

Economy in Laudato Si'

by

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In a very rational way *Laudato Si'* draws attention to unacceptable forms of behaviour and situations simply by seeking their root cause and subsequently offering proposals to correct or eradicate them. The Encyclical tackles these issues separately, from a spiritual, ethical, political, social or economic angle. This article focuses on the latter issue, by making the economy responsible for creating the right conditions for “the fully-rounded development of the whole man and of all men” as stated in *Populorum Progressio*, (n. 42) fifty years ago.

The Encyclical reports the widening gap of inequality, the degradation of the environment, the destruction of bio-diversity, the deterioration of the quality of life, the negative consequences of the system of profit (drug trafficking, trade in human beings, sale of organs) and the general attitude of inertia before these evils. The Encyclical traces all these factors to the following causes: excess of financial power; submission to the market choices, although the market is unable to anticipate their consequences in the long term; the abuse of the right to property; technological research that is too dependent on the profit it is able to generate; a model of growth and consumption that is unsustainable; and furthermore overlooks the inter-dependence of the economy, society and the environment while failing to improve the quality of life of everyone. It highlights the weakness of the international institutions, the indecision of Governments and ingrained habits, calling each person to change in order to change the model.

In listing the causes, it includes those that: reveal the misuse of the instruments of the economy; abuses, lack of respect for others or the absence of rules to prevent them, and those that uncover practices that no one dares to reform, or results that one does not want to bring up.

The power of finance

“Finance overwhelms the real economy. The lessons of the global financial crises have not been assimilated” (n. 109).¹ Two severe criticisms follow. The first was levelled at the banks for not having adequately financed production, mainly that of the small farmers and of the small and middle businesses (PME). It is a fact that banks tend to support the speculative enterprises that are the most advantageous on the financial market. Indeed, it is surprising that the Encyclical mentions neither *microcredit*, - which seeks to respond to the financial needs of the poor because they are excluded from the traditional services, - faithful to its aim to support economic initiatives, and offers helpful advice to borrowers in order to ensure the success of their respective projects, nor the *mutualisation of savings* within small communities, which provide help should one of their members be in need.

The financial crises formed the subject of the second criticism. It began in the United States from the inability of borrowers, often in modest circumstances, to repay the loans they had contracted to buy a house. The lenders transformed the loans into financial assets (shares) which they floated on the stock market.² Once the difficulties of the borrowers became too heavy, people did not want to buy these shares any more and the banks that held them as a guarantee for their business activity were weakened. *Lehman Brothers* went bankrupt. This bankruptcy resulted in a crisis of confidence and this lesson, the Encyclical says, has not been taken into account. This judgement is largely based on fact.

In fact, the financial crises set in motion an overall review of the financial system during a series of summits. These resulted, on the one hand, in strengthening the supervision mechanisms of the banks and, on the other, in the introduction of “prudent rules” such as, an increase in the bank reserves; the

separation of traditional banking exercises – loans and investments – speculation on the raw materials market and operations concerning the resulting produce and its market value (see note 2). In addition, each bank must protect, within certain limits, the deposits of individuals should their business fail.

These observations are good. However, the difficulty is that their implementation is only partial or non-existent. The securitization is not supervised, thus the fiscal paradise remains in place and the “shadow bank” continues its overall financial economic activities and prospers, beyond the banking system, uncontrolled.

The Encyclical is right in affirming that “the problem of the economy is not confronted with vigour ... foregoing a firm commitment to review and reform the entire system”, stressing that this “will only give rise to new crises after a slow, costly and only apparent recovery” (n. 189) showing that “politics are subject to technology and finance” (n. 54). Numerous articles affirm the inadvisability of another crisis. However, the solution is not simple because the introduction even slight of controls and rules, following the 2008 crisis, has accelerated the spread of the shadow banks. This highlights the need for funds, the inadequacy of the area covered by the reforms, and that need and speculation lead to the distortion of the regulations.

Submission to the Options of the Market.

The Encyclical warns against “a magical conception of the market” (n. 190). Against: “the interests of a deified market, which become the only rule” [n. 33], (n. 56); “by itself the market cannot guarantee integral human development and social inclusion” (n. 109); “the environment is one of those goods that cannot be adequately safeguarded or promoted by market forces” (n. 190). Furthermore, *Laudato Si'* blames it for over-consumption: “compulsive consumerism is one example of how the techno-economic paradigm affects individuals” (n. 203). “The markets, which immediately benefit from sales, stimulate ever greater demands” (n. 55).

The market is a tool as old as humanity and, like any tool, may be correctly or incorrectly used. The theoreticians of the neoliberal economy have made of the market an infallible umpire of a perfectly competitive economy in which all the competitors are well informed. They had also planned to reduce as far as possible the States' intervention in the economy. The market sets the price of the goods/ commodities and of the services. The Labour Market fixes the remuneration and the Financial Market sets the interest rate. According to the theory, if these markets function freely, their interaction generates an optimum balance.

Given that perfect competitive conditions rarely exist, the market's short-comings are well known to the economists who advocate the free market. They disregard the poorest, who have no buying power or are unemployed. They overlook environmental issues as well as the harm caused by some industries, including their negative long term effects on the future generations. In other words, the price of a product does not cover the total cost of its production and seldom the cost of what its use and destruction will entail for society. At present either nothing is being done, while the environment continues to deteriorate, or society should undertake to manage the disposal of refuse and the partial elimination of polluting products.

Aiming at a better regulation of the market

Steadily measures are being introduced to cover part of the expense pollution and the recycling of rubbish entail. For example, the purchaser who buys a polluting commodity: vehicle, refrigerator,

computer, p.c., pays a percentage of the cost of the dismantling and recycling of the article in the initial sale price. Furthermore in the case of mining, large industrial plants and infrastructures: roads, railways, dams – studies to examine their impact on the environment are obligatory in an increasing number of countries and are enforced by the World Bank, the regional development banks, before deciding to allocate funds. These studies mostly focus on the project's consequences on the environment and society. They seldom aim to ensure that the project does not infringe on human rights. The Encyclical demands that studies concerning "environmental impact assessment should not come after the drawing up of a business proposition or the proposal of a particular policy, plan or programme" (n. 183). One might add that their implementation must be supervised.

Since the market has encouraged over-consumption, it has the duty to oversee the correct, responsible use of these goods by the public. The market should ensure that offer and demand match. Those who launch the offer should seek to answer demands as well as create needs that it will fulfil with profit. The customer must be able to find goods that are essential, as well as pleasing. Producers anxious to provide basic products and purchasers who are satisfied with basic commodities will always need the market to meet them.

The Encyclical does not propose an alternative to the market. It even mentions, rightly, that "an instrumental way of reasoning, which provides a purely static analysis of realities in the service of present needs, is at work whether resources are allocated by the market or by State central planning" (n. 195). It proposes a regulated market, an opinion the majority of economists share today. However, this does not close the debate: on how it should be regulated? By laws, norms, taxes, promotion? The economy can function well with strict rules and regulations, in order to safeguard the environment and reduce inequality, as long as the rules and regulations are stable so that the producers and customers can adapt to it and define their policies, keeping in mind the limitations that they impose.

The Right to Property; technological research and profit

Laudato Si' strongly recalls that: "the principle of the subordination of private property to the universal destination of goods, and thus the right of everyone to their use" (n. 93), and by consequence "every *campesino* has a natural right to possess a reasonable allotment of land where he can establish his home and work" (n. 94). It denounces "a system of commercial relations and ownership which is structurally perverse" and deprives "the developing countries ... of the most important reserves of the biosphere" (n. 52).

"The economy accepts every advance in technology with a view to profit" (n. 109). Here, the Encyclical confronts two burning issues, unfortunately not head on, namely: the appropriation of land; the abuse of intellectual property. The shortage of agricultural land leads States, agricultural-industrial businesses and even Funding or individual Agencies to "grab land". States do this in order to assure their citizens of food crops; the second, to guarantee that their factories have sufficient raw material so that they can gain from the probable rise in prices; the third, speculate on the scarcity of land, which is expected to increase in value. Such are some of the long-term preoccupations as yet inadequately resolved that deprive, in the short-term, thousands of small rural farmers of their livelihood and cause people to migrate to the towns. From the point of view of the economy, it has no compunction about allowing a mega sale of land to outside agents at a low price, whose revenue the small rural farmers then increase. This means that, since the research is chiefly directed at the agro-ecology, the rural people should be informed of its results, to enable them to act accordingly.

An unacceptable appropriation of life-giving resources

The second burning issue is that of the abuse of intellectual property. In itself, a correct remuneration of an inventor's genius and, of sums invested in research is legitimate but, it cannot be used to accrue income. The World Organization of Intellectual Property manages a number of Conventions and Treaties that lay down the conditions of this remuneration. For an invention: the right to use this invention, that is to say, the proceeds from its exploitation is guaranteed by a patent whose duration generally lasts for twenty years. In exchange for this guaranteed protection, the existence of this invention must be made public. Thus, the holder of the patent can either, exploit his invention himself or cede its rights to another in return for a fee, whereas the scientific community can proceed to develop it without delay.

Patenting the (*vivant*) animate has shown up scandalous possible abuses. Up to the 1980s a distinction was made between (*inanimé*) inanimate, that could be patented, while the (*vivant*) animate could not be. Today, the animate (*vivant*) is "decomposed into separate pieces which no longer hold together.... It is reduced to fragmented parts, separable and substitutable".³ Ever since then large enterprises have been attempting to appropriate live-giving resources for gain. Indeed, some laboratories have patented a number of natural genetic mechanisms to give a particular character to a variety (*gènes natifs*) and have started to sell these patents to businesses which can subsequently exact an annual percentage from the farmers who grow this variety; whereas it is perfectly natural.

To take out a patent for knowledge and not for the practical use of this knowledge is unacceptable just as it is to render the grain of the harvest sterile.⁴ It is the latter abuse that the Encyclical decries, "in various countries, we see an expansion of oligopolies for the production of cereals and other products needed for their cultivation. This dependency would be aggravated were the production of infertile seeds to be considered; the effect would be to force farmers to purchase them from larger producers" (n. 134).

Does profit stimulate research?

The matter of the gain that may be drawn from research is not unknown and, explains the reticence in transferring technology and, as the Encyclical points out, also directs the orientation of the research. At the end of the 1980s, the negotiations at the UN Conference on Trade and Development (UNCTD) concerning the transfer of technology failed, because the American Government, favourable to it at the outset, changed its policy. It went from the idea that, research is motivated by the need to be ahead of the other competitors, to thinking that it is motivated by the gain that can be drawn from it.

However, during the development of informatics, industries did not waste time patenting products that research and competition had quickly made obsolete. Not to mention the well-known figures in the sphere of research, who refused to take out a patent so that their invention might benefit others. As regards the orientation of research: it is known that with the reduction of public funding for research, mainly agricultural and medical, which is being increasingly financed by businesses to the detriment of research, in particular, into rare diseases or into those that affect the poor who are unable to afford medicines.

Consumption and growth:

Towards a different model of development

To begin with the Encyclical states, that, "every effort to protect and improve our world entails profound changes in 'lifestyles, models of production and consumption, and in the established structures of

power which today govern societies” (n. 5), because “the pace of consumption, waste and environmental change has so stretched the planet’s resources that our contemporary lifestyle, unsustainable as it is, can only precipitate catastrophes” (n. 161). We must reconsider “the conditions required for the life and survival of society” and “question certain models of development, production and consumption” (n.138). Indeed, “the time has come to accept decreased growth in some parts of the world, in order to provide resources for other places to experience healthy growth” (n. 193).

It is true that the present model of production and consumerism demands resources that are not renewable, now quantifiable. For example, the destruction of forests needs to be stopped, as well as the chemical products that endanger the biosphere. Studies even forecast that should the human race fail to change, it may end within the next three or four generations from now: not because of natural calamities, such as those that exterminated a massive number of species over the course of history, but due to the imbalances that man is creating world-wide.

Some economists and ecologists foresee a drop in population. The Encyclical is more reserved in limiting it to “some parts of the world” (n. 193), probably the wealthiest countries. If, as the Pontifical Council for Justice and Peace says, “it must nonetheless be recognized that demographic growth is fully compatible with an integral and shared development” (n. 50), how, without growth, can the needs of a growing population be met; of whom about 10 per cent already live in extreme poverty? Furthermore, the view that the countries with demographically falling statistics would transfer a significant amount of their revenue is no longer tenable today, neither politically nor economically. In the 1980s, Argentinians compared the pace of their economy to a bicycle: not by pedaling but by borrowing: if the lenders withdrew, the bicycle came to a halt and their economy would sink. This happened at a very high cost to the poorest people. This is the way of the economy: if it advances, it resists. Perhaps it would be better to seek a different approach than growth.

Promote less materialistic demands and less materialistic offers

In 2012, at the suggestion of the United Nations’ Environment Programme (UNEP), the Conference on Sustainable Development, called ‘Rio+20’, adopted guidelines for Green Economy Policies. It was a question of modifying the behaviour of investors, of enterprises and of consumers, in order to find in the safeguard of the environment and bio-diversity new forms of employment, new sources of revenue and a model of sustainable growth able to permit each person to satisfy his/her needs.

The framework continued to be that of the economy of the market, but the weaknesses of the market were recognized. Those shortcomings were to be corrected by taxation which would increase the cost of polluting forms of technology and thus oblige businesses to employ other means than the price of the polluting products, to discourage their demand by consumers and so “remove from the market the less energy efficient or more polluting products” (n. 180). The new forms of technology should promote more efficient energy conservation and the recycling of material (*cf.* n. 180 for more examples). Governments are expected to intervene and finance research, impose norms and taxes, and set rules. The Conference failed to decide on what modalities to apply, such as: recommending a fee for such services as Nature provides. An apposite comment: “the environment is one of those goods that cannot be adequately safeguarded or promoted by market forces” (n. 190) – and face up to the fact that neither governments nor the public feel any necessity to change the present model. The Encyclical has the merit of highlighting this necessity.

Another model of growth continues to be necessary. Said simply, the UN Environment Programme (UNEP) proposal consisted in maintaining the present framework and level of consumption, but satisfying it

with “green products” manufactured in a non-polluting way. It is possible to structure the demand in a different way. Man is flesh and spirit, but the present system of production aims primarily at fulfilling practical needs, whether natural and necessary or artificial and superfluous. In order to promote a less materialistic demand and offer - made up of services, interaction, culture, exchanges - would mean altering expectations and gradually introducing a slower rate of growth in which each person could dispose of his/her own time. The Encyclical affirms: “Many people know ... that the mere amassing of things and pleasures are not enough to give meaning and joy to the human heart, yet they feel unable to give up what the market sets before them.... They have grown up in a milieu of extreme consumerism and affluence which makes it difficult for them to develop other habits.... Here, we are faced with an educational challenge” (n. 209). So, “we do need to slow down” the market “to recover the values and the great goals swept away by our unrestrained delusions of grandeur” (n. 114).

The protagonists of change

The changes required call for the interaction of: international institutions, governments, businesses, every man and woman.

At the international level, this means: “to devise stronger and more efficiently organized international ... strategies ... which can anticipate the serious problems affecting us all” (n. 175). It is the role of the United Nations, not necessarily to identify the problems, but to ensure that the entire international community is aware and in agreement with the principles, the conventions and norms, in order to tackle them. Certainly, since its foundation, the UN has ensured worldwide, not only the acknowledgement of The Universal Declaration of Human Rights, the Right of All Peoples to Development, alerted all countries to the threats deriving from the deterioration of the environment, besides promoting the Equality and Empowerment of Women in practice (the equality of man and woman). It is this Organization that has advised people of the inevitable need to give a statute to the ecological refugees. It is strange that the Encyclical makes no mention of this institution, although it cites several of its Conventions, and implies that it is “inefficient” and that it should be replaced by a “true world political authority” (according to Benedict XVI, quoting John Paul II), (*ibid.*).

Clearly, in order for the Accords, already signed and ratified, to be implemented, the international institutions must be “empowered to impose sanctions” (n. 175). The World Trade Organization may act as arbitrator through a tribunal to settle a dispute between two countries in which one reproaches the other for not having respected the Accords adopted by the Organisation. The International Monetary Fund (IMF) and the World Bank have imposed sanctions on the countries that have failed to observe their recommendations; refused to allocate funds to them, and made it difficult, almost impossible, for them to have recourse to other sources of finance. This has not made a good impression. The United Nations has neither the power nor the means to impose sanctions, but it can call for the engagements taken to be respected and made any shortcomings known. As the Encyclical notes, it is more effective to turn to the Non-Governmental Organizations (NGOs) to remind the authorities of a country of its obligations, implicitly contracted by ratifying the UN Conventions. Their effectiveness can be measured by the reaction of numerous governments which seek to prevent the NGOs from reporting their shortcomings, by depriving them of resources, by increasing trying measures, by hassling them, even by imprisoning some of their members.

Overall view of the social and solidary economy

It is not within the scope of this article to comment on the reluctance of Governments “to upset the public with measures which could affect the level of consumption or create risks for foreign investment” or on “the myopia of power politics” (n. 178). On the other hand, to think that the economy is “concerned only with financial gain” is too simple (n. 198). Social solidary economy is developing in all parts of the world, but more especially in Latin America. In France, it accounts for almost 13 per cent of the Net Domestic Product; about 2.4 million salaries. The businesses working in this sector are noteworthy because: they involve all the interested parties in the decision-making process; their first concern is not to increase the revenue of the investors who provide the capital. Below, we cite two examples. First, among those who advocate a different economic model in France is the International Solidarity for Development and Investment (SIDI) agency whose aim it is to promote a more inclusive economy, by giving the least fortunate people, in the countries in the South and East, a fair chance; and second, is the Association for the Right to Economic Initiatives (ADIE) which helps people without access to Bank credit to start a business.

In the economy, such as it is practiced and theorized today, man is an individual who satisfies his needs and desires. He is, according to the time of day, either a producer or a consumer. As long as man thinks as an individual, he develops structures that strengthen his individualism, overlooking the aspect of interdependence, the sense of the common good, the concern for future generations and the requirements of justice. Whereas the thousands of projects at the local level, throughout the world, which have brought about more human conditions: be it for a group of people, a village, a community, are all the result of the work of people who have established relationships with other people. Who have jointly planned the aims and ways to achieve them; deciding on the objectives together. Each of these people has been mutually nourished and enriched by these exchanges, and the projects they have realized collectively have enabled all those who played a part in them to develop and put into practice their own talents.

The Encyclical highlights the dignity of the person, of his/her place in the active world, each person’s ability to dialogue and be creative. It is through practicing their talents that people are able to advance towards establishing a more human economy. Besides, it encourages each person to change outlook and to give up what Lebret called the good of comfort in order to enjoy a “measured happiness”; today a utopia that will certainly become obligatory.

NOTES:

1. In this article all the figures in brackets refer to the Encyclical *Laudato Si'*, 24 May 2015.
2. To convert a risk, here a *créance*/credit, which may not be honoured, into a share is a mechanism called securitization. This transfers the risk of the borrower to whoever buys these shares.
3. Geneviève Azam: “Les droits de propriété sur le vivant” in *Développement durable et territoires*, Dossier 10, 2008, put on line, 07 janvier 2013, consulté le 29.03.2016. URL :<http://developpementdurable.revues.org/5443>;DOI:10.4000/developpementdurable.5443.
4. It is the case of Terminator Seeds, GURT, which render the next generation’s seed infertile.

The picture is taken from: <http://www.laliberta.info/wp-content/uploads/2015/08/laudato-si.jpg>