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# THE ECONOMY OF FRANCESCO

## 圣方济各经济的启示

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When Pope Francis launched his message for the event “The Economy of Francesco” held online (November 19-21, 2020), he explicitly underlined the urgency “to enter into a covenant to change today’s economy and to give a soul to the economy of tomorrow” (Francis, May 1, 2019). For the last 15 months, more than 2000 young economists and entrepreneurs from 120 countries have been working, in a focused, organised way, to talk about the pillars of an economy based on the culture of care, true value creation and universal fraternity, moving beyond the still prevalent throwaway mentality and globalisation of indifference.

I would like to underline some of the many relevant implications stemming from the warm and paternal invitation of Pope Francis to move ahead towards a different kind of economy, one that is inclusive and not exclusive, humane and not de-humanising, one that cares for the environment, not despoiling it.

*First.* The still prevalent mood in economics is based on a wrong concept of value, according to which value is identified with market price only. Such a reductionist notion of value has major consequences for the way the economic system is structured. For

example, economic system is structured. For example, relational goods, care goods, commons, acts of gratuitousness, etc. do not enter the metric of GDP. Yet, they are essential for our flourishing. An extractivist and technocratic mentality prevents distinguishing public values – those that are collectively created by a plurality of actors – from public goods that depend on pricing efficiency for their identification. What J.M. Keynes wrote in *Essays in Persuasion* is noteworthy: “We shall once more value ends above means and prefer the good to the useful” (1931). We should abandon our instrumentalist orientation, where means get all our attention and the ends get virtually none and focus on what makes people truly happy.

*Second.* Companies need to embrace a sense of purpose beyond only making profits; they should consider the well-being of all the stakeholders. Investors need to focus on the long term and to consider explicitly the social and environmental impact of their investments. Civil society organisations need to work together to address global challenges. We need to understand our corporate civilization in light of the failures of mainstream thought to provide us with analytical concepts adequate to our corporate world, in which productive property is owned by abstract legal entities rather than persons. Today, enlightened business leaders understand that focusing on maximizing shareholder value has no future. The tendency is to move towards the “total societal impact”, according to which companies, as cognitive institutions, are considering the impact of their activities on the social and environmental dimensions as well as on the economic one.

*Third.* Rewiring finance is urgent, which requires that the financial accounting systems include social and environmental metrics, and that impact investing becomes a norm of behaviour. Indeed, the pursuit of profit is not a problem, *per se*. The real problem is in the incompleteness of the profit calculation, namely what is left out. And the omissions are today unbearable. Liberalised finance plays a key role in contemporary rentier

capitalism, which in turn contributes to the creation of rising inequalities. In particular, the risk externalities stemming from the size of economic entities have to be considered. The lure of size metrics embedded in economies of scale has important risk consequences (“too big to fail”) that are not taken into consideration. Sizes that are too large to manage and losses too large to bear are today a real danger. The Covid-19 outbreak has not only revealed our false securities, it has also exacerbated the deep fault lines in the global economy. We record the value of what we harvest from nature but make no equivalent notation of its degradation.

*Fourth.* Governments need to reaffirm their fundamental role in fixing the rules of the economic game in view of the common good and not of the interests of particular groups of actors. Without rules globalization becomes a jungle. The global market poses problems, but it can provide solutions, if we change the rules of the game. It is neither acceptable, nor sustainable, to support an economy in which the market and political powers allow privileged individuals and businesses to extract a great deal of rent from everybody else. Weak competition, feeble productivity growth, high and growing inequalities, and degraded democracies are all failing our citizens. Democracies must cooperate among themselves to write down rules, especially for the international trade regime. The big question in front of all of us is that of choosing between two alternative concepts of global economic governance, which D. Rodrik has called “globalization enhancing global governance” and “democracy enhancing global governance” (2019). The basic idea behind the second option is that if it is certainly true that globalization increases the space of negative human rights (i.e., freedom from coercion), it is even more true that it does not guarantee positive human rights (i.e., freedom of achieving human flourishing).

*Fifth.* Wanting to do the right thing is something different from knowing the right thing to do, and that in turn is something other than actually doing the right thing. It is a specific responsibility of scholars and academic institutions not only to see the world as it is, but also to imagine the world as it might be. Mainstream economics suffers today from serious sins of omission: it ignores many important topics and problems when they are difficult to approach according to the standard way of doing research. We need pluralism in our universities and research centres, since different terrains call for different vehicles. (A sailboat is useless in crossing a desert!) Hence, we need to re-examine the institutions of higher learning that, among other things, host publications and promote young economists.

*Sixth.* Integral human development is meant to be transformational in that it aims to improve people's lives by enhancing their capabilities. The integral human development approach (cf. *Laudato si'* (2015)) differs from conventional approaches to development that suffer from paternalistic practices substituting one's own values for those of the people one is trying to help. Such practices might favour a net growth in income and riches, but do not promote authentic human development. The Economy of Francesco calls for a new economics that treats the common goods of health, social trust, peace and dignity as general principles. It is not enough to speak only in favour of enhancing people's capacities to live well, e.g., in terms of meeting people's existing basic needs or increasing their ability to satisfy their existing wants. In such accounts, people's values are understood as passive and static with respect to the development process itself. The integral human development approach aims at enhancing people's freedom to live the kind of life they have reason to value. Its goal is that people become more truly the authors of their own lives.

It is by now a well-recognised fact that market systems are consistent with many cultures, conceived as organized systems of values. In turn, the type and degree of congruence of market systems with culture is not without effects on the overall performance of the systems themselves: in general, the final outcome of market coordination will vary from culture to culture. Thus, one should expect that a culture of extreme individualism will produce different results from a culture of reciprocity where individuals, although motivated also by self-interest, entertain a sense of fraternity. In the same way, a culture of cooperation will certainly produce different results, on the economic front, from a culture of extreme positional competition.

But cultures are not to be taken for granted. Cultures respond to the investment of re-sources in shaping cultural patterns. Indeed, the performance of an economic system is dependent on whether certain conceptions and ways of life have achieved dominance. Contrary to what might be believed, economic phenomena have a primary interpersonal dimension. Individual behaviours are embedded in a pre-existing network of social relations which cannot be thought of as mere constraint; rather, they are one of the driving factors that prompt individual goals and motivations. People's aspirations are deeply conditioned by the conventional wisdom about what makes life worth living.

To conclude: we are well aware of the existential challenges of our times and we know that there are no easy answers. But we also know that the sense of possibility depends not only on opportunities and resources, but also on hope. There are two wrong ways – warns Pope Francis in *Evangelii gaudium* (2013) – of facing up to present-day major challenges. One is to yield to the temptation of remaining above reality through utopia; the other is not to resist the inclination of remaining below reality through resignation. We must avoid such pitfalls. What hope means today is precisely this: not considering ourselves either

as a mere result of processes that are beyond our control or as a self-sufficient reality that does not need to embrace the spirit of fraternity.

I would like to end these notes with a quotation from Jonas Salk, the inventor of the anti-polio vaccine:

I now see that the major shift in human evolution is from behaving like an animal struggling to survive to behaving like an animal choosing to evolve... And to evolve, we need a new kind of behavior, a new ethic and a new morality. It will be that of the evolution of everyone rather than the survival of the fittest". (Salk, 1973)

It is a robust encouragement to all those who strive to help build a better world, one serving the global common good. Those with no hope in the future have only the present. And those who have only the present have no compelling reason to be interested in the future. But fortunately, people who continue to entertain a hope in the future have not disappeared, as those who participated to the Assisi gathering have demonstrated.



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