use the rhetoric of cooperation but in practice tilt to benefit either the State or the Market, doing nothing for Civil Society.

Lastly, the impulse towards free-giving is hampered by a barrage of anormative bureaucratic regulations: the legal and fiscal intricacies that surround gaining charitable status; the standardized governmental templates controlling application for it (on pain on waiting many months for a decision); the inescapable house inspections in the name of Health and Safety that follow, whether the intended beneficiaries are Asylum seekers or an old dog needing a home.[14]

Conclusion

A robust Civil Society is not reducible to an aggregate of small, localized initiatives, however innovative and enthusiastic they may be. It needs to be the source of societal Solidarity, providing the cement for social

[14] On a personal note, I have provided a small but comfortable house that fellow-parishioners have generously furnished and equipped for victims of Human Trafficking. It now stands ready and waiting to receive them – but empty! This is a good illustration of the 'missing middle'. Having completed a mass of documents to gain Unincorporated Charitable status, having undergone a successful House inspection, having written to dozens of bigger agencies working in the field, we still have not been given a single referral. Each agency recommends that we contact another until the circuit repeats itself, each warns of the pitfalls to be confronted, there is no agency – Diocesan or of local or regional government – that sees its role as facilitating interlinkage between initiatives expressive of solidarity and seeking to integrate the most marginalized. Meanwhile, the house remains unoccupied while the needs of refugees increase exponentially.

integration and cohesion on a worldwide scale. Expressions of individual goodwill, such as those that Engel has recorded are necessary but not sufficient conditions for its realization. Structural, cultural and adiaphoric obstacles block its consolidation by fragmenting potential collaboration and cooperation. Bottom-up pro-social initiatives are indispensable, but equally important are the means and mechanisms for their upward interlinkage. Without this, Top-down interests and influences repressively distort and progressively dilute the most promising source for building social solidarity. These are the effects I have attributed to the 'missing middle'. Without that, the social sciences know well that the combination of low social integration and low system integration are the formula for social breakdown in all its destructive forms.

The Expansion of the Immaterial Dimension and Its Impact on Social and Economic Exclusion

Stefano Quintarelli

1. The reassuring material dimension of the world

Humans became sedentary with the beginnings of agriculture, which occurred about eleven thousand years ago. This event laid the foundations for the evolution of societies, up to the form we know today.

It is due to agriculture, in the ultimate analysis, that we owe the domestication of animals, the specialisation of roles, the production of tools and machines, the birth of the concept of property and its defence, and the development of the economy, armies, courts, and so on.

We therefore have eleven thousand years of history since the birth of the economy of material goods. It has been a very slow evolution, and has led us to the present-day organisation of society and the economy.

When we know things very well, they become obvious and we take them for granted. Nevertheless, the amount of knowledge that each of us has accumulated since birth is enormous.

If each of us were to write an essay on a fairly common topic – tomatoes, for instance – we could write hundreds or even thousands of pages. Starting with the varieties of tomatoes (from San Marzano to Big Beef) and sales channels (green grocers, supermarkets and outdoor markets), we could go on to describe the land cultivation from planting to harvesting. We could broaden the discussion to examine private ownership of the means of labour and the land, the land registry, title deeds and notaries, tractors and fuel, fertilisers and the chemical industry, patents and international treaties, and so on.

For tomatoes, as for the great majority of things regarding the world in its material dimension, we know the networks of relationships between these apparently disparate concepts and they become obvious to us.

We have extensive knowledge of the world in its material dimension and its respective dynamics. We have been observing them and learning their evolution for eleven thousand years. The advent of the immaterial world in our societies is so unsettling, and even traumatic for some people, precisely because it is a break with all these deeply rooted certainties.

There have been other moments in history when paradigmatic changes have radically transformed society. For example, the control of fire increased resistance to the elements and enabled the conquest of wider territories, followed by the forging of weapons and tools. The advent of the steam engine heralded industrialisation and the consequent urbanisation and social division that lay at the roots of many conflicts over the last century. With electricity we arrived at mass media and the cognitive extensions so brilliantly described by Marshall McLuhann in Understanding Media, which in some ways anticipated the next paradigm shift, the one regarding dematerialisation.

2. Properties of the material dimension of the world

The material dimension, by the very fact of its physicality, is characterised by certain properties that underlie all its mechanisms. The same properties also determined the evolution of society.

As we will discover in the course of this article, these properties are largely redefined and placed under pressure by the progressive dematerialisation of many human activities, due to technological development.

In the material dimension of the world, production is costly. Whether we have to produce tomatoes or cars, we need raw materials, energy, labour and capital.

In the material dimension, reproducing is costly. Certainly in many areas there are economies of scale or of scope; but, in general, the reproduction of physical goods involves significant costs in terms of raw materials, energy, labour and capital.

In the material dimension, filing and storing is costly. Costs can vary, depending on the type of goods stored and the precautions that have to be taken, and are not negligible.

In the material dimension, transferring too is costly. Whether we are transporting something intangible like gas in a pipeline or dolls brought by ship from China, transfer costs comprise a large portion of the cost of goods. This applies to the construction of the necessary infrastructure and to the actual relocation of items.

In the material dimension, transferring takes time. To reach Europe, the doll produced in China has to make 20 days journey by sea (and encounters various unforeseen circumstances).

In the material dimension, handling is done by people. There are of course highly standardised and repetitive situations in which industrial robots are used; there are also certain tasks performed by robots in less

standardised situations. As a general rule, however, human activity is unavoidable.

In the material dimension, goods can be "rivalrous": if we are using a good, someone else cannot use it at the same time. This is the basic concept of private property.

In the material dimension, goods can be excludable. The possibility for an individual to enjoy a good can be prevented by another person. This is basic element of law enforcement, namely the possibilities and ways of ensuring compliance with laws.

In the material dimension, returns are normally diminishing. Malthus observed in 1798 that the most fertile lands are cultivated first and then, depending on need, the more difficult ones, which produce less for the same amount of work. This obviously also applies to raw materials.

In the material dimension, goods perish. They are subject to wear and tear. Some can last decades, others minutes, but each physical good eventually wears out and perishes.

In the material dimension, goods are disconnected. They do not communicate their state to one another and therefore cannot change their own behaviour based on data obtained from others.

As mentioned above, these are not new concepts. In fact, they are certainly well known. They are so familiar that we do not notice them. This is why it is worth conceptualising them now, so that we can gain a better understanding of how these properties change radically in the immaterial dimension of reality. We will also see the implications of these basic differences.

3. The dawn of the immaterial dimension: digital natives

Everything changes when the immaterial is separated from the material. That is, when the former cannot acquire the properties of the latter for its own advantage. We shall have a closer look at what this means. I like to quote the famous aphorism – already mentioned at the start of this book – by the science fiction writer William Gibson: "*the future is already here, it's just not evenly distributed*".

We often hear talk of "digital natives" to indicate people "born" with digital technologies and in whose lives they play a pervasive role.

When did this "immaterial dimension", in which people engage in economic and social relations facilitated by digital technologies, begin? I place it at the start of 2001, fifteen years ago. It is not that there were no websites, computers or even Internet connections before that. But these

were sporadic, posed an obstacle to access and involved a very small percentage of the population.

The iPod and Apple Store were launched in 2001 and rapidly redefined the music world in a radical way. Not that there were no digital music players before 2001, but they were complicated to use and not very popular. In 2001 was also launched ADSL Internet access technology (for the fixed network), which introduced two significant leaps forward from the previous (dial-up) modems: firstly, it had broadband connectivity, over 10 times faster than modems; secondly, the connection to the network became permanent, or in Internet jargon, always-on.

This radically changed the way we used the Internet. There were no more waiting times when we wanted to go online (as before, when we had to switch on and connect a whistling modem). Nor did we have to wait minutes to receive content. Everything became instantaneous.

In my opinion, the year 2001, with the advent of fast and ubiquitous Internet and the diffusion of digital technologies to a vast population, represents the tipping point: the moment to which we can date the start of the digital revolution.

For this reason, I think it is appropriate to describe children who began using computers in 2001 as

"digital natives", namely those who were between 6 and 11 years of age in 2001, i.e., born between 1990 and 1994. In 2015 they would have been in their early twenties, at most.

In my opinion, "settlers" are those who were not weaned on bread and digital. They are people who have known calculators and an analogue world before coming to the internet: those born before the nineties.

Among these, there are some "older" ones, like me, who began to use networks in the second half of the 1980s. I call these "pioneers". Those who arrived later, or who are arriving now, I refer to as "immigrants". They have a hard time settling in and understanding, and cling to "traditional ways."

Pioneers of the automobile used to build and run the vehicles themselves. By contrast, someone who receives her driving license today has really no clue of what happens beneath the hood.

Likewise, pioneers in the immaterial dimension had a deep understanding of how things worked, of the underlying mechanisms that made the internet and devices work and are even able to fix things not working appropriately. By contrast, immigrants, like natives, do not possess this deep technical knowledge and understanding. For immigrants, the immaterial dimension is something both strange and awkward: they tend to fear

the possibility of being perceived as ignorant. On the other hand, digital natives, who share with immigrants a very shallow understanding of the technical details, find themselves completely at ease conducting in the immaterial dimension their social and economic activities.

The uneasiness of "immigrants" is understandable. They have to move around and interact in a new dimension of the world and reality, which they understand only partially (or, in the case of some, believe they understand, which is worse). One of the reasons for this difficulty is that we often do not even have words to describe things.

For example, "before", in our beautiful former world, it was clear what television, newspapers and a railway ticket were. We knew what it meant to own a book.

These are just a few examples, but try asking a digital immigrant or a digital foreigner what they mean. The answers will be something like "a system for broadcasting and receiving video with a transmitter, repeaters, antennas and receiving devices", "a daily publication that you buy at newsstands and which contains news, comments and advertising", "a paper travel document that you buy at a ticket office", and "the right based on the purchase of the book that allows us to keep it, lend it or give it away".

However, now that the immaterial component has been separated from its material support, whose effects and properties could be utilized so conveniently, as described above, things are very different.

What is television? Who could attempt a definition sufficiently precise to include all the uses and ways in which we watch content on a monitor (whether that of our home TV, smartphone/tablet or computer)?

With "on demand" services, we have abandoned the "linear" character of broadcasting and can choose what we want, when we want it, from the library provided by the publisher (but what is a publisher? Is BBC a publisher? Or is Youtube, which offers us films, direct live streamed content and some video compilations?).

Is some modern multi-media online outlet a television, if we watch it online, combined with texts, analysis of the video content (etc.)...? Or is it an online "newspaper"? And what is the difference?

What is a newspaper? Is it the availability on a tablet of any known and emblazoned publication, with frequent updates, video, audio and interactive graphics a "newspaper"? If the publication is the work of a small group of people or an individual, is still a newspaper? What rules apply? Does the individual have "editorial responsibility" or does freedom of expression prevail?

What is a train or airplane "ticket"? Of course, it may still be a printed ticket bought at a ticket office or machine. However, it is also a sequence of symbols that is forwarded to us in some way and checked by the ticket inspector on a centralized archive with a handheld computer (smartphone).

An epochal paradigm shift has occurred here, enabled by technology, without us noticing: what once constituted proof was the travel document, the piece of paper displayed locally and the information printed on it. What now constitutes proof is no longer the permit presented locally, but its immaterial form. That is to say, the travel permit stored in a centralised archive consulted by the ticket inspector.

By analogy, it is as if the birth certificate requested from the local municipality and presented to an authority no longer constituted proof; but proof was constituted by the personal details stored in a centralized registry and consulted by the authority. We have not yet reached this point, but we will in the future.

What is a "record", now that we no longer have "records"? There are songs. What is a "film" today, now that there are no more reels of film, even in the cinema? Nevertheless, the word has remained in common use to identify a specific type of video. What is a "book", when there are no longer books? What do we call it when we read a text on an e-book reader or a tablet? A "text"? What if it also includes still or moving images, audio, interactive features and comments and notes by other readers, with continuous updates? It is still a "book", or is it a "newspaper"?

As we see, words lose their clear and precise original meanings, which are transformed into new modes, forms and categories with much less clear boundaries.

When "a book was a book", it could not automatically disappear from the bookshelves of our bookshop; we could give it as a gift, lend it or resell it. It was a physical object with its own properties Today, "a book is a file in a device" (like all other media). What you purchase is not ownership but a series of rights, powers, privileges and immunities established contractually between the "selling" and "buying" parties (who do not, however, "buy" and "sell"). The terms and conditions include restrictions, such as the prohibition of lending it, giving it away or selling it. They can also include limits in terms of time or the number of uses (often the case with video) or restrictions on where the content can be enjoyed (for example, a film can be seen in Italy but is inaccessible in the UK).

Moreover, there have already been several cases of sellers remotely removing books from users' devices without their knowledge. So can we still

talk about "buying a book"? We are left with no words to describe these new mutations of categories that previously had clearly defined characteristics and boundaries. As we lack words and their meanings, things are defined in contractual terms, in which the scales are often tipped in favour of the supplier.

On the other hand, what possibility does an individual purchaser have to negotiate his or her contractual rights and obligations?

Rights and restrictions were traditionally established as inherent to the ownership of the material goods that "contained" the "content". Now these have been replaced by countless clauses written in a size seven, light grey font, which the user clicks with the mouse to confirm having "read and accepted" them

4. Properties of the immaterial dimension of the world

At the heart of this technological Babel, which dissolves boundaries and redefines markets and behaviours, there is a root cause, a deep reason. Namely the basic rules of the immaterial world are radically different from the those of the material world.

These things are obvious to digital natives, but quite obscure for many digital immigrants or foreigners, whose mental patterns still follow parallels and analogies with the physical world.

In the immaterial dimension, production is costly. However, it generally costs less than its physical counterpart.

In the immaterial dimension, reproducing is not costly. Here I say "not costly" to indicate that it has a marginal cost per incremental unit produced, which tends towards zero.

In the immaterial dimension, filing or storing is not costly. Billions of e-mails and social network messages are sent every day in Italy, and all of them are stored. Could you imagine something like this with letters and cards? Of course, for "heavy" forms of data, i.e. video, the storage devices have a certain effect on the cost of filing. However, the development of technology, as we shall see, is also reducing these costs to marginal levels.

In the immaterial dimension, transferring is not costly. Once you have paid the toll fee to the immaterial dimension of existence, which is the Internet, transferring an immaterial good to Tokyo or Rome costs exactly the same: nothing. The whole world is one big "here."

In the immaterial dimension, transferring is instantaneous. To transfer a game from Europe to China does not require a 20-day voyage like its material counterpart. It does not require time. The entire world is one big "now".

In the immaterial dimension, the handling is done by computers. There are certainly situations in which computers are not effective, for example, dealing with unforeseen circumstances and performing higher cognitive tasks. Speech recognition and the ability to extract its meaning are still at an initial stage of their technological evolution, but such things were considered almost science fiction only a few decades ago. Today, computer systems make decisions regarding routes, investments and the control of processes and activities, and they also summarize texts, determine prices, make purchases and drive cars.

Moreover, because immaterial goods are handled by computers, processing can continue day and night. In cases where the assistance of a human being is required, this task can be performed from any other part of the world. In the immaterial dimension, goods are not rival. The saying of President Thomas Jefferson is well known: "*He who receives an idea from me, receives instruction himself without lessening mine; as he who lights his taper at mine, receives light without darkening me.*" A person's possibility of knowledge is not limited by the fact of passing his or her knowledge on to others. This is the reason why the word "lend" makes little sense for immaterial goods. Whoever lends a physical good no longer has it until it is returned. However, those who "lend" an immaterial good can continue to use it. This is the reason why the contracts that define the licensing of immaterial goods expressly prohibit their transfer to third parties, either as a gift or on loan. In the immaterial dimension, goods are not excludable. One individual's possibility of enjoying an immaterial good cannot be impeded by another, except by preventing him or her from using electronic tools and accessing the Internet at any place or time. Once I come into possession of an immaterial good, I can make several copies of it at virtually no cost and in virtually no time, and send them to the four corners of the earth. The only way to prevent me from accessing it is by depriving me of access to the Internet.

Since the immaterial dimension of existence is complementary to the material dimension, and the Internet is its main mode of access, there is a growing conviction in political debate that citizens should not be deprived of access to the Internet, unless as part of measures to restrict their freedom (arrest). On the other hand, how can we ensure that a person does not go online with a smartphone or by entering a bar? Would we ban a person from leaving their house to buy a newspaper, go to the bank, send a recommended letter or pay a bill because they have recorded a TV show on a DVD and given it to some few friends? Enforcement of contracts and regulations becomes increasingly difficult in the immaterial world.

In the immaterial dimension, the returns are very often increasing. This phenomenon was only analyzed in 1994, i.e. twenty years ago, by Santa Fe Institute economist Brian Arthur in his book: "Increasing Returns and Path Dependence in the Economy".

In the immaterial dimension, goods do not deteriorate, except in marginal cases in relation to the amount of information produced and available online. Automatic systems ensure that their integrity is preserved and create copies for purposes of protection, thanks to the fact that the cost of storage is practically nil. It may occur that some content is no longer accessible, due to it being on IT media or formats that are no longer readable with commercially available technology. These cases are very rare. However, this should no longer happen in the future, thanks to the use of known, disseminated and shared standards for storing information and saving it in systems that are interconnected and always available online. In the immaterial dimension, everything is interconnected. Systems can adapt their behavior based on information obtained from other systems or sensor networks, and customize it to the user's profile and context. Thus a satellite navigation system chooses the best route based on the traffic in individual streets, and prices of flights are adjusted in real time based on seat availability data and the interest shown by the public in real time for certain routes, as well as by the estimated spending capacity of the user.

In the immaterial dimension, input goods coincide with output goods. They are input and output information. However, information can be reproduced at no cost, which leads to an absence of variable costs (and thus the only costs are for infrastructure) and, with a positive feedback mechanism, to an exponential acceleration of their production.

Naturally, these are not all of the properties that distinguish material goods from immaterial ones. There are certainly others. But these are the ones that allow us to interpret many of the things that are happening around us and to understand them in a new way. They are the pillars of the future, the foundations on which all the great changes brought by the digital revolution stand.

5. Properties of the material and immaterial dimensions compared

This table summarizes the main properties described as characterizing the material and immaterial dimensions.

I call them "dimensions" to emphasize that they are normally not alternatives, just as length is not an alternative to width. Some goods are longer or wider than others, but if a good is wide this does not mean that it does

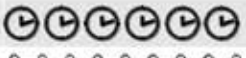
CC-BY-SA Quintare® 2005-2016	Material	Immaterial (not "virtual")
Producing	$$$$$$$	$$
Reproducing	$$$$	-
Archiving	$$	-
Trasferring	$$	-
Trasferring		-
Manipulating		-
Working hours	9-18 Mon - Fri	24/24/365
Rivality	Yes	~ no
Excludability	Yes	~ no
Returns	Decreasing	Increasing
Duration	Perishable	~ Eternal
Integration	Disconnected	Connected

Figure 1.

not also have a specific height. There are also some goods which are only wide, with zero height, or viceversa.

Similarly one good might have a greater or lesser immaterial component than another, but if a good is immaterial this does not mean that it cannot also have a material dimension. There are goods that are only immaterial, without a material dimension, and viceversa.

A flight, a dinner in a restaurant, a room in a hotel, a lamp or a mattress are all goods that have fairly pronounced material and immaterial dimensions. A product, in fact, is not only its material instance, but also the complex of goods and services that form an integral part of it: a hotel room is, to a large extent, a marketing and booking service. Lamps, in addition to being marketed online, and the management and tracking of their logistics online, are increasingly being connected to the Internet for purposes of regulating their brightness or of maintenance. Thus, in the future they will be able to communicate data on consumption or conditions in the environment where they are installed. The same is true for mattresses, which

also help us sleep better and control certain aspects of our health, thanks to a myriad of sensors and smart temperature adjustment.

Numerous other examples of the complex relationship between material and immaterial properties in the same good can be found in judicial and legal news stories.

In 2007, the Supreme Court established the illegality of selling chips that could be used to modify video game consoles, enabling them to do other things than those intended by the original manufacturer. In essence, a user buys a device but does not have the right to do whatever he or she wants with it, including modifying it to do other things. The limitation of rights established in the user license for the basic software of the hardware device prevailed over the right of ownership of the user who "purchased" the device.

In 2013, Impression Products, a small company founded in 1978, received an injunction to cease operating from the printer giant Lexmark. Impression Products buys used printer cartridges, fills them with ink and resells them.

According to Lexmark, however, it cannot not do this with used cartridges bought outside the United States, as this is in breach of the license requirements of intelligent cartridges (you may have noticed the electrical contacts on the cartridges). According to the license, once the cartridges are used, they must be returned to Lexmark. This is something that is never solicited, but it was enough to be able to prosecute Impression Products.

In April 2015, John Deere, the world's largest manufacturer of tractors (the green ones) claimed in a document addressed to the US Copyright office that farmers no longer owned their tractors, at least not in the traditional sense. The reason was that software is an essential component of modern tractors, involved in every aspect of their operation; this software, however, is not the property of the farmers, who only obtain a license of use when they "purchase" the tractor. In May

2015, General Motors claimed that their cars are mobile IT networks, for which they hold the software rights and grant a license of use to those who "purchase" (a misnomer at this point) a car.

We are used to considering products and services in terms of their visible, i.e. material, dimension. We find it quite difficult to realize that their intangible dimension is steadily increasing and tending towards becoming the main distinguishing factor and source of added value, and thus the greatest source of limitation of user rights, which are no longer the same as those inherent in the material dimension.

6. Macro consequences of immaterial basic properties

There are a number of consequences at a macro-level that these differences in the basic properties of immaterial vs. material entail:

1. traditional multiple level organizational structures vs. technological re-intermediation from a single hub: the radically decreasing coordination cost deriving from the immaterial properties coupled with immaterial process integration of logistics, either physical or digital, leads towards the disappearance of material intermediaries replaced by intermediating algorithms, often unsupported by remote personnel or, in any case, based on remote personnel with relatively low skills as instruction and control is performed algorithmically. The typical organization with material intermediaries and retail outlets gets replaced with algorithms and smaller central teams. This leads to a significant efficiency of the supply chain with decreasing stocks, but so goes with the company structures that managed these warehouses and eventually retail outlets as choice and purchase activities become immaterial and only fulfillment is still material. Consequently the bargaining power moves towards the top of the value chain, along with the profits, and the competition of workers tends to a reduction in base salaries in a number of industries, which, in turn, tends to generally reduce the average purchasing power. I believe that these trends contribute to explain the present general tendency to deflation.

2. acceleration of trends due to exponential trends: feedback cycles reduce from weeks to real time, due to the interconnectedness of the systems and the evolution of products, services and technologies reduce from months to continuous posing a pressure on organizations and people. The output is a constant accelerating trend eventually reaching a level in which machines increasingly learn to modify themselves and become "more intelligent" than humans. A point known as "technological singularity" as explained in more detail in the appendix. In any case, even if the Singularity is not achieved, the effects of technology on society end economy will be huge and accelerating for the next 15-25 years. The demarcation between the usual phases of life, school, work and retirement will be less and less clear, as persons will have to work longer and learn continuously to adapt to a changing environment; educational methodologies and contents will have to be redefined.

3. concentration of the world: as the cost of real-time communications and access to information and services is nil, everything is becoming avail-

Figure 2. Src: Todo Mafalda, joaquin Salvador Lavado, 1992.

able everywhere, always. An increasing number of persons will work anywhere, always. Globalization is strongly intertwined with the development of technology that tends to make the world a single point.

This fact facilitates relocation of persons in countries other than their homeland and helps them keeping ties with the original communities that, in turn, become spread around the world. In any given city many different cultures will coexist and, given the possibility of easily maintaining ties with their origin, the integration will become more difficult as the permeability of local cultures confronts the technologically-sustained persistence of the original cultures.

4. Pervasivity of technologies: the exponential increase in computing, storage and communications power will determine a proliferation of interconnected devices which will sense, transmit and archive all data generated. The usual computer with local computing power, local storage and local input/output gets replaced by a global fabric of computing and storage servers with input/output capabilities distributed everywhere around the globe. Microphones, cameras, displays, speakers and any kind of sensors (even attached to or inserted in our body) will be the input/output device that will guide our interactivity based on the immaterial representation of

our identity. Rather than possessing a computing device, we are going to live in a global computing fabric. Our relationship with the data that represents our interests, social relations, beliefs, etc. will be redefined and will govern every aspect of our interactions. Services and products are going to be mass-customized on a single person based on all this big data. Discriminations will arise based on this data, as products and services are not going to be universally available for those persons whose data sets define them as outliers or for those persons that have not an accurate immaterial representation of their identity.

7. The role of Immaterial Monopolies

According to the law, a company is said to have significant market power "...if, either individually or jointly with others, it enjoys a position equivalent to a dominant position, thus one of such economic strength that it may behave to a notable extent independently of its competitors, customers and consumers".

There are some very clear-cut situations of monopoly that are evident to all: companies operating a concession by the State have a monopoly, as it has been licensed to operate the service by the government. Other situations are less clear: Microsoft has the monopoly of spreadsheet programs because we all know how to use it and our lock-in is very high. The cost of changing would be considerable for all of us. A "switching cost" like this would be mainly cognitive and involve having to learn to use a new tool.

This is why many software patents cover menu functions, the function and appearance of certain icons, the ergonomics of a device, operational procedures, and so on. Because all of these reduce the cognitive effort necessary to adopt a tool/service, or increase it for a person wanting to change it, they strengthen the position of the company offering the tool/service. They make it less vulnerable to competition. The fact that all of us exchange spreadsheet files in that specific format is an additional lock-in factor. Change is made complicated by the need to interact with our friends and colleagues, unless we can convince them all to change at the same time. A very strong lock-in!

In reality, this lock-in is mitigated by the use of interoperable formats and public standards: if we can interact with our colleagues and friends using a common format that preserves the information on the file we wish to exchange (layout, bold characters, underlining, fonts and graphics, etc.), we might envisage a gradual migration, in which only a few begin to make a gradual transition to new services/tools.

These standards exist and are called "open" standards: they describe how data can be encoded in a file so that everyone who opens it has the same information.

The "monopolists" are required to adopt open standards for antitrust purposes, as failure to do so would be an evident anti-competitive action and punishable as such; for this reason, all their tools allow the possibility of saving files in open formats in order to interoperate with the tools/services of the competition.

This is why whenever "monopolists" release a new version of their tools/services, they tend to include the encoding of data in proprietary formats, allowing a richer range of information, as "default" (i.e. as an automatic choice unless the user chooses otherwise). This richness is lost when open standards are used.

Of course, the "rich" formats that the company uses are patented, so as to effectively prevent their use by other companies, which could pose a threat.

So the programs are interoperable, but normally only in a measure sufficient to avoid prosecution under antitrust laws.

Patents, which in theory should serve to promote competition by encouraging the search for innovation, are used as leverage to defend monopolistic positions and extract deriving profits.

In a sort of technological cold war, companies build up their own patent arsenals to use against each other as needed: I will sue you if you sue me. Unless companies are giants, with huge budgets for their legal departments, they gradually lose their ability to compete.

In the material dimension, which is dramatically slower than its immaterial counterpart, a patent providing exclusive right of use for a 20-year period may, in many areas, already seems excessive. In the immaterial dimension, where monopoly positions are established in a few months and patents serve the purpose of defending these monopolies, such a term would seems abnormal to many and some economists suggest that they should be eliminated.

I conclude this chapter by emphasizing a point I consider important: the fundamental characteristics of the immaterial dimension include virtually no transmission costs and times, substantially negligent processing costs and increasing economic returns.

Together with network effects and strong user lock-in mechanisms, this enables the establishment of companies that enjoy "monopolistic" positions in an extremely short timeframes.

These companies are able to defend their positions of advantage by exploiting all aspects of regulations that originate in an extremely slower material context (not least, the times for legal processes, which are very lengthy throughout the world for those who can afford legions of competent lawyers).

This favorable condition helps to explain the concentration of profits, flowing with intellectual property rights to complacent tax heavens. As digital technologies are a General Purpose Technology present and expanding in all economic activities, with the progressive digitization of the economy most other sectors present similar trends of pressure on salaries and concentration of profits. Value transferred to consumers by price reduction in one market induces price reduction on adjacent segments of

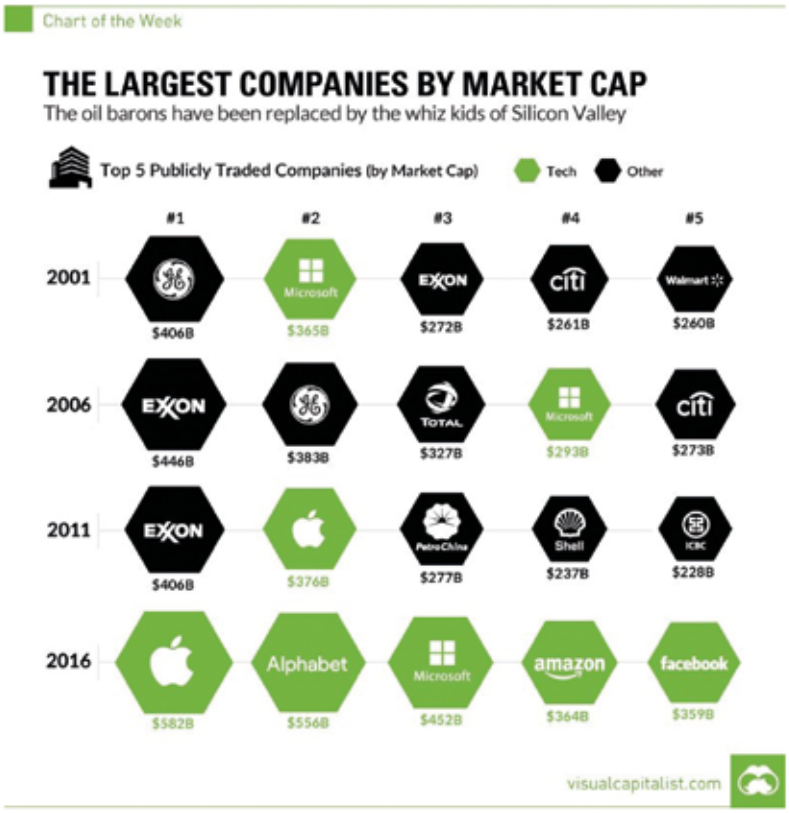


Figure 3. Src: visualcapitalist.com, July 2016 (Alphabet is the name of Google's holding).

the economy reducing operating margins in adjacent industries as well.

The phrase "competition is a click away" is at large a myth. It used to be so before digital companies clearly understood and developed business models based on network effects, lockins, patents and copyright; it is not any longer. Present regulation allowing for the creation of monopolies in vertical markets niches tend to favour the competition FOR the market instead of the competition IN the market as no competitor would reasonable challenge in their core market well established monopolies, with strong user lock in and network effects. So the competition is for new global market niches where the winner takes it all. This helps to explain the stratospheric stock exchange valuation of some companies and, consequently, the disproportionate concentration of investment capital in some areas of the world leaving bread crumbs to the others.

8. Profit concentration and (risk) sharing economy

Putting together an offer and working with several suppliers is something that requires investment and effort. The cost of coordination is justified only when there are high-value contributions. For example, the small knitting workshops that work as subcontractors for famous brands, or the leather artisans who make parts of bags.

Once an offer has been put together, it has to be brought to market, and this, too, traditionally involves significant cost.

However, if we shift these activities to the immaterial dimension, where, once we have created the platform and considered it a sunk cost, the other variable costs are negligible and the rules change dramatically.

The variable cost of coordination is reduced practically to nothing, thanks to the fact that a significant part of the work is done directly by the offer, providing materials and content, and that the cost of the platform is limited to control (largely automatic) and the handling of exceptions.

Once the critical mass of an aggregate supply and acquired users is reached, there is a tipping point, and if the aggregate supply ensures the intermediary a profit margin greater than the variable costs for promotion and marketing, and the very low coordination costs, the aggregator's business will be sustainable. Particularly in the initial phase, the scarce resource for the aggregator will be customer attention, and a large part of their budget will be used to acquire a stable position in the customer's mind.

Levy Weitz said that the three main factors of success in retail marketing are "location, location and location". Similarly, if the aggregate service is supplied through an application, the single most valuable piece of real

estate for a trader in the immaterial dimension is the user's smartphone screen.

Installing an undeletable application in a user's smartphone is the immaterial equivalent of building a shopping center in their back garden.

Low coordination costs due to the properties of the immaterial dimension allows offers to be put together in ways that would not otherwise be possible. Anyone with a resource that is only partially used can make it available to others if there is a potential demand for it.

In the beginning, entrepreneurs who launched these types of intermediation platforms were responding to the main demands for goods/services, that is to say, transport, hospitality and food. Thus platforms like Blablacar, Uber, Airbnb, VizEat were born, and the phenomenon has gradually extended to all types of activities that can be performed by individuals in their own time, with otherwise underutilized resources: from last mile logistics to house painters, party dresses, (...).

These platforms are targeted at areas of demand previously met by organizations with much greater coordination costs. They do this by exploiting a regulatory peculiarity which exempts the intermediaries of the information society from liability. The so-called "eCommerce Directive" in

2000 explicitly guaranteed exemption from liability to communication platform operators. The widely shared objective at the time was to encourage the development of the information society, as it has less impact on resources and is therefore better able to ensure a perspective of sustainable well-being. At that time, the legislature was well aware that the technology platform used by people to communicate was simply that: a platform; the content was provided by users and was therefore the responsibility of the users themselves. It was therefore a totally different matter for those who place content on platforms and are responsible for it. Exemptions were provided for systems that only performed transmission (mere conduits: similar to a catwalk along which content passes), for those that hosted content uploaded by third parties (hosting: similar to a table intended as a support for those who put content down and pick it up), and a middle way between the two (caching: similar to an inclined plane along which stored content tends to slide and disappear).

Platforms have evolved, and with the first "forum" applications for online discussion the question was raised whether or not these were platform services and therefore subject to the exemption from liability provided under the Directive.

It was decided that as they were software systems with no human activ-

ity, they were also a part of the platform and were therefore included in the exemption from liability envisaged for "hosting" services.

An offer aggregation platform for amateur painters or part-time interior designers merely matches supply and demand. It is has no liability if the painters use toxic paint or the designers recommend unapproved lamps.

The intermediaries receive a percentage on the transaction, and being global organizations that operate from tax heavens or make use of preferential taxation agreements, they do not pay taxes in the country where the operation is performed. Their intermediation service is performed abroad, and so a part of the value of the transaction leaves the country and ends up in locations with more favorable tax conditions.

Naturally, hoteliers, taxi drivers, restaurant owners, professional painters, architects and others are not happy with this situation. They operate in the material dimension and are therefore controllable and subject to enforcement, with applicable regulations. At the same time, they see some of their potential customers end up in the hands of an unregulated intermediary, offering deals put together by private individuals at lower prices. Private individuals can do this due to the fact that evasion is easy and they have no regulatory compliance costs (for hygiene, safety or accessibility, for example).

One advantage for private individuals is that these part-time activities can be a small source of additional income, and become a sort of supplementary welfare in a very difficult economic environment. They exploit the residual capacities of otherwise underutilized resources (an overall benefit to society, which becomes more efficient and reduces waste): a car, a house.

There is, however, the emerging trend that the activity does not remain sporadic and supplementary, but becomes a full-time concern, while evading the requirements, obligations and inspections borne by professionals in those fields.

There is a very fine line between a company that advertises online and employs full-time painters, with all the legal constraints and assurances, and an immaterial intermediary with a large list of "part-time" painters. The latter can compete by transferring all responsibility and the burden of flexibility to the individual painters, while retaining the profits. Where does the platform end and a new form of illegal hiring, or excessive corporate flexibility imposed on the workers, begin? Some observers, such as the Financial Times, argue that the most important innovation in the sharing economy is the transfer of risk.

Do consumers who use these intermediation platforms know they enjoy fewer safeguards and assurances? To what extent is this an informed and free choice or a greater risk accepted for economic gain? These are risks that society had decided to mitigate, through specific regulations. We may call to mind the costs for accessibility for the disabled. Individuals able to disregard these will have a cost advantage that they can pass on to their customers, unlike those – bound by regulations – who have to pay them. However, this could reduce the availability of offers and assurances for the less fortunate segments. It would be an advantage for the majority of users at the expense of the weakest.

At its core lies an old contradiction. Namely, the sum of the benefit of individuals does not necessarily correspond to the benefit of the community. Immaterial properties that allow vastly extensive integrations at no cost accentuate this contradiction, which is otherwise concealed by statistical inefficiency.

Societies have put significant effort in ensuring, for example, no racial or sexual discrimination by those subjects providing public services. These discriminations are coming back in the form of private suppliers of goods and services aggregated by immaterial intermediaries who don't have similar obligations.

In any given business, compliance costs account for just a small fraction of the overall cost of running the business. But once you enter the immaterial dimension and running costs tend to become zero and a significant value gets transferred to the consumer. But then, any compliance cost would become a non-justifiable burden, when compared to revenues. Compliance costs, to generally ensure protections and inclusion, would eventually become a toll so high that this new service itself could not exist. This is an exacerbation of the kind of dilemmas regulators are facing: at what level shall they rule in favor of protection and inclusion vs. value transferred to consumers? It is my belief that we should thoroughly consider the idea that socially desirable values other than economic should be taken in high consideration and therefore regulatory compliance costs could well be the most relevant cost faced by immaterial operators, even if that might cause no economic convenience in offering some services.

9. Ethics of algorithms

Intermediation platforms do not choose suppliers or recommend customers otherwise, by participating in the negotiations they would not be considered technical enablers but also become liable intermediaries. They

therefore offer automatic and algorithmic functions, and social rating, i.e. evaluation by platform users, who are encouraged to express opinions on suppliers and customers.

The rules for public services include certain requirements, such as not refusing customers and ensuring equal employment rights. "Impartial" service rules such as these are not new; even the ancient Romans required those who built inns along Roman roads to ensure hospitality to every traveler and his horses, without discrimination. An intermediation platform of this kind does not have any obligation regarding inclusivity. A driver belonging to an ethnic minority might find himself with very negative ratings if he worked in a city with an overwhelming majority of a different ethnicity. This would compromise his work opportunities. He might eventually be excluded from the platform, without any right of appeal. He could therefore lose the entire possibility of utilising that particular service. As these platforms tend to become monopolies, due to network effects and lock-in, in one geographical area, you end up having a single platform for a particular service.

Algorithms should therefore be corrected in some way to ensure a fair deal, but how could a "fair" adjustment be guaranteed? What if an algorithm was ideologically disposed towards unethical behavior by those who created it? This brings us to the highly relevant topic of the ethics of algorithms and of those responsible for their evaluation.

We use a host of systems and services every day and depend on their underlying algorithms to an increasing degree in our social and economic activities. These algorithms behave in ways determined by their creators and become a kind of de-facto "law" that governs our relationships with these services. Many traditional economic activities are regulated, and behaviors established, by standards defined by public institutions to safeguard the market and users. These standards are often applied in a questionable manner or poorly supervised. The algorithms of the new services normally replace these rules in a more efficient, but less transparent way, determined by company management and not open to appeal.

The situation will be even more complicated when computer procedures are no longer based on algorithms. They might no longer follow known mechanisms and replicable models in which equal input conditions always produce the same deterministic output behavior.

Systems of classification and decision will be produced increasingly by artificial intelligence, "neural networks" that are not programmed but learn in a way similar to humans. They may therefore have an intrinsic capacity

of discretion. Who would be liable in such a case? Would it be sufficient to say that a decision was taken by a machine to ensure exemption of liability (in that it was not implemented by a person)?

Up to now there has been an exemption of liability for the technical, algorithmic modalities used to facilitate services, which made sense in the past to help the development of the technology. In the future we will need to reconsider the liability of intermediaries for the effect of the activity they carry out.

10. The immaterial dimension and the rising of exclusion

The immateriality of the digital dimension creates some problems to immigrants at a cultural level, which also have economic consequences. Since we cannot touch the immaterial reality, immigrants have difficulty in perceiving its value. This also has (negative) consequences on political decisions regarding investment in the sector. It is tempting to invest money and generally deal with things that have a material dimension, which you can see and touch, and have "weight". This is because we are traditionally accustomed to appreciating the value of what we experience with all our senses.

The solidity of a brick is proverbial as a source of stability and a guarantee for the future. Tangible assets have always been a mainstay of company balance sheets.

Yet today we live in a world in which largest taxi company (Uber) owns no vehicles, the most popular media owner (Facebook) creates no content, the most valuable retailer (Alibaba) has no inventory, the world's largest telephone company (Skype) has no switchboards and the world's largest accommodation provider (AirBnb) owns no real estate. These are all companies born in recent years that have grown at an explosive rate (to be more precise, exponentially) due to the lack of friction in the immaterial dimension in which they operate.

Do tangible assets still have the importance that we gave them before customer relations became intermediated by totally immaterial operators? A political leader remarked that "we have the Colosseum, and to come to see it, tourists have to come to Rome". "But it will be sold by the Dutch and we'll have to clean it", commented a friend, who is an expert on tourism, to point out that hoteliers (and soon restaurant owners) would have to pay commissions of more than 20% of the price (including VAT) to intermediaries.

If Google, the dominant search engine in the West, demoted us in its searches or removed us from its lists, our site/service/product would be

like the voice of someone crying in the wilderness. If Booking and Expedia, the leading hotel intermediaries, removed us from their lists, our hotel would be practically non-existent.

In a few years, the main competitor of Brembo, the well-known brake manufacturers, could be

Amazon, which does not have foundries but controls customer relations. The immaterial dimension tends to prevail over the material in the relationship with users and consumers; that feeling of trust and reliability given by the tangibility of the material is severely tested by new balances that can be set up at unimaginable speed and undermine centuries of solidity.

We perceive this with regard to our work, our goods, our investments and future income, and this volatility makes us feel uneasy.

As Charles Leadbeater notes, the inventions of the late nineteenth century that shaped the twentieth century, the telegraph, the train, the car, the telephone, the airplane, cinema, television and machines, led to the birth and development of powerful organizations. Their power was intrinsically linked to improvements in living standards and associated with an evolution of institutions, such as labor relations, industrial policy and the development of infrastructure.

With the advent of digitization, scientific and technological innovation has accelerated exponentially, thanks to the effects generated by the possibility of global cognitive and economic interactions in real time, whereas institutional innovation has remained essentially unchanged.

This difference between the speed of technological change and that of institutional innovation is one of the sources of our uneasiness. From guarantees for consumers and workers to global competition, we have so far failed to work effectively to create the institutions necessary to protect us from the risks and to distribute and capitalize on the benefits brought by immaterial development.

The foundations of our economy are changing. Its center of gravity is undergoing a dimensional shift at an increasing rate, which is probably incompatible with the time required for an incremental, rather than radical, institutional innovation.

Traditional business organizations also reflect bygone times; they were designed and built to accumulate large quantities of physical assets. Business organizations created by the progressive dematerialization of the economy will have very different management methods than traditional ones. This is a great challenge for Italian small and medium-sized enterprises, known for their marked entrepreneurial character. Yet it is the only

way they can capitalize on their distinctive assets, which, in most cases, will be immaterial.

Although the immaterial economy puts knowledge, and thus our capacities, at the center of its production models, many of us feel more uncertain and insecure, and that our lives at the mercy of uncontrollable factors.

Many people, particularly immigrants, feel that forces they do not understand are squeezing their lives like a vice: while a privileged few at the top of the pyramid acquire ever-larger slices of wealth, many others see their lives as being more at risk and their futures more uncertain, and they feel powerless.

However, this sense of powerlessness is an institutional failure rather than a failure of these individuals. Most of the institutions that guided and protected us when society and the economy were based on materiality now seem ill-suited to face the new order.

The last century brought us institutional innovations that accompanied the transformation of industry, such as the broadening of democracy, public and private welfare, union representation organized by workers and employers' organizations, and scientific research in laboratories and universities.

The traditional conflict between labor and capital (the heart of the changes – and, alas, the wars – which characterized the twentieth century, leading to these institutions of safeguard and assurance), is being augmented by another conflict. On the one hand, there are those who are covered by these safeguards and assurances because they are inserted in a past context. On the other hand, there are those who are excluded from them because they are already operating in a different future, driven by the technological evolution that is raveling society.

This overlap of conflicts is happening with a speed characteristic of the immaterial, because it is linked to these technologies and communicates and is transmitted with these tools.

This is all virtually invisible to those who are rooted in the traditional relations of the material dimension, and are unable to perceive and thus decipher the transformation in progress.

We are projected towards the immaterial economy, but we still depend on institutions inherited from the material industrial economy of the twentieth century, which are incapable of proposing a vision to address these challenges.

We have a society that is witnessing genuine scientific and technological revolutions, with accelerating progress in all key sectors, from healthcare to

energy, but we are essentially conservative in our politics and institutions. We seek to protect rights acquired in an era that no longer exists.

Meanwhile, people who no longer have the historical institutions of safeguard and assurance still have to bear much of the weight of the "old" institutions.

We have to give to these people a new vision of the future. We have to invent new solutions for these people. This is the main source of the uneasiness that we experience: our inability to propose an equitable vision and to radically innovate in that direction.

11. Conclusions

The widespread adoption of digital technologies has determined an unprecedent growth of immaterial real-time relationships and exchanges which has effectively rapidly become a new dimension our lives, alongside the traditional material and spiritual dimensions.

The basic properties of the immaterial dimension are radically different vis-a-vis the basic properties of the material dimension determining some major effects at a macro level: dissolution of traditional organizational structures favoring concentration of profits and salaries squeeze, acceleration of trends causing a raveling of society, concentration of the world favouring globalization, pervasivity of technological devices recording all aspects of our lives and governing our interactions.

These transformations will be permanent, as they are driven by the evolution in physics research. Persons who are excluded from the immaterial dimension, that are not familiar with its facilities, behaviors, dynamics, people and their relationships, are excluded from a significant part of the new – present world. Persons face an uneasiness when confronted to the increase of the immaterial dimension of the world. Both digital natives, whose economic prospects tend to be squeezed by disintermediation and immigrants that do not comprehend the new socioeconomic fabric.

Globalization and the immaterial dimension are closely intertwined, facilitating migrations but also posing an obstacle to integration by allowing for immaterial relationships with the home cultures posing a substrate to difficult cultural contamination. New forms of support to integration, playing in both the immaterial and material dimension, will be needed. Something we have yet to invent that helps us dissolve the many interconnected social and cultural bubbles both in our countries and in the migrants home countries.

Immaterial operators and intermediaries, by carefully exploiting the combined loopholes of regulations not designed for the immaterial di-

mension, transfer significant value to consumers becoming monopolists of vertical niches in the process, putting pressure on adjacent markets as well and inducing a general trend to price reductions, compression of salaries and concentration of profits.

Immaterial oligopolistic intermediation does not relate only to economic exchanges but to informational exchanges as well and hence the influence of the algorithm, which in the present regulatory framework benefits of a condition of general non-responsibility, not only spans the economy but also politics. Possible interference with political life does not arise only from economic power like has happened in the past, but can be direct, and subject to a fine-grained customization specific for each individual: a mass-individual target analysis and message targeting. When the concentration of power was considered excessive for sole economic reasons, we have invented institutions like the Antitrust authorities in order to favor more competition, less concentration of power, more distribution of activities.

United States vs. Columbia Steel, 1948, mentioned

> *In final analysis, size in steel is the measure of the power of a handful of men over our economy. That power can be utilized with lightning speed. It can be benign, or it can be dangerous. The philosophy of the Sherman Act is that it should not exist. For all power tends to develop into a government in itself. Power that controls the economy should be in the hands of elected representatives of the people, not in the hands of an industrial oligarchy.*
>
> *Industrial power should be decentralized. It should be scattered into many hands, so that the fortunes of the people will not be dependent on the whim or caprice, the political prejudices, the emotional stability of a few self-appointed men.*
>
> *The fact that they are not vicious men, but respectable and social-minded, is irrelevant. That is the philosophy and the command of the Sherman Act. It is founded on a theory of hostility to the concentration in private hands of power so great that only a government of the people should have it.*

We will need new institutions and regulations to deal with the social challenges posed by the new predominance of the immaterial dimension over the material dimension: institutions and regulations that put at their core the right of each individual to self determination and realization in

the immaterial dimension, and the aim to sustainable, socially desirable general effects. A new paradigm is needed.

Appendix – The technological singularity

The famous and multi-award-winning entrepreneur Raymond Kurzweil became a great proponent of exponential technologies in 2005, when he published an important book entitled "The Singularity is Near".

Kurzweil is the father of the first electronic music synthesizers and character recognition systems for scanners, which convert images to text files. They were both incredible technological developments, considered futuristic when Kurzweil began to produce the systems, which were extremely expensive. However, Kurzweil thought in exponential terms and perceived that once the technology had passed through a few iterations, the prices would come down to a level sufficient to generate a huge market. He was perfectly right, and now we take these innovations for granted as they seem obvious to us. However, we are now looking at the full glass; Kurzweil was looking at it when the exponentiality of the trend was not evident, when the mission seemed impossible.

If the development of technology continues indefinitely in exponential terms, it is not inconceivable that something that seems limited today will not be so tomorrow; it can become global and – why not – even expand beyond earth.

Kurzweil believes that space will be colonized first of all by intelligent machines and then by humans. In support of this vision, there are experiments and entrepreneurial initiatives to identify asteroids with frozen water for aeroponic cultivation of plants in zero gravity environments.

He also believes that machines will become increasingly similar to people, with the ability to "reason" like human beings, and will then transcend human intelligence, constantly improving themselves, with machines that recursively design other, more intelligent machines, in an explosion of intelligence.

This development is favored in the immaterial dimension by the fact that the input goods in a process are not exhaustible resources but information produced in a continuously accelerating virtuous circle, as output goods of another process.

The moment when machines are able to "reason" like human beings is called the "technological singularity", because from that point onwards, events could be determined by a super intelligence, and may be impossible for humans to understand. The technological singularity is therefore the

moment beyond which events become unpredictable for human intelligence. Kurzweil places this moment at around 2045.

These theories are not without highly critical points. Personally, I do not believe that the exponential development of transistor density in circuits will continue for a sufficiently long period. I think that energy constraints and thermodynamics will prevent the realization of Kurzweil's vision.

The analytical capacities of humans are limited, not least by the amount of data that can be considered when making decisions. In a few years, machines using artificial intelligence systems, such as natural language processing, deep learning and reasoning, will be able to formulate analyzes and hypotheses based on quantities of data that surpass the capacity of humans (so- called big data).

They may also simulate inventiveness, but I am skeptical about the possibility of them having purposeful initiatives such as human beings have. There is, in fact, a philosophical objection to the possible emergence of a technological reason that is self-sufficient and gradually replaces humans and human reason.

The writings of St. Augustine emphasize that there are two modes of reason. The first is scientia (Max Horkheimer, the founder of the Frankfurt School, calls this "instrumental reason"). Scientia is calculating reason, the reason that organizes the means to achieve human goals. However, scientia does not know or understand the purposes of the action. Scientia accepts these purposes from another faculty of reason, which is sapientia. Sapientia is the ability to see the purpose of action.

In a certain sense, digital technology speculates on purposes and allows them to be explored to provide producers with a more exact knowledge of what people want (or, more precisely, of what the consumer is willing to buy). In this way, technology reflects the range of public preference (what economists refer to as the ophelimity index, a term first introduced by Vilfredo Pareto and a concept developed by K. Menger based on the infinite extension of human desires). .

There may be attempts to manipulate the system of desires to a specific degree, so that it embraces a predetermined model, with a capacity to also evolve. However, preferences change over time. Can we imagine an automatic system that has comprehensive knowledge of human desire and can therefore fully define the system of human needs and anticipate the infinite individual preferences of the public without error?

I think it is unlikely. Management of the exponential growth of complexity may be beyond the limits in the development of electronics. It is as

if in nature human intelligence were a level intelligence that could not be surpassed; similarly, singularity would be an asymptotic limit that is beyond reach.

Even without these technical limitations, there is no guarantee that a system with a "neuronal capacity" even greater than that of humans would be capable of expressing an "intelligence" similar to that of humans. After all, even certain types of dolphins have a cerebral cortex with twice as many neurons as humans and elephants have three times as many neurons in their nervous systems as humans do.

The application of what exists today, of what is now in research laboratories and will be available in the coming years, is nevertheless destined to produce significant impacts on the world, even without reaching singularity.

On Intellectual Charity. Comment on Professor Stefano Quintarelli's Paper

Rocco Buttiglione

The contribution of Stefano Quintarelli attracts our attention on one point that, although not completely new in the history of moral reflection, presents itself today with unusual features and acquires a level of significance probably unprecedented in the history of Mankind. I mean the problem of the acquisition, the possession and the transmission of knowledge.

The Ancient Testament invites us to instruct the ignorant (for example *Ezekiel* 33) and the Catholic Church has made of the instruction of the ignorants the first work of spiritual mercy (*Catechism of the Catholic Church* 2447). The instruction considered was in both cases mainly a moral and religious one: to teach people the Law of the Lord, Good and Evil, and the Work of Redemption. Later, Christian Social Doctrine insisted on the importance of education for the poor and at least since St. John Bosco the acquisition of technical skills has been fully recognized in its importance for the advancement of the poor. Pius XI underlines the importance of having a profession and the role of skilled workers in society (*Quadragesimo Anno* 83). What we are experimenting in our age however is something that exceeds the conceptual frameworks we were used to. The first work of material mercy is to feed the starving. St. John Paul II (*Centesimus Annus*) tells us that the first work of material mercy and the first work of spiritual mercy are intimately connected to each other. Knowledge is the principal instrument also for the production of material goods. This has always been true because the exercise of intelligence is an essential component part of human work but becomes even more apparent in the age of the Information and Communication Technologies.

As a result of the invention and introduction of these technologies new forms of wealth and new forms of poverty arise. The technological divide separates those who can make use of these technologies from those who cannot. In the beginning God created the earth and gave it to the sons of man in order for them to earn their bread through the sweat of their brows. The main instrument of production was then the land. If a man remained without land he had to die. Later we added as signs of

wealth the possession of money and the possession of the machinery that characterizes the industrialization age. Today the primary cause of the wealth of nations is not land or machines (the "fixed capital" in Marxist terminology). The first source of wealth is the capacity of staying in the web. It is a matter of knowledge but it is not only a matter of knowledge. It is important to be able to understand the way in which a computer works, but it is equally important to have access to an adequate device and to be allowed to enter the web, to be connected. If you are not then you are marginalized or excluded. This phenomenon was unknown to Marx. Marx protests against the exploitation of the workers. In order to be exploited, however, the workers must receive a salary that allows them to reproduce their labour force, that is, to survive. Now information and communication technologies allow a very small group of workers to perform functions that used to require before a much larger number of people. The immediate result is mass unemployment. Traditional skills that used to give security of life and professional pride to whole categories of workers are drastically devalued. One part of society becomes wealthier and another part poorer. Yes, in the long run the whole of society will profit from the change, because those who now lose their job will produce new kinds of goods and this will increase the general welfare. In the short run they will however experiment the evil of unemployment and the feeling of being a kind of social waste. A new social class is growing: it is made by those who master the new communication techniques. I shall not say they are a small elite but they are far from being the totality of the population. Those who remain in the traditional branches feel that their living space becomes narrower every day and they foster a growing discontent, a grudge, a conviction of having been cheated and dispossessed of a heritage that was due to them.

The new elite is international and goes hand in hand with globalization. If you sell furniture and put your merchandise online, people from all the corners of the earth will be able to appreciate your offer and make as many purchases as they want. If you are not online your market will be much more restricted. Few people will know about it, few people will purchase it, you will not expand your production, you will not be able to profit from a large-scale production, in the end you are likely to close your shop. Those online are globalized, profit from globalization and govern it. Those who are not online are the losers of globalization and are likely to support localist movements, against Europe, against globalization, perhaps with xenophobic and intensely nationalistic leanings.

The gap has a world dimension: some countries are more or less included and others are more or less excluded from the digitalized/globalized community. It also has an interior dimension: it splits the people in each country opposing a part of the national community to another.

This divide does not coincide with the traditional opposition of the rich and the poor, although it partially overlaps with it. If however a rich man is not digitalized he is not likely to remain wealthy for long. It does not coincide with the distinction between cultured and ignorant people. One can be well read and nevertheless be a digital illiterate. It resembles rather the discovery of writing. It is not useful in itself, it is rather a multiplier. Whatever you do, if you are connected, you are much stronger and effective in doing it.

If we are aware of what is taking place we are confronted with a whole series of difficult moral and political problems.

1. Every young man or woman should have access to digital education if we want him or her to find a decent job as a grown up. People who lose their jobs in the ongoing change should be accompanied from the job they lose to a new job receiving in the meantime an adequate indemnity, an orientation on the new jobs that are being created on the market, and professional instruction

2. To have a digital capacity is a necessary but not sufficient condition to be connected. One needs to have access to high speed/high capacity infrastructure. Some countries do not have the infrastructure. Others have the infrastructure but access is not free. Those who control access can open up the net for others, but can also claim a large share of the cake for doing that. Inequality grows. We need to give everyone access to the network at acceptable costs.

3. A large amount of value is created through transactions that take place on the net. Sovereignty is territorial and the power to impose taxes goes with sovereignty. Where should taxes be paid for a transaction that takes place on the net? In the country of the buyer? In the country of the seller? And the mediator, where is he to be located? Now, often, on these transactions no taxes are paid. This is probably one of the reasons why the greatest patrimonies of world history have been accumulated in a few years by the protagonists of the ICT revolution. Our states do not know where they can find resources to finance solidarity but great masses of wealth are subtracted from their fiscal duties. We need rules for the taxation of wealth produced on the net.

4. Those who control the net exercise enormous power. It is economic power but it is also social, political and cultural power. They decide what kind of information reaches the public and which information is withheld from them. On the other hand, they acquire an enormous amount of information on each individual. They can use it to manipulate public opinion but also to blackmail individuals. How can we guarantee that the net remains open for free competition, that is, that new actors can enter into the market and even in cases in which, for whatever reason, one operator retains a privileged position he allows all customers equal access and fair competition? How can we prevent an excessive amount of information on each individual to be acquired and/or used against him?
5. Men have a capacity to know objective truth but they also have feelings and emotional demands that something be true. In choosing between alternative hypotheses of truth we are led by our intellect but also by a demand of discharging our emotional tension. In the digital age it may be very easy to construct a "truth" that corresponds to the conscious and unconscious emotional demands of the people although it does not correspond to matters of fact. Some speak of post/factual truth. How can we preserve truth in the digital age?

Once upon a time we used to think that possession of land was the measure of wealth. To feed the poor was equivalent to giving them access to a piece of land to be tilled. With the industrial revolution we became aware of a different kind of wealth. It is the capital. In order to be able to work and make a living you needed the instruments, the machines, the credit to successfully exercise an entrepreneurial activity. Or, in alternative to that, a salary paid by somebody who took upon himself the task and the risk of setting up a company and exercising an entrepreneurial activity. To struggle against poverty you had to defend the rights of the workers against the capital or the freedom of enterprise of small entrepreneurs.

Now a new kind of wealth becomes socially dominant: it is possession of a position on the net, which implies some intellectual skills and access to the corresponding infrastructure.

Christian social doctrine has not yet taken this new state of affairs adequately into account. State legislations and international law are no more advanced either.

It is time to change this state of things.

Final Statement

The "status quaestionis"

i. We meet at a time of realistic hopes and deepening crises. During the past generation, the world has achieved a significant reduction of extreme poverty and avoidable disease, and has the realistic prospect of ending extreme poverty in the coming years as called for by the Sustainable Development Goals (SDGs). Yet the social solidarity and environmental sustainability needed to achieve inclusive development are weakening and putting the world's hopes for inclusive and sustainable human development into grave jeopardy. The world's two-part challenge is to mobilize the local-to-global actions needed to achieve inclusive and sustainable development and to deepen the inclusive solidarity that will enable us to direct attention, commitments and resources to this urgent challenge.

   The global situation regarding poverty and marginalization is complex. On the positive side, the proportion of the world's population living in extreme poverty has declined markedly, from an estimated 37.1 percent in 1990 to around 9.6 percent in 2015 (World Bank estimates, at a global $1.90 per day poverty line). The gains have been greatest in East Asia, but also have occurred in Sub-Saharan Africa and South Asia, the world's two greatest regional concentrations of extreme poverty.

   Current estimates put the number of people living in extreme poverty at now below 800 million, with another 1-2 billion people living near extreme poverty. Simple calculations show that the poverty gap (meaning the added income that would raise the poor to the poverty line) is now below 1 percent of the income of the rich countries. In this sense, the basic needs of the poor can be readily be met at low cost with sufficient global solidarity. Further analysis suggests practical pathways for the poor countries to achieve all of the SDGs, contingent on the promised financial support from the rich countries.

ii. Yet the challenge of poverty is made more difficult for four critical reasons. First, climate change and environmental degradation more generally threaten to reverse the recent gains against poverty. The poorest people in the world face grave and imminent risks from global warming. The very life support of the poor – including the ability to grow food and to access safe water – is under dire threat. Once again, global solidarity is vital. The rich countries, which are responsible for

the greatest historic share of greenhouse gas emissions, must take urgent actions to implement the Paris Climate Agreement and to provide the long-promised climate financing to enable the poor countries to adjust to the climate change they did not cause but the consequences of which they suffer nonetheless.

Second, ending extreme poverty is challenged by the ongoing political, social, and economic marginalization of vulnerable groups, especially indigenous populations (numbering around 400 million people worldwide), religious minorities, migrant populations, and women and children everywhere, groups in our society vulnerable to violence, human trafficking, modern slavery, and other denials of basic human and civil rights. This is why gender equality (SDG 5), ending modern slavery (SDG 8), and ending violence against women and children (SDG 16) are core parts of the Sustainable Development Goals.

Third, poverty and environmental degradation are stoking violence and conflicts in significant parts of Africa, the America's, the Middle East, and Asia. The role of drought in Syria as a factor in the onset of the Syrian War has been scientifically demonstrated. Pope Paul VI wisely noted in *Populorum Progressio* (1967) that development is "the new name of peace". Following Pope Francis in Laudato Si', we may now declare that sustainable and integral development is the new name of peace. The rising threats to the natural environment, including severe droughts, floods, and human displacement, are among the growing causes of deadly violence and conflicts.

Fourth, poverty in the sense of relative deprivation and marginalization (sometimes termed "relative poverty") is worsening in many of the rich countries. Though the rich countries have largely overcome the curse of extreme poverty, many now experience sharply rising inequalities of income, including large numbers of households pushed out of the mainstream of society through such relative deprivation (typically measured by the OECD as household income below 50 percent of the median income). Such relative deprivation can be overcome through fiscal redistribution, yet the political systems of many rich countries are not supporting such fiscal redistribution, and have even cut back on social benefits for the poor.

iii. As Pope Francis calls upon us in *Laudato Si'*, we must now find a common plan for our common home, one that is grounded in integral and sustainable development. Our most profound challenges do not lie in

the limitations of the resource base, our personal and national incomes, or the technologies now at humanity's disposal. Rather, the most profound challenge is to achieve inclusive solidarity locally and globally in order to mobilize humanity's efforts, creativity, and spirit in order to embrace the solutions at hand.

We therefore face the challenge of fostering inclusive solidarity at all scales of action, from the most local to the truly global. In this regard, the intellectual currents of modern mainstream economics are unhelpful, indeed harmful. These currents emphasize methodological individualism, pecuniary incentives rather than moral virtues, and the belief that economic and political life is marked by little more than competition among individuals. This flawed anthropological vision was famously encapsulated in the statement by then Prime Minister Margaret Thatcher (1987) that "you know, there is no such thing as society. There are individual men and women, and there are families". Such thinking has led to public policies and attitudes that have undermined solidarity in public policies in recent decades, perhaps most significantly in the Anglo-Saxon countries where inequality has risen sharply while social trust has declined markedly.

The route to inclusive solidarity begins with the participation of the marginalized populations themselves in the solution to their problems, especially at the local level. Such participation creates hope, mobilizes individual efforts, induces creative problem solving, and empowers the poor to defend their human rights. Participatory programs also instill mutual respect within the community.

The democratization of public policy – to foster an Aristotelian-type polis but under modern conditions – can facilitate group problem solving, the legitimacy of public decision-making, and the effective search for consensus among diverse parts of society. The active search for the common good – a "relational" solidarity rather than a flaccid solidarity of individualism – would create a new social dynamic that helps to overcome excessive individualism. The fostering of a deeper citizenship – with civil responsibilities as well as civil rights – is also vital to making democracy work for the common good. Also vital is "deliberative democracy", in which citizens, through political deliberation, learn the true facts of regarding their own future wellbeing, can thereby enlarge the time horizon of politics and the efficacy of public policy.

Reducing inequality within society (SDG 10) is a key part of achieving inclusive solidarity within countries. Not only does inequality un-

dermine the human and emotional connections between those at the top and bottom of the income curve, but great inequalities also foster the inequality of political power, even in countries that claim to espouse one person, one vote. The wealthy, in turn, use their exaggerated political power to tilt public policies even more in their favor, thereby creating a vicious circle of widening inequality and declining social solidarity.

iv. The grand tradition of Civil Economy offers another crucial direction for enhancing social solidarity. Civil Economy teaches that market trade is not merely impersonal exchange, but also an exercise in civil virtue. In the grand tradition of Civil Economy, underpinned by burgeoning empirical evidence, market exchange can build social solidarity when buyers and sellers recognize and embrace the moral underpinnings of mutually beneficial trade. In mainstream economics, one side of a market exchange is excused for "tricking" the other side of the exchange as long as it is within the law. Caveat Emptor is the brutal standard. In Civil Economy, by contrast, both sides of a market exchange accept the moral responsibility to ensure the mutual benefits of trade by avoiding exchanges that advertently or inadvertently harm the other party or other stakeholders.

Humanity is therefore called upon to cultivate inclusive solidarity in all societies and globally. The Sustainable Development Goals offers us a path of common purpose; Pope Francis welcomed the new framework on September 25, 2015 at the United Nations on the very eve of their adoption. *Laudato Si'* guides us to a holistic solidarity that embraces all peoples and that integrates the economic, social, and environmental challenges facing humanity.

Our technical analyses show that the SDGs are achievable in the spheres of economics and technology. It is in the spheres of politics and social solidarity where our greatest challenges lie. Our politicians, even in democratic societies, often do not accept the responsibilities to achieve the very goals vital for the wellbeing of their own societies. They often fear for their re-election and especially the disapprobation of powerful interests and lobbies that fund their campaigns. A vital role for moral leaders, civil activists, and scholars therefore is to help move the public debate beyond the narrow confines of the vested interests. Such public awareness can open the space for politicians who are sometimes too timid to lead, but "who know what to do".

v. A significant challenge to ending extreme poverty and marginalization is the mobilization of financial resources to help address the basic needs of the poor. We recognize that adequate funding is not sufficient – effective public institutions are also vital -- but financing is a necessary condition. Such financing should most urgently cover the needs of food (SDG 2), healthcare (SDG 3), education (SDG 4), water and sanitation (SDG 6), modern energy services (SDG 7), and skills training for decent work (SDG 8). Such needs are significant, but well within the 0.7 percent of GDP of the rich countries that have been promised but not yet delivered to the fight against poverty. If the US alone achieved the 0.7 percent mark of national income in official development aid, the additional flows would amount to around $90 billion per year, or roughly 10 percent of America's military outlays.

This observation suggests a practical opportunity at hand to mobilize the needed financing. A half-century ago, Pope Paul VI in *Populorum Progressio* called for a World Fund to fight poverty, financed by the transfer of arms spending to human needs. We might call this the Isaiah Fund, to beat swords into plowshares and spears into pruning hooks (Isaiah 2:4). In the words of Pope Paul VI:

> A further step must be taken. When We were at Bombay for the Eucharistic Congress, We asked world leaders to set aside part of their military expenditures for a world fund to relieve the needs of impoverished peoples. What is true for the immediate war against poverty is also true for the work of national development. Only a concerted effort on the part of all nations, embodied in and carried out by this world fund, will stop these senseless rivalries and promote fruitful, friendly dialogue between nations. (Paragraph 51)

In our own time we support this wise and inspiring call to action. In a world that currently spending around $2 trillion on armaments each year, a mere 10% transfer to fighting extreme poverty and marginalization would not only reduce the costs of war but would mobilize $200 billion per year, a sum that would enable the world to end extreme poverty and the poorest countries to achieve the Sustainable Development Goals.

Policy proposals and suggestions

a. There is a general consensus today among social scientists and business people about the urgency to reform and, above all, transform some specific blocs of the prevailing model of social order.

It should be recognised that market rules need to be shaped to create a level playing field and a race to the top that rewards sustainability performances. It is time to call for a global architecture that can enable business to scale sustainability efforts from individual, incremental achievements.

The market forces of recent past have proceeded to drag down both employment and wage rates at the low end. The setback has cast the less advantaged not only a loss of disposable income but also a loss of inclusion, i.e. access to decent jobs that provide self-respect.

Inclusion is one of our most urgent social problems. Curbed in the decades after World War II, it has recently returned with a vengeance. We need fresh ideas. We need new policies in areas such as technology, employment, social security, the sharing of capital and taxation. Above all, we need to go against the common arguments and excuses for inaction.

The two challenges of making absolute poverty history and avoiding environmental collapse are absolutely viable from an economic point of view. First of all they require a cultural revolution moving away from monodisciplinary and conflicting approaches (such as the "consuming more" drive of anti-poverty policies and "consuming less" drive of environmental policies) to proper multidisciplinary approaches (creating economic value in a socially and environmentally responsible way).

b. From an economic point of view we know that we need a very limited share of global resources to end extreme poverty, while moving toward environmental sustainability may even be, under proper fiscal incentives, a business opportunity. The reason why the two challenges have not been tackled successfully so far is that they are politically unfeasible given the current balance of power and incentive system.

We must therefore move in two directions. First, making high our call for the moral duty that world policymakers have in tackling these issues, with the highest and most influential possible voice as that of Pope Francis.

Second, finding ways to change the current balance of power among sovereign states, corporations and civil society in the desired direction. In this respect we have to understand that civil society and grassroot actions may play a decisive role. Responsible consumption (SDG n. 12) and responsible savings, ethical investment funds may play a crucial role in triggering such change. Governments may stimulate in turn with

proper balanced budget feed-in tariffs the bottom-up power of responsible action. Such action may create the required political momentum and social consensus to trigger a change in behavior of policymakers in the desired direction.

Fighting against marginalization has poor results when it is not supported by a conversion of minds. Families and educational institutions are the first contributors to create conditions for integrating marginalized people.

c. The term "inclusion" encompasses all of Pope Francis' reflections on CST. Moreover, it allows us to connect the social teachings of the last three Popes. Formal recognition of equal opportunities to participate in the strategic decisional and operative movements that make a social aggregate a civil society, polyarchical and solidarious, is a prerequisite for social inclusion to take place. It is time "to break the chains of poverty", that forest of impediments whose nature is political, social, economic and cultural.

Pope Francis explicitly recognizes the great contributions by entrepreneurship and innovative finance to human development over the centuries. The world's economic leaders "have demonstrated their aptitude for being innovative and for improving the lives of many people by their ingenuity and professional expertise" (17 January 2014). 1 The challenge today is how the economy can extend the benefits and reverse the gaping inequalities and worsening exclusions. Catholic Social Teaching (CST) does not fight at all a market-based economy provided it is oriented toward the common good – not merely the total good –, where the free market develops with inclusivity, stability, transparency. What CST demands is to reform the market social order against some of its ills.

d. Authentic inclusion cannot be regarded merely as the product of material outcomes, for example a function of ensuring adequate levels of equality of income in a society. Solidarity is not just a matter of redistribution of wealth. Rather, inclusion is a matter of participation in the common good, a participation through which persons and their communities become truly "dignified protagonists of their own destiny", as Pope Francis has put it. Inclusion in this full sense requires us to take human freedom into account. We cannot simply provide more things to people but rather must foster the conditions in which their own agency

can be engaged and employed in constructing together the common good of all.

Solidarity can be understood in many different senses. Human solidarity should be privileged over social solidary. Inclusive solidarity means reciprocity and openness to all. Integration cannot be imposed. The human person is to be respected in her freedom of conscience and religion. E.g. a migrant must in any case comply with the laws of his host country. Integration supposes that the host country does not interfere with the inner motivation of social behaviour, but claims for compliance only on the ethical values which are grounded in the very nature of all human beings.

It is for this reason that *subsidiarity* is a necessary condition for the generation of authentic solidarity and inclusion. Subsidiarity is not merely a tool for maximizing efficiency in the delivery of social services. Instead, it grounded on the requirements of human dignity and the need for persons to participate freely in realizing their own good and the good of others with whom they are in community.

The essential centrality of subsidiarity to fostering inclusive solidarity can be confirmed concretely by a variety of recent empirical studies as well. For example, it helps explain why some distance adoption programs work better than others, why mentorship is much more effective than business skills training in generating successful entrepreneurship among the poor, and why government human rights interventions to reduce domestic violence in city slums have less impact than local initiatives to foster women's education and employment, and adequate child care.

While subsidiarity is essential to building inclusive solidarity in this way, it is also true that solidarity is needed to prevent the principle of subsidiarity from becoming merely a form of devolution and decentralization. Only in relationship to the common good can one judge when and how a subsidiary community like the state should intervene with a *subsidium* for a primary, more local, community. Subsidiarity without solidarity can become abandonment of the poor and marginalized to their own conditions rather than fostering their freedom, agency, and participation.

The challenge of reconciliating solidarity and subsidiarity is the challenge of living in a human society.

e. Even though there has been a sharp reduction in extreme poverty in the last three decades, there still remain about 700 to 800 million pe-

ople living in abject poverty – a multidimensional phenomenon that should not be reduced to material poverty: social networks and human relationships are also key elements of human dignity, at least from the perspective of a relational anthropology. Every year, 6 million of children die just because of the bad distribution of wealth.

Climate change and losses in biodiversity will worsen this picture in the coming years, putting many people below the extreme poverty line, especially refugees stemming from fragile states that don't have the capacity to adapt efficiently to climate change. Thus fighting against poverty and against global warming amount to be essentially identical goals.

Despite the contrary impression, fighting against extreme poverty and financing green infrastructures would not cost more than a few percentage points of today's world income per annum. Even though, private leverage is definitely part of the solution, we have to acknowledge that markets, corporations, private banks, insurance companies and pension funds won't provide the right answer, at least not spontaneously, and not in the right magnitude. This calls for action on the side of the political scene and of public banks (World bank, European Investment bank, Asian Development bank, BNDES, etc.).

But the political class, alone, can hardly struggle against lobbies. The sovereigns need a favourable environment, whose building should be the main tax of the civil society (NGOs, responsible corporates…) Scandinavia shows that this is possible, both through tax redistribution, environmental laws, laws against prostitution, etc.

We have no excuse, neither morally nor economically, for not enforcing such concrete actions to achieve both the elimination of extreme poverty and the shift towards a low-carbon economy.

f. The history of democracy shows a long process of adaptation to precise condition. The principle that one should be assisted to all decisions which affect his life should be put in force everywhere. Electoral democracy should not become the unique model of democracy in our societies. Participation takes many forms. Democracy cannot be imposed by force.

Some conceptual clarification needs to be maintained throughout. Most importantly, between solidarity and participation; we can have participants without solidarity (voters in national elections) and solidarity without participation (populist demonstrations). These two concepts are crucial for the integration of the most marginalised people:

without either, they have no conviction of acquiring Voice and without Voice their Exit often exacerbates a lack of loyalty to the system because they are defined as superfluous, disposable people.

To feel non-disposable requires social *and* political integration – sociality is a necessary condition of being of societal value – participation is a necessary condition of being heard and heeded.

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Why, despite the rapid economic growth achieved globally over the last quarter of a century and the many initiatives prompted by the UN's Millenial Development Goals, the outcomes on the front of social inclusion are so meagre? And how to implement a feasible strategy, both at the institutional and at the grass-root level, in order to combat exclusion of marginalized people from the basic forms of living together? These are the central questions to which the present Proceedings manage to provide an answer. The lighthouse for this navigation is the recent thought of Pope Francis on Catholic Social Teaching, particularly his insistence on the revival of the principle of the Common Good.

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