



There is Hope for Development

Pier-Giorgio Gawronski¹ & Paul H. Dembinski²

¹Italian Prime Minister's Office, ²University of Fribourg

Available for download at www.obsfin.ch/Participationconf.htm

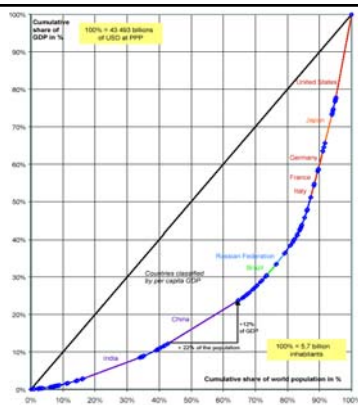
Observatoire de la Finance



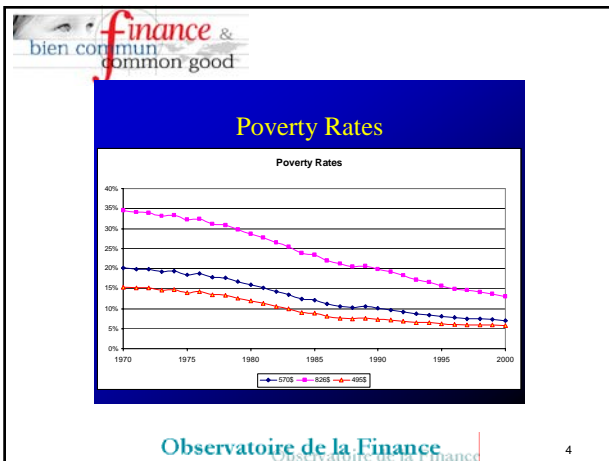
1. How to define «poverty »?

- According to Gaudium & Spes (§ 31)
Now a man can scarcely arrive at the needed sense of responsibility, unless his living conditions allow him to become conscious of his dignity, and to rise to destiny by spending himself for God and for others. But human freedom is often crippled when a man encounters extreme poverty just as it withers when he indulges in too many of life's comforts and imprisons himself in a kind of splendid isolation.
- According to the common wisdom (WB):
"Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not having access to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom."
- Less than 1,07 USD/day – statistical definition – 1.1 billion people

Observatoire de la Finance 2



Observatoire de la Finance 3



finance & bien commun common good

Summing up economists' knowledge:

- Globally, absolute poverty rates have been receding in the last 33, 23 and 13 years, both in terms of percentage of total population and in the total number of poor.
- Within-country inequality has increased, but "not enough to offset the decline in across-country inequalities, so that overall inequality actually falls" in 1970-2000.
- Another fine point is that across-country inequalities are today much larger than within-country inequalities: it implies that faster growth in poor countries – if it is "neutral" on domestic inequality - is a more effective tool against global poverty than reducing within-country inequality.
- The Millennium Goals could be reached in 2015 globally; but they will clearly be missed on current trends in some continents. Regional disparities are very much correlated to growth performance.

Observatoire de la Finance

finance & bien commun common good

2. Points of Debate about Poverty

- While data on absolute extreme poverty throw light on the dimension of (mostly) physical human suffering caused by poverty, data on "relative poverty" add further information to the dimension of "injustice".
- The debate is plagued by biased approaches:
 - globalisation-bashers try to demonstrate that worldwide inequality is on the increase, then use such an evidence against "globalisation";
 - globalisation-boosters gladly use good news as an evidence that "globalisation is good for the poor". At a more scientific level the discussion is complicated by the measurement of trends in different time periods, data problems, and by references to different concepts of "inequality".
- This debate is ideological and emotional before being professional and addressing "poverty"


Observatoire de la Finance



What has to be done according to macro-economic knowledge?


- Increase and reform Official Development Aid
 - raise ODA to 0,7% of GNI of donor countries;
 - increase the quality of aid;
 - reform national institutions in donor countries
- Put markets at work
 - WTO – Doha Round - agriculture;
 - ⊗ *Hong Kong 2005 – get Doha back on track*
 - Stimulate Foreign Direct Investment (private) to Africa;
 - Encourage technology transfer to the South



7



Macro-economists' knowledge:


- Is build within a specific paradigm;
- Is based on the observation of the past of macro-economic relations (special class of phenomena)
- Derives from the understanding of the functioning of economic (existing) mechanisms;
- Rests on the capacity to handle mathematical models of complex relationships and the capacity of scenario building
 - **Political will is crucial for applying the recommendations based on this knowledge**


8



Economists' frustration – Genova 2001

- Initial strong input from Italian Prime Minister D'Allema (left);
- Experts prepare for G8 a plan to change the rules of globalization;
- Lack of political support form the development community (NGOs, public opinions) – plan withdrawn in last minute in Genova;
- A « window of opportunity » has been lost


9

finance & bien commun / common good

Why “scientific” views were not shared?

- Because they were not properly understood;
- Because they were not acceptable :
 - Because of self-interest (protection of rents);
 - Because the political agenda was more “ambitious” in the sense of “systemic change”

Confrontation

- Realists – efficiency gains within the stable systemic paradigm – incremental change
- Idealists - emergence of a new, better, world but overlooking the “transition problem” – radical change

Observatoire de la Finance | 10

finance & bien commun / common good

Building Common Good Means for each and everyone :

- **Contributive Justice** : incremental work on institutions at a political level, establish better mechanisms, evolution rather than revolution, ;
- **Distributive Justice**: use the existing mechanism for greater solidarity ;
- **Commutative justice** – respect the “other party” in each transaction as a person, extend beyond anonymity and cold procedures:
 - Fair trade
 - CRS

Observatoire de la Finance | 11

finance & bien commun / common good

What are the pillars of hope?

- A. professional competence of macro-economists within a limited paradigm could help getting more efficient mechanisms in place;
- B. moral qualities of individual actors – persons and enterprises – could help complement the working of anonymous mechanisms and put in place “structures of common good” for poverty alleviation;
- **Nor mechanisms nor behaviours alone will suffice!**
 - Economists emphasise mechanisms
 - CST emphasises behaviours

Observatoire de la Finance | 12

Should the Church speak up?

- A. . "How would history judge a generation which had all the means to feed the population of the planet, and yet with fratricidal indifference refused to do so?... Would a world in which poverty fails to encounter life-giving love not be a desert(35)?" JPPII – 1990 – Cor Unum 1996
- B. Poverty for CST is a richer concept than for economists / autonomy of persons is crucial ;
- C. Although the Church avoids blessing an economic system in abstracto, it stresses the importance of values in which market economy is embedded;
- D. Protectionism is a refusal of solidarity and it breeds "structures of sin" that matter for CST because they bias behaviours.
- E. Economists suggest instruments – they should be carefully examined – and, if receivable – publicized with moral authority
