

## Special Speech

## 特別講演

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There was a need to return to the multidisciplinary approach taken by the first economists who did not hesitate to combine economics with philosophy and politics.

— Bernardo M. Villegas

最初期の経済学者たちが採った学際的なアプローチに戻り、哲学と政治学を経済学に合体させる必要があります。

——ベルナルド・M・ビレガス

# “Social Ethics and Global Economics: A Macroeconomic Perspective”

社会倫理とグローバル経済：マクロ経済の視点から



## Dr. Bernardo M. Villegas

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ベルナルド・M・ビレガス（比アジア太平洋大学副学長）

The global economy is faced with increased inequality within national economies and between the highly developed countries and the emerging markets that are still trying to attain sustainable and inclusive development. A major reason for these inequalities is the absence of ethical practices among both the government officials and the leading industrial leaders in both developed and developing economies.

In addition to rampant corruption in the public sector, there is little concern for the common good among those who are on top of business organizations. There are not enough people in business who consider it their obligation to contribute to the common good of society, which is defined in ethical terms as a social or juridical order that enables every single member of society to attain his or her integral human development. At best, lip service is paid to the “greatest good for the greatest number” which can be a dangerous criterion for determining the good of society. Ethics requires the recognition of a natural law that objectively establishes the difference between good and evil, which cannot be determined by majority rule. The principle of solidarity requires that

every entrepreneur and decision maker consider how s/he, in her/his business decisions, is contributing to the welfare of every person in society and not only to the maximization of profit of her/his enterprise. The same can be said of every consumer who, for example, should consider how her/his behavior as a consumer is affecting the physical environment.

## Integral Human Development

All cultures, religions and ideologies, especially within Asia, must agree on living and exemplifying these basic ethical principles which are imprinted in the mind of every human being by the Creator such as the principles of subsidiarity, the principle of solidarity, the common good, the universal destination of goods and the preferential option for the poor or marginalized. The lack of concern for the social principles of subsidiarity, solidarity, the common good and the preferential option for the poor, among others, can be squarely blamed on the widespread teaching of free market economics or economic liberalism in the West during the second half of the last century. In the desire to treat the study of economics at the same level as the physical sciences, all

value judgements were purged from economic reasoning. It was very convenient to assume that the only motivation of the businessman was to maximize profit and of the consumer to maximize satisfaction. These very naive and unrealistic assumptions made it possible to apply some of the most sophisticated mathematical models to the study of economics but they rendered the discipline completely irrelevant to the real world. There was a need to return to the multidisciplinary approach taken by the first economists who did not hesitate to combine economics with philosophy and politics. I especially appreciate the British academic curriculum referred to as PPE (Philosophy, Politics and Economics). Especially in the courses I teach on the economics of

development, the PPE approach is the most effective way of tackling predominantly economic problems using the multidisciplinary method.

Over these more than half century of teaching economics, I have witnessed an alarming overspecialization and consequently quantification of the study of the principles of economics. This trend coincided with the increasing worship of markets as the end-all and be-all of economic progress. Because of the emphasis on the elegance of mathematical formulations in analyzing economic phenomena, there was an increasing emphasis on the autonomy of market forces and the exclusion of other equally important considerations in attaining a

**【要旨】** 経済がグローバル化した今、格差は国内でも、高度な先進国と持続可能な成長の道を探しあぐねている新興国の間でも広がるばかりです。この不公平の主たる理由の1つは、倫理的な慣行の欠如です。政府の当局者も産業界のリーダーも、先進国でも途上国でもそうです。腐敗、汚職もそうですが、「共通善(みんなにとって善いこと)」に対する関心が企業トップに少なすぎる。社会の共通善に寄与することを自らの義務と考える人が、ビジネス界には少なすぎる。彼らが口にするのは、せいぜいが「最大多数の人に最大の善を」ですが、これは共通善の理解としては好ましくない。倫理が求めるのは自然法、すなわち善悪の区別を客観的に確立する法則を認めることであり、多数決で決することではありません。すべての実業家、すべての意思決定者が自らの事業に関わる決断において、自分の会社の利益の最大化だけでなく、この社会のすべての人の幸せに対する貢献を考慮すべきである。連帯の原則はこれを要求します。同じことは消費者についても言えます。私たちの誰もが、消費者としての自分の行動が物理的な環境にどう影響するかを考慮しなければなりません。

ここで考えたいのが「分かち合いの経済(エコノミー・オブ・コミュニオン=EoC)」の概念、つまり公平に分け与える経済です。1990年代の南米でカトリックの社会活動家が提唱したもので、簡単に言えば企業の利益を3つの方面に等しく振り分けようという考え方です。1つは企業の利益と経済的な持続可能性のため、1つは地域で最も貧しい人たちが貧困から抜け出せるよう支援するため、最後の1つは若い世代の教育に投資し、新たな経済文化を育んでもらうためです。現在では欧州と南米を中心に、五大陸で800を超える企業がEoCの考え方を採り入れています。もちろんまだ少数ではありますが、今日の経済・ビジネスの生態系の中で一定の地位を占めていますし、未来へとつないでいくべき試みです。

企業の自由・市場の自由と、自由市場経済の欠陥を直すために必要な国家による介入のバランスをどう取るか。「可能な限り自由な市場」と「必要な範囲内での国家による介入」をどう両立させるか。この問題で政府に求められるのは節制の美德です。慎重になり、やりすぎないこと。節制の美德を肝に銘じてこそ、かつてドイツの故コンラッド・アデナウアー首相が完成させた社会的市場経済を実現できるでしょう。

just and humane society, such as the need for state regulation, the social responsibility of the private sector, and the societal goal of integral development. Over this same period, I have written close to a dozen textbooks on economics that have been used in many schools in the Philippines, especially in the private educational institutions. I have tried to go against the tide and always presented economics as a social science that must take into account the findings of other fields of studies in arriving at the solutions to the fundamental economic problem of scarcity. I have just written an updated version of my widely used textbook in economics called *Guide to Economics for Filipinos*. My co-author, Mr. Luis Molina and I have made sure that in addition to explaining to the readers what Paul Samuelson referred to as “the diagrams of supply and demand and the mathematics of econometric regressions,” we would give as much attention to explaining such vital concepts as sustainable development, inclusive development and especially integral development.

We have not hesitated to incorporate into this introductory book in economics the rich heritage of the social teaching of the Catholic Church which contains the major principles of integral human development. These principles, articulated in numerous documents over more than a century and addressed not only to Catholics but to all men and women of good-will, are actually deeply embedded in the Philippine Constitution of 1987. I should know because I was one of those who drafted the Constitution and helped a core group headed by our Chairperson Cecilia Muñoz-Palma to include in the

preamble of the Constitution such social principles as the common good, the principle of subsidiarity, the principle of solidarity and the universal destination of goods. In all the chapters of our new book, the principle of the common good, for example is, a *leitmotif* that underlines every discussion of what is good for the economy. In this new version of what used to be entitled *Guide to Economics for Filipinos*, the concept of integral development has been fully developed. In fact, the last and concluding chapter of the book is entitled “Integral Development.”<sup>1</sup>

Because of the raging debates about the physical environment in the last decade or so, this new approach to economics education we are taking necessarily assigns a great deal of importance to sustainable development defined as seeking the good of the present generation without sacrificing that of future generations. This has especially been applied to the need to protect the physical environment as we search for solutions to uplifting the standards of living of the present generation. One of the most valuable contributions to this ongoing debate was made by Pope Francis in his encyclical “*Laudato Si*.” Pope Francis patiently shows how aspects of reality are related to one another. One of the first aspects of modern life that the Pope tried to relate with the rest is technology.<sup>2</sup> In his words: “Technology has remedied countless evils which used to harm and

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1 Villegas, B.M., Luis Molina. 2019 *Guide to economics for Filipinos*. 8th Edition. (Forthcoming) Sinag-Tala.

2 Francis, Pope. 2015 *Laudato si: On care for our common home*. Vatican Press.

limit human beings. How can we not feel gratitude and appreciation for this progress, especially in the field of medicine, engineering and communications?” (*Laudato Si*, 81-82) He was quick to point out, however, that there were downside harmful effects of technology: “Yet it must also be recognized that nuclear energy, biotechnology, information technology, knowledge of the DNA, and many other abilities which we have acquired, have given us tremendous power. More precisely, they have given those with the knowledge and especially the economic resources to use them, an impressive dominance over the whole of humanity and the entire world.” Needless to say, that impressive dominance has not been always used for the common good.

In the language of policy makers today, development must be inclusive, i.e., everyone — especially the poor — must share in the fruits of economic growth. Over and above the inclusive nature of growth, every participant in the economic development process must consciously contribute to the common good, in the spirit of solidarity. As I personally emphasized to my fellow commissioners when we were drafting the Philippine Constitution in 1986 under President Corazon Aquino, the common good should not be defined as the “greatest good for the greatest number.” Instead, it should be defined as a social or juridical order that enables every member of society to attain his or her full human development economically, politically, culturally, socially, morally and spiritually. This may be a long-winded definition but it guarantees that both government officials and the private citizens themselves will always be

working for the good of everyone, especially the marginalized, and will not focus exclusively on the material welfare of the citizens but will also take into account the other dimensions of human existence, i.e. political, cultural, social, moral and spiritual.<sup>3</sup>

## **Macroeconomics and Microeconomics**

An indispensable condition for long-term sustainable development, is macroeconomic stability. Fortunately, the Philippines in the second decade of the Third Millennium has received a lot of accolades from independent international institutions such as the World Bank, the Asian Development Bank, credit rating agencies and multinational banks for having built solid institutions such as one of the best central banking systems in Southeast Asia and competent fiscal agencies that can guarantee macroeconomic stability (low inflation, low fiscal deficit to GDP ratio, low total debt to GDP ratio, etc.) over the long run. There are serious constraints imposed on the economy by the very low export to GDP ratio and the need to diversify into higher-value exports such as agribusiness products by significantly improving the productivity of our agricultural sector, long neglected as the “Cinderella” of development. I highlight the importance of investing more in the manufacturing sector that can generate higher levels of employment by, among other means, opening up the economy to more foreign direct investments (FDIs) through amending the very restrictive provisions of the

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3 Paul, Pope. 1967 *Populorum Progressio* Vatican Press



Philippine Constitution on foreign investments.<sup>4</sup>

As regards Microeconomics, the new approach to economics education should take greater cognition of the imperfections of free market forces in attaining integral development. We are notorious for having the highest poverty incidence in East Asia: 21 percent of our population. When more than 20 million Filipinos go to bed hungry every day, it is not possible for them to have access to markets to improve their lives. They are too poor, too hungry, too unhealthy and too uneducated to benefit from free market forces. There must be a previous intervention of the State or of civil society to give them enough nutrition, enough health services, and enough education to prepare them for participation in a market economy. Hence, the need for government intervention in building farm to market roads, irrigation systems, post-harvest facilities to enable the millions of poor farmers to eke out a decent living from their small farms. There is need for the State to constantly increase the share of education and health services in the annual budget. In extreme cases of poverty, there is justification for conditional cash transfers that will enable the poorest of the poor to cover the barest economic necessities.<sup>5</sup>

4 Villegas, Bernardo M. 2019 “New Approach to Economics Education Part 2” *Manila Bulletin* (June 17, 2019) (<https://business.mb.com.ph/2019/06/17/new-approach-to-economics-education-2/> Accessed November 3, 2019)

5 Ibid

## The Experience of the Economy of Communion

The Economy of Communion (EoC) is a proposal that responds to the need to restructure business models according to the principles of Catholic Social Teaching (Gallagher 2014)<sup>6</sup>. In 1991, the founder of the Catholic movement Focolare, Chiara Lubich, traveled to the city of São Paulo (Brazil) where she observed the significant contrast between the immense skyscrapers and the poverty of the urban favelas. The recently created communities belonging to this ecclesiastical movement, despite living in a communion-of-goods regimen, were unable to obtain the resources necessary to create a dignified quality of life.

In light of this need, Chiara Lubich decided to invite talented entrepreneurs to create companies according to the principles of subsidiarity, solidarity and preferential option for the poor, that she later called the “EoC” (Hernando 2015)<sup>7</sup>. With regard to the business models inspired by EoC, their fundamental elements stem from the principle that a company’s financial profits should be distributed in three parts. The first of these should be directed toward the company’s growth, development, and economic sustainability; the second toward the most needy people in the social environment of the organization, to help them overcome their situation of

6 Gallagher, J. and Buckeye, J., 2014. *Structures of grace: The business practices of the economy of communion*. New City Press.

7 Hernando, I. 2015. “Spiritual Capital for Innovation: The Economy of Communion (EoC) Experience.” In *Spirituality & Creativity in Management World Congress 2015*. Barcelona: ESADE.

poverty; while the third part should be invested into the education of young people, in favor of creating a new means of economic culture at the service of people and of the common good (Lubich 1999). These elements enable the companies forming part of the EoC to live and exemplify the principles of subsidiarity, solidarity and the preferential option for the poor.

According to Chiara Lubich<sup>8</sup>, relying on the “invisible hand” of the market (Smith 1958)<sup>9</sup> is not enough to achieve an adequate redistribution of wealth, thus it is companies themselves that should dedicate some part of their financial profit to alleviating situations of inequality and injustice. The development of the EoC until October 2015—a period about which information is available on the project’s web page—has been such that it has not only expanded through Latin America, where it was founded, but also across all five continents. To date, 811 companies have already subscribed: 463 in Europe (263 of which in Italy); 220 in Latin America; 26 in North America; 18 in Asia, and 84 in Africa.<sup>10</sup> In other words, the fulfillment of the common good cannot be left to the workings of the market economy, alone.

The principles upon which the EoC is based are found in the Holy Scripture and Catholic Social Teaching (Aguado Muñoz 2014)<sup>11</sup>. Specifically, the meaning of the word “communion” may be highlighted, which comes from Jesus Christ’s prayer when he says “Father, just as you are in me and I am in you” (John 17:21). The EoC understands that the Christian doctrine of the Trinity explains God as a being in relation to communion, which may act as a community model for human beings (Norris 2009)<sup>12</sup>. This sense of unity is directly related to the need to be interested in the living conditions of others, and especially those that are in need. One possible way of improving our relationship with such people involves, precisely, aiding them, using the fruits of our labor.

Business organizations created from the EoC project do not just have the aim of creating financial profit for company shareholders or owners, a proposal that Pope Benedict XVI (2009)<sup>13</sup> also defends in *Caritas in Veritate*. In addition to providing remuneration to owners and the financial means for the company’s growth, these businessmen also seek to alleviate poverty and help educate future managers, with the aim of promoting, in the future, the care of people and of the common good in the undertaking of their economic activities.

8 Lubich, C. 1999 *For an Economy Based on Communion*. Ceremony of the honorary degree in “Economics” conferred on Chiara Lubich by the Sacred Heart Catholic University. [https://eocnorthamerica.files.wordpress.com/2015/11/chi\\_19990129\\_en.pdf](https://eocnorthamerica.files.wordpress.com/2015/11/chi_19990129_en.pdf).

9 Smith, A. 1958. *Investigación sobre la naturaleza y causas de la riqueza de las naciones*. México: Fondo de Cultura Económica.

10 See <http://www.edc-online.org/es/quienes-somos /difusion.html>. Accessed April 20, 2018)

11 Aguado Muñoz, R. 2014. Empresa y economía de comunión. En J. Sols Lucia (Ed.), *Pensamiento social cristiano abierto al siglo XXI. A partir de la encíclica Caritas in veritate* (pp. 165–188). Santander: Sal Terrae.

12 Norris, T. J. 2009 *The Trinity: Life of God, Hope for Humanity*. New York: Hyde Park.

13 Benedict, X. VI. 2009 *Caritas in Veritate*. Libreria Editrice Vaticana.

Other principles of the EoC that are particularly in line with Catholic Social Teaching are the principles of gratuity and reciprocity. According to Luigino Bruni (2010)<sup>14</sup>, the novelty of *Caritas in Veritate* is the affirmation that reciprocity and gratuity are also fundamental principles of the economy and the market, and they are not just for nonprofit organizations or those of a social nature. The companies that follow the EoC project are for-profit businesses that consider reciprocity and gratuity to be an integral part of their business. Both reciprocity and gratuity are guided by the logic of the gift, innate to human relations, which should be promoted so that the former are authentically human and favor the development of people.

Reciprocity is understood as “the exchange of gifts,” which goes beyond the logic of contracts and markets, etc. The concept of gift, likewise, is a synonym of gratuity. Gratuity, in the context of Catholic Social Teaching, above all refers to “giving oneself to,” surrendering one’s person, and goes beyond the surrendering of goods and things. It is, therefore, a lifestyle, a “how” which is implicated in the freedom of a person and depends more on their personal decisions than on previously established agreements of any nature.

Another relevant feature of the EoC is the relation that exists between the personal good and the common good.

According to Frémeaux and Michelson (2017)<sup>15</sup>, for the EoC the personal good may be favored providing that the common good is met. In this way, the common good can only be promoted if it is through the means of the members of the organization who seek personal good.

In this regard, Catholic Social Thought sets out some key principles for action; offers certain guiding criteria for decision-making; and proposes several values on which a more responsible and competitive economy and business management may be built. The EoC is an example of an applied practice, and shows how, in fact, it is possible to remain on the market by pursuing not only economic benefit, but also declaring an explicit commitment to common good, gratuity, reciprocity, and communion. (Fernández and de la Cruz, 2019).

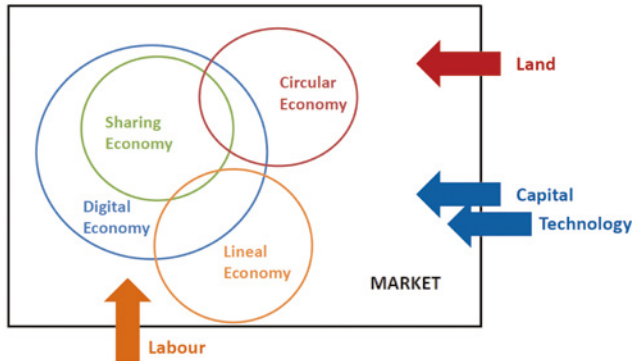
The EoC, certainly, would have a place in any of the circles or intersections of circles that are presented in Figure 1.<sup>16</sup>

14 Bruni, L. 2010 Reciprocidad y gratuidad dentro del mercado. La propuesta de *Caritas in Veritate*. *Aggiornament Sociali*, 38–44.

15 Frémeaux, S., & Michelson, G. 2017. The Common Good of the Firm and Humanistic Management: Conscious Capitalism and Economy of Communion. *Journal of Business Ethics*, 145, 701–709

16 Fernández, J.L.F. and de la Cruz, C.D., 2019. Catholic Social Thought and the Economy of Communion as a Business Model. In *Caring Management in the New Economy: Socially Responsible Behaviour Through Spirituality*, Ora Setter, László Zsolnai, editors (pp. 115-137). Palgrave Macmillan, Cham. ([https://link.springer.com/chapter/10.1007/978-3-030-14199-8\\_7](https://link.springer.com/chapter/10.1007/978-3-030-14199-8_7) Accessed September 20, 2019)





**Figure 1. New and disruptive ways of combining production factors**

Source: Fernández and de la Cruz, 2019<sup>17</sup>

The EoC is a different and innovative model; as a more viable way of doing business that moderates the economic dimension of human life in society. Any way of managing this—although it is a minority—deserves to be supported, since it has apparently found a place in today’s economic and business ecosystem and deserves to keep this into the future.

Public-private partnership would be badly needed in a country such as the Philippines where wealthy families have control over the country’s production capacity and political organization. While developed countries possess efficient governments, the Philippines can mostly rely on the effective efforts of private institutions to sustainably alleviate poverty. Such a partnership can be achieved, even on the arguments of mainstream economic thinking. This can be seen in the example of EoC member institutions. Foreign aid has its limits. For the entrepreneurial poor to reach a higher socio-economic

status, inter-generational private entity efforts and commitment to alleviate poverty through credit, empowerment, and having an enabling environment, such as reciprocity and gratuity, for the poor, would have hopes of being effective for some developing countries such as the Philippines.

### Final Notes

The State has to make sure that the existing oligopolies and monopolies that are in the hands of the Philippine elite are regulated by the Philippine Competition Commission so that they do not victimize the consuming public with unreasonably high prices and poor services. Free markets in themselves should not be absolutized or idolized, because it thrives in an imperfectly competitive market environment. In such an environment, market failures happen frequently, and win-win solutions do not happen effortlessly. What should be emphasized is the principle of subsidiarity, i.e. that what can be accomplished efficiently and competently by private individuals and groups should not be absorbed by higher bodies, least of all by an all-powerful State. This principle flows from the very dignity of the human being who should be given the freedom to do what s/he can achieve without interference from higher authorities. Markets are only means of allowing the principle of subsidiarity to apply to every economic society. At the same time, though, we have insisted on the other side of the coin, the principle of solidarity. Every human being, including the businessman, is obliged by her/his very nature to always contribute to the common good in her/his individual actuations. We

<sup>17</sup> Fernandez et al 2019, p. 131

completely reject the neoclassical assumption that the only thing that a businessman has to do is to maximize her/his profit and for the individual consumer to maximize her/his individual pleasure for there to be an “invisible hand” that automatically promote the good of everyone. Businessmen and consumers must always act with social responsibility for there to be a just and humane society. Only then can we fully understand the oft-repeated reference to “People, Planet and Profit.”

Finally, in deciding what is the optimum mix between the freedom of enterprise that is required by the principle of subsidiarity and the necessary state intervention to cure the imperfections of a free market economy, state officials should exercise the virtue of prudence in implementing the *dictum* “as much free market as is possible” and “as much state intervention as is necessary.” Only the exercise of the virtue of prudence will lead to the appropriate mix as can be found in the social market economy perfected by Konrad Adenauer in Germany.

Looking into the long-term future, especially as a guide to the so-called millennials (those born between 1982 to 2000) and the Z generation (those who were born after 2000), I elaborate the two “sweet spots” that will benefit their generations. The first is the demographic sweet spot. The Philippines is one of the few countries in the Asia Pacific region (together with Indonesia and Vietnam) that will enjoy at least for the next two or more decades a young and growing (and for the Philippines an English-speaking) population while

the rest of East Asia suffer the economic consequences of rapid ageing and population decline. Because of this demographic sweet spot, the Philippines can benefit for a long time to come from the foreign exchange remittances of the more than 10 million overseas Filipino workers and from the earnings of the 1.2 million well-educated workers in the BPO-IT sector. This demographic advantage also provides the Philippines with a huge domestic market that makes it partly immune from the ups and downs of the global economy. The second sweet spot is geographic in nature. The Philippines is fortunate enough to be part of the so-called Asian Century during which Asia will be the epicenter of global economic growth, with China, India and ASEAN Economic Community as the major players in the next 20 to 30 years.

Although one can find in most religions and ethical systems the social principles that can “cure” economics from the disease of scientism, it is the social teaching of the Catholic church developed over more than a century of papal encyclicals and other documents that can shed the most luminous light on the task of every society to promote what is called integral human development, another way of expressing the common good as a social order that enables every single human person to attain her/his fullest development as a human being. Such integral human development necessarily includes the economic, political, cultural, social, moral and spiritual development of the human person.