

THE ECONOMY OF FRANCESCO AND THE YOUNG PEOPLE

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From the 19th to the 21st of November 2020, Pope Francis invited young economists from all over the world to meet and reflect on how «to change the actual current economy and how to give a soul to the economy of tomorrow». He invited to a broad common discernment all those who are going to study and practice an alternative economy to the one denounced in the first chapter of the encyclical *Fratelli tutti* «an economy that makes life and does not kill, that includes and does not exclude, that humanises and does not dehumanise, that cares for creation and does not plunder it»¹. The event, which took place online due to the Covid-19 pandemic, was promoted by the diocese and the municipality of Assisi, by the *Istituto Serafico di Assisi*, and by «*Economia di comunione*» (EdC).

What should be the characteristics of an economy that is able to listen to the «cry of the earth and the poor»? If we want that the «Economy of Francesco» will not become an empty slogan, young economists, who believes and who does not believe alike, should address courageously the problems affecting their discipline. In the following pages, we will first recall that the economy is necessarily based on figures. Any change in the economic paradigm requires young economists to reappropriate these figures and all the data at their disposal. Secondly, we will show that some of the main principles proposed by Pope Francis are excellent criteria for reforming the world economy. Finally, we will present an empirical example illustrating the discernment spirit to which the Pope invites us. The following remarks are not intended to replace this collective discernment. Conversely, they aim to draw attention to some necessary points to help us in this spiritual experience.

Poverty and inequalities

«Inequality is the root of social ills» (*Evangelii Gaudium* [EG], n. 202). From this statement, any reflection on a different economy must begin. «Even though the world is rich, the poor are increasing around us» Whether it is true that the average annual income is 12,000 dollars per person, “hundreds of millions of people are still plunged into extreme poverty and lack adequate and indispensable food, shelter, health care, schools, electricity, drinking water, and essential sanitation»².

This kind of consideration raised lively discussions. For instance, in January 2019, during the Davos Forum, several participants argued that the number of «poor»

¹ Francesco, «Video message of his Holiness Pope Francis to participants in the meeting “The Economy of Francesco – Young people, a commitment, the future”», the 21st of November 2020, in [https:// francescoeconomy.org/it](https://francescoeconomy.org/it)

² Id., «Discorso ai partecipanti al workshop “Nuove forme di fraternità, di inclusione, integrazione e innovazione”», Casina Pio IV, 5 febbraio 2020, in vatican.va

had declined in the previous decades. Using these figures, they deduced vibrant globalisation. Pope Francis promptly criticised this position. The debate and the animate discussion partly arises from the different criteria by which poverty is assessed.

Even though we were to narrow the discussion to monetary poverty, that is already very limiting since it is not the only dimension of human existence that should be taken into account, the conventional poverty line (equivalent to the purchasing power of USD 1.90 a day in the United States in 2011) is unacceptable. All the parameters show that living on an average of 2 US dollars per day means being exposed to malnutrition, a lack of education and a very high mortality rate. Many economists support the call for an increase of this threshold to USD 7.40 per day.³ Even if this were the case, the number of people living on less than USD 7.40 a day has increased significantly since the 1980s, reaching a total of 4.2 billion today. Moreover, the improvement of figures depicting this situation can be attributed to China, and it owes nothing to the «Washington Consensus»⁴

Inequalities are another topic of debates⁵. The Gini Index, ranging from 0 to 1, measures income inequality: the higher the index, the more unequal the society. Using this index, income inequalities in the world has fallen. According to the World Bank, they decreased from 0.63 in 1960 to 0.47 in 2013⁶. However, this analysis required a great degree of caution because of the multiple factors involved. Firstly, such a decline in inequality between nations is consistent with an increase in inequality within most countries. Furthermore, the growth of inequalities within each country is now a well-documented phenomenon⁷.

Secondly, to a large extent, the inequality decrease is due to China and, to a lesser extent, to India. If we calculate the planet's Gini Index excluding China, we would observe that there has been a shift from 0.50 in 1980 to 0.58 in 2005.

Thirdly, the Gini Index considered here is relative. The perception of inequalities by citizens is more sensitive to absolute inequalities than to relative ones. Fortunately, a Gini index that considers the absolute differences in wealth exists. However, the "absolute Gini" has risen from 0.57 in 1988 to 0.72 in 2005, despite Beijing's progress. In other words, we are experiencing the opposite of a convergence towards a more egalitarian world society. The absurd debate on inequalities points out that the economic discourse is too often a monopoly of experts who enrich a

³ The economists Lant Pritchett suggests a threshold of 10 dollars. Cfr L. Pritchett, «The World Bank Progresses on Poverty Lines», in www.cgdev.org/blog/world-bank-progresses-poverty-lines

⁴ By "Washington Consensus" it is referred to the economic policies imposed on countries indebted to the institutions created by the Bretton Woods agreements (International Monetary Fund, World Bank).

⁵ Cfr G. Giraud - F. Koerreales - C. Poggi, «Les inégalités dans le monde: où en est-on?», in *Études* 165 (2019/1).

⁶ Cfr B. Milanović, *Global Inequality: A New Approach for the Age of Globalization*, Cambridge, Harvard University Press, 2016.

⁷ Still the best database on inequality is produced by the World Income Inequality Database (Wiid, Danimarca): cfr www.wider.unu.edu/project/wiid-world-income-inequality-database/. See also: J. Choi et Al., «A Comparison of Major World Inequality Data Sets: LIS, OECD, EU-SILC, WDI and EHII», in L. Cappellari - S. Polachek - K. Tatsiramos (edd.), *Income Inequality Around the World*, Bradford, Emerald Group Publishing Limited, 2016, 1-48.

discussion from which most citizens are excluded. The questions posed by Pope Francis point out how a superficial «competence» leads us away from common sense. This is a sensitive issue when it comes to gather and interpret data for economists and decision-makers. The scarce reliability of data analysis in Africa is an example⁸. If we want that the economy is to benefit the common good, great efforts are needed.

Pope Francis criticised the trickle-down theory, which calls for the increase of the wealth of a few to benefit all. More than not being empirically proven, the theory is not supported by any analytical foundation⁹. Following the theory, the increase of the wealth at the top of the social pyramid would facilitate savings. Therefore, it would facilitate investments and eventually wealth for all. All these assumptions are false because savings do not finance investments. What finances investments is credit creation by the banks¹⁰.

The 1931 Pius XI's encyclical referred exactly to this power of monetary creation. Pius XI anticipated the need for the regulation of this process. A similar appeal was recently reiterated by the Dicastery for Promoting Integral Human Development¹¹. Today, most savings are invested in the financial markets or in the real estate sector. Thus, they fuel two speculative bubbles that play a decisive role in exacerbating inequalities and in accelerating the gentrification¹² of metropolis.

Besides, while for the last 30 years, the GDP growth has not implied a poverty reduction, it has not also coincided with the creation of new jobs. We have succeeded in establishing the “jobless growth” or the growth followed by precarious fixed-term jobs. Even in Europe, a new category of worker emerged: the one of worker who eats at the soup kitchen at the end of the day.

The questions addressed by Pope Francis to the community of economists, financiers and entrepreneurs require us to reflect deeply while the conventional economy is in crisis. As Nobel Prize-winning economist Paul Romer has written, the last 30 years have seen an «intellectual regression» in macroeconomics¹³. The previous chief economist of the World Bank suggests «post-real models» to describe the tools used by most economists in major international institutions.

Similarly, after having left his position as chief economist of the International Monetary Fund, Olivier Blanchard wrote that the until recently most commonly used modes, the DSGE, are «definitely false»¹⁴. The most commonly used models do not

⁸ Cfr M. Jerven, *Poor Numbers: How We Are Misled by African Development Statistics and What to Do about It*, New York, Cornell University Press, 2013.

⁹ Cfr International Monetary Fund, «Causes and Consequences of Income Inequality: A Global Perspective», 1 giugno 2015, in www.imf.org/sdn/sdn1513

¹⁰ Cfr G. Giraud, *Transizione ecologica. La finanza a servizio della nuova frontiera*, Verona, Emi, 2015.

¹¹ Cft Congregazione per la dottrina della fede - Dicastero per il servizio dello sviluppo umano integrale, *Œconomicae et pecuniariae quaestiones. Considerazioni per un discernimento circa alcuni aspetti dell'attuale sistema economico-finanziario*, 6 January 2018, in www.vatican.va/congregations/cfaith/documents

¹² Gentrification is the transformation of working-class neighbourhoods into upscale living areas.

¹³ Cfr P. Romer, «The Trouble With Macroeconomics», in <https://paul-romer.net/the-trouble-with-macro>

¹⁴ Cfr O. Blanchard, «Do DSGE Models Have a Future?», in Peterson Institute for International Economics - Policy Brief, 16 November 2016.

consider currency. They ignore debts, and they assume that unemployment is voluntary, and that wealth can be produced without energy consumption. As it was predictable, these models failed to foresee the global financial crisis of 2008. They continue to deliver unrealistic predictions about the actual impact of global warming and the collapse of biodiversity. Some economists might even conclude that «a century of climate change is not worse than a decade of economic decline» and, therefore, that «humans have to face issues larger than the one of climate change»¹⁵.

These statements and the analysis supporting them are at odds with Pope Francis' encyclical *Laudato si'* and with the «Greta Thunberg generation» ambitions. Indeed, it could be said that most conventional economists are an obstacle to the ecological and social reconstruction of our societies.

«Everything is connected»

The four principles laid down by the Pope in the *Evangelii Gaudium* can be of interest and inspiration for younger who wants to reform economics in a way it can help us to reorient our understanding of the real world using perspective embedded in «common good and social peace» (cfr EG 217-237)¹⁶.

First, «*the whole is greater than the part*» (cfr EG 234-237). This is to say that the common good of the world cannot be reduced to the advancement of the interests of the few. Therefore, at the level of the «whole», events may occur even though they cannot be inferred from the «part». In economics, millions of actors' interaction produce aggregate effects on prices, demand, and supply every day. The aggregate effects cannot be deduced from the behaviour of an individual. Seriously taking the complexity of the real world implies the awareness that new and unforeseen phenomena may occur. Increasing uncertainty when considering complexity happens in economics as in all other sciences.

Nevertheless, the conventional economics syllabus known as 'methodological individualism', taught in universities worldwide, opposes this conception and continues to act as if the whole were strictly nothing more than the sum of the parts. Many of the often used models assume that economies are composed of individual consumers or individual companies. As a result, it is impossible, for instance, to study private debts rigorously, although they play a decisive role in the deflationary depression we are experiencing today.

Second, «*time is greater than space*» (cfr EG 222-225). To be desired, the common good requires time, discernment and dialogue. This implies that the short-term

15 R. Tol, «The economic Impacts of Climate Change», in Review of Environmental Economics and Policy 12 (2018/1) 6. Cfr M.-N. Woillez et Al., «Economic impacts of a glacial period: a thought experiment to assess the disconnect between econometrics and climate sciences», in Earth System Dynamics 11 (2020/4) 1-14

16 Cfr L. Taylor, Reconstructing Macroeconomics. Structuralist Proposals and Critiques of the Mainstream, Cambridge (Ma), Harvard University Press, 2004; E. Bovari et Al., «Coping With Collapse: A Stock-Flow Consistent Monetary Macro-dynamics of Global Warming», in Ecological Economics, n. 147, 2018, 383-398. Then Institute for New Economic Thinking offers multiple initiatives in this direction.

perspective imposed by financial markets it is not a legitimate time for economic decision-making. Ecologic transition requires decades-long investments. Therefore, financial markets should be regulated to allow the State and investors to have a longer time horizon.

Moreover, Pope Francis' insight also highlights that time is a fundamental element in any economic decision. Nevertheless, most economic arguments are based on unrealistic static equilibrium. No dynamic logic is involved in such models. In this respect, economics is more than a century behind all other scientific disciplines, which take non-linear dynamics into account in their analysis. Conventional economics has not taken this direction. Conventional economics assumes that markets perfectly anticipate the future. Following this logic, the future can be deduced entirely from the present. In such a view, time no longer exists.

Thirdly, «*Unity prevails over conflict*» (cfr EG 226-230). With this principle, Pope Francis invite us always to seek the unity of the Church and more generally, the unity of our civic bodies without neglecting diversity.

An economic ideology, though, has placed competition, the «all against all», at the core of the social bond. According to this ideology, engaging in marriage, choosing a profession, settling in one city are all fundamental decisions that should be governed by the «game» of competition, by the law of supply and demand.

This is equivalent to placing the exacerbation of conflict between everyone at the heart of the social fabric.

The concept of perfect competition is problematic in itself¹⁷. In addition, the powers attributed to the invisible hand of the markets are illusions¹⁸. The «hand of the market» is invisible because it does not exist. This market ideology is the secularised translation of the Christian theology of providence. However, it is a wrong translation. The mystery of divine providence has never meant that we can exploit the poorest, telling them that they have nothing to worry about because an «invisible» force will take care of them. At the heart of the social bond, rather than placing competition, we should locate solidarity and loyalty to commitments, without which no institution is possible. Within the game theory, the cooperative ones are more relevant than the non-cooperative ones¹⁹.

Rather than an atomised anthropology, the human beings perspective, meaning the «being-in-relationship», should be placed at the centre of our economy²⁰. The prevailing idea of the *homo aconomicus* pertains to an old era. It goes back to the Vitruvian man. A man is thought of as an adult male, white and in good health, isolated from the rest of the world, endowed with technical knowledge that enables him to realise himself in absolute metaphysical solitude. This anthropological idea

¹⁷ Cfr A. Mas-Colell - W. Hildebrand, *The Cournotian foundations of Walrasian equilibrium theory: an exposition of recent theory*, Cambridge, Cambridge University Press, 1983; G. Giraud, «Strategic market games: an introduction», in *Journal of Mathematical Economics*, n. 39, 2003, 355-375.

¹⁸ Cfr G. Giraud - A. Pottier, «Debt-Deflation versus the Liquidity Trap: the Dilemma of Nonconventional Monetary Policy», in *Economic Theory*, n. 62, 2016, 383-408.

¹⁹ Cfr G. Giraud, *La théorie des jeux*, Paris, Flammarion, 2000.

²⁰ Cfr, for instance, H. L'Huillier et Al., «Crisis and relief in the Niger Delta (2012-13): assessment of the effects of a flood on relational capabilities», in *Oxford Development Studies* 46 (2017/1) 113-131.

must be replaced by the biblical one promoted by Francis' encyclicals *Laudato si' e Fratelli tutti*, namely the idea of women and men in relation to each other, to the generations and creation. This second one is an anthropological perspective permeated by questions of justice since economics is also a moral discipline²¹. It is an economy mindful of a future that is not driven by «rational expectations » (meaning the illusion of the existence of private actors able to perfectly anticipate the future). It is an economy that we can, and we must jointly establish, accepting to renounce some of our ideologies. Who will be able to build an economy on this basis?

Fourthly, «*Realities are more important than ideas*» (cfr EG 231-233). One of the most significant issue of conventional economics is that it is founded on models that ignore material reality. It is time for the economy to seriously consider, for instance, disruptions in the water supply cycle. According to the *World Resources Institute*, by 2040, Italy might not have more than 80% of the current access to drinking water (the same might happen to Spain, Maghreb, South Africa, Andes, Indonesia, etc.). Furthermore, in the second half of this century, episodes of hyperthermia could make uninhabitable some areas of the peninsula as well as the tropics of the three main continents. The issue of public debt is much less severe than the lack of natural resources. If Italians were forced to leave the peninsula due to a lack of water and excessive heat, one thing would be certain: no one would repay the Italian debt.

It is time for economics to take the scarcity of non-renewable mineral resources seriously. In collaboration with a geophysicist team, we have shown that copper could reach its peak worldwide as early as 2060²². This information should seriously concern us because the infrastructure for processing renewable energy consumes far more copper than that for extracting hydrocarbons. Therefore, it is crucial that our societies quickly learn to make careful use of copper and all the minerals that will begin to be scarce soon. Unfortunately, there are still very few economists who advise their governments to do this.

Finally, a last important principle dear to Pope Francis could from now on serve as a guiding criterion for the reconstruction of the economy: «Everything is connected». Economics can no longer be exercised as an isolated discipline from the rest of the academic field. Economics must be open to ethics, sociology, history, law and political science, as well as physics, biology and even theology. Why should economics be aware of theology? Because economics cannot be separated from law. Western law is the product of the interweaving of Roman law with Christian theology, which took place during the Gregorian revolution in the 11th century. Contemporary economics is the secularisation of bad theology, confused with John Locke's political philosophy. Its philosophical and theological premise must therefore be questioned.

²¹ Cfr G. Giraud, «Why Economics is a Moral Science: Lifting the Veil of Ignorance in the right direction», in K. Basu - R. Hockett (edd.), *Law, Economics and Conflict*, New York, Cornell University Press, 2020.

²² Cfr O. Vidal et Al., «Global Trends in Metal Consumption and Supply: The Raw Material-Energy Nexus», in *Elements* 13 (2017/5) 319-324.

Therefore, collective discernment is needed more than ever. In order contribute to the discernment, we are going to analyse a practical example of an initiative launched by young Brazilian economists, which provides insights about the economy we must and want to promote.

The Alliance Woman Mother Earth

As a response to Pope Francis' appeal to reactivate new economies, a global alliance was promoted in the Agriculture and Justice Village (one of the 12 groups created during the initiative «The Economy of Francesco»²³. The Alliance aims to enable women's access to land, to realise its vocation for biodiversity and to promote good living standards for all communities worldwide.

More than 2,000 young people from all over the world replied to Pope Francis' calls for global solidarity and commitment in the fight against inequality. As mentioned, the spread of the pandemic has forced a change in the calendar. A first virtual meeting was held in November 2020, and a final plenary meeting will be held in Assisi in November 2021.

Among many projects developed as a synthesis of the aspirations for change emerging from Brazil and Latin America, one, in particular, deserves our attention: the Women's Mother Earth Alliance. In this project, Brazil has become a reference point, especially for the social structure built around the initiative called 'The Economy of Francesco and Chiara' (the name is in honour of St Clare and demonstrates how the feminine dimension is structural in rethinking the future of the world). More than others, young Brazilians were able to develop critical thinking that also embraced the "female dimension of the economy" and to establish a network of relationships that attracted young people from other villages and other countries in South America.

The Alliance Women's Mother Earth seeks to offer concrete responses to the demand for "Land, Roof and Work" ²⁴ raised by women in rural areas of Brazil and the world. The Alliance also seeks to defend the women's right of access to genetic resources²⁵, and to build equitable relationships around the production, trade and consumption of healthy food.

The program is organized around two main objectives. The first goal is to strengthen a global agenda to defend the right to land, the sovereignty over genetic resources and to overcome inequalities that limit the full development of women's capacities. The second objective is to build local alliances for the production and marketing of food.

This agenda is intended to be a «process» of discernment, in which time plays a predominant role. The Women's Mother Earth Alliance has the desire to strengthen

²³ www.francescoeconomy.org

²⁴ Cfr «America/Argentina. Terra, tetto, lavoro ed enciclica "Fratelli tutti" in tempo di pandemia: incontro virtuale dei movimenti popolari», in www.fides.org/news68871

²⁵ As required by the Convention on Biological Diversity (CBD) and the International Treaty on Plant Genetic Resources for Food and Agriculture.

the commitments made in 2014. Six years ago, indeed, an agenda was stipulated with the representative of the World Popular Movements (including the Movements for New Economies).

As stated in the UN Sustainable Development Goals document of 25 September 2015, gender inequality is one of the most significant obstacles to sustainable development and poverty reduction. The fifth objective was «to achieve gender equality and self-determination for all women and girls». Therefore, the Alliance Women's Mother Earth project is an intervention that can help achieve this goal. The project emphasises the empowerment of women and their access to land, as well as the recognition of their essential economic, ecological and social role in local farming communities. It promotes cooperation rather than a chauvinist war of the sexes.

At the international level, the Alliance plans to participate in several upcoming events. On the one hand, they will participate in the Generation Equality Forum²⁶ organized by the UN Women. On this occasion, a programme of specific measures will be presented to achieve equality between women and men by 2030. On the other hand, they will participate at the forthcoming World Forum for Access to Land organized in the light of the previous meeting in Valencia in 2016²⁷ by various organizations involved in the struggle for access to land. This initiative is open to multiple international actors that are sensitive to these themes. For instance, Onu agencies (Fao, Ohchr), farmers' organisations within the Catholic sphere (Focsiv, Cidse), as well as international organisations (Lvc) participate.

This international agenda is also based on a set of local actions related to food production, processing, marketing, consumption and disposal. Several of those initiatives are already taking place and should be seen as stimuli towards the construction of a new agri-food system. They are based on the fundamental premise of shortening market circuits. The idea is to integrate and implement an existing network of actors and sustainable and solidarity-based solutions in the territories with the from «The Economy of Francesco and Chiara».

Why this peculiar focus on women? They are primarily responsible for promoting food sovereignty. They do most of the work in protecting local seeds, growing vegetable gardens and medicinal plants and managing small animals. Nevertheless, rural women and their children are among the social actors most affected by hunger. According to the Synthesis of Social Indicators (SIS), published in 2019 by IBGE²⁸, women have more difficulties in entering the labour market and remaining in employment. They have lower incomes and they are more prone to informal work than men.

²⁶ Cfr «Forum Génération Égalité (2021)», in www.diplomatie.gouv.fr/fr/politique-etrangere-de-la-france/la-france-et-les-nations-unies/forum-generation-egalite-2021

²⁷ Cfr World Forum on Access to Land 2016», in www.agter.org/bdf/en/thesaurus_dossiers/motcle-dossiers-136.html

²⁸ Cfr Instituto Brasileiro de Geografia e Estatística (IBGE), Síntese de Indicadores Sociais. Uma Análise das Condições de Vida da População Brasileira, in www.ibge.gov.br/estatisticas/sociais/saude/9221-sintese-de-indicadores-sociais.

Women's work, which is the basis of production and social reproduction of families and society in general, is invisible because it is not monetized. This is one of the reasons for the higher incidence of poverty among women, especially black women. Looking at IBGE data²⁹, in 2018, the percentage of black or multiracial women in households with poverty incidence was 33.5 per cent, while for white men, it was only 15.6 per cent.

Another relevant aspect is how to produce food and preserve life, socio-biodiversity and genetic resources: «Everything is connected». While women have been historically excluded from agricultural modernisation, rural women have remained the main custodians of local seeds and traditional production techniques in harmony with the environment. Their contribution, therefore, goes beyond the promotion of food sovereignty and extends to water and energy sovereignty, and in particular to the conservation of the genetic resources of territories. Their contribution, therefore, goes beyond the promotion of food sovereignty. It extends to water and energy sovereignty, and in particular to the conservation of the genetic resources of territories.

Barriers to access to land, production and markets are among the main reasons for women's subordinate position in our societies. In several countries of the South, access to land is a right formally denied to women. In countries where they are legally allowed to own land, women are systematically hindered. The most frequent obstacles are: difficulties in obtaining credit for the production and purchase of land, inheritance discrimination, public policies on access to land that often ignore them as owners.

It is useless to say that gender inequality, preservation of biodiversity, difficult access to bank credit and land ownership, food sovereignty, are invisible to the models of analysis used by conventional economists. What emerges is again that «*Realities are more important than ideas*».

The strength of the younger of «The Economy of Francesco e Chiara» and of the others who will join the group is that they question the current economy and promote actions at both local and international levels to counteract structural and historical inequalities that affect women and the common home. Under the guidance of Pope Francis and in response to his appeal, this enormous challenge seems to have great potential³⁰.

Translated from Italian by Francesco Palmia

29 Per capita household income less than USD 5.50 PPP per day.

30 This article was written in collaboration with Andrei Thomaz Oss- Emer, philosopher, MSc Federal University of Pelotas, Brazil; Lea Vidigal, jurist, PhD University of São Paulo, Brazil; Lilian de Pellegrini Elias, PhD economist, State University of Campinas, Brazil; Luiza Dulci, sociologist, PhD Federal Rural University of Rio de Janeiro, Brazil; Valentina Cattivelli, economist, PhD Università Cattolica Piacenza-Milano, coordinator of Villaggio Agricoltura e Giustizia; Elisabetta Basile, economist, PhD Università La Sapienza, Rome, senior member of Villaggio Agricoltura e Giustizia; Paolo Groppo, land tenure specialist FAO (R), senior member of Villaggio Agricoltura e Giustizia.