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CAN CHRISTIANITY INSPIRE A GLOBAL CULTURE?

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PRESENTATIONS

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UNIV Forum Scientific Committee
Universidad de Navarra

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THE MODERN CONCEPT OF ECONOMIC DEVELOPMENT IN THE ECONOMIC SCIENCE AND THE CHURCH'S SOCIAL DOCTRINE

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ABSTRACT

This article describes briefly the changes suffered by the concept of economic development before the Second World War until the last decades. The report produced by the Commission on the Measurement of Economic Performance and Social Progress represents the current concept of economic development and proposes several changes in the way the economy and the society are measured. The most important concern of the commission it is make the new measurements to be closer to the households' reality. This kind of preoccupation it is shared by the Church's Social Doctrine, because the economics should help people to achieve their goals, what is easier when the metrics are really related with what is relevant to these goals. However, the concept developed by the commission is still restricted to the material dimension of life, what is important to determine quality of life and the economic development in some aspects, but insufficient to help people to achieve their most important goal: a truly happiness.

1. INTRODUCTION

The economic development came from the needs of the society, of thinking upon economic growth as a way to adequate the reality to the empiric world. However, it was visible that reality was more complex and indicated more variables than what theory suggested. Therefore, there was not a convincing congruence between reality and social economic dynamics.

Applying to the real world, improvements in life standards meant improvement in the nourishment, work conditions, consumption standards, quality of public goods, security, education etc. Also, it is crucial to guarantee the access to information and to political and religious free expression.

In studies of the human development, different aspects come through. In *Development as Freedom* (1999) Amartya Sen explains that the most important objective of development is the individual capability of free choices. No one should lose an opportunity of working or studying due to creed, ethnicity, limited knowledge or any other reason.

However, when freedom is driven to the center of human life, the human being's essence becomes senseless. Freedom is only a way to reach a next stage, a meta-economic dimension of life. As Benedict XVI explains, it is important to discuss a major plan beyond this economic dimension. Our freedom is profoundly shaped by our being, and by its limits. "No one shapes *his own conscience arbitrarily, but we all build our own "I" on the basis of a "self" which is given to us. Not only are other persons outside our control, but each one of us is outside his or her own control. A person's development is compromised, if he claims to be solely responsible for producing what he becomes.*" (Benedict XVI, 2009, 68).

2. THE CONCEPT OF ECONOMIC DEVELOPMENT

During the Second World War (1939-1945), the topic of economic development begins to occupy a prominent position in the political economy of developed and underdeveloped countries. In 1939, Colin Clark, a British economist, published *The Conditions of Economic Progress*, which is considered a milestone in the discussions on the subject of Economic Development. Often, the concept of development can be defined as a process of improvement over a set of values, which represent the desired conditions for society (COLMAN & NIXON, 1981, p.20).

In the early 1940s, writings about economic development progressively began to emerge. It continued to grow until the present day. Regardless of the criticism of this production, literature, somehow "centralized membership on the problem and created a branch of economic studies separate." (AGARWALA & SINGH, 1958, p. 9).

Colman and Nixon claim that the development is a set of goals or multidimensional process where the dimensions are economic, political and cultural in the broadest sense of these terms, and there is no agreement on the weighting to be given to each objective for operational purposes of formulation and measurement of development. Although the criteria have generally been adopted in common, they are not the same for each author (COLMAN & NIXON, 1981, p 22).

Before studying the concept of economic development, it is essential, to differentiate it from economic growth. The basic difference between these two concepts is that economic development is quantitative in terms of income or product. As economic growth introduces some qualitative analysis, it is not restricted to a simple increase in *per capita* income, but considers quality of life and introduces the concept of income distribution (RAMOS, 1985, p. 15).

In a way, economic growth can be defined as a process through which the national income increases over time. Also, economic development can be a organic process by which a society reaches a certain improvement in their quality of life over time (RAMOS, 1985, p. 15).

3. STIGLITZ-SEN-FITOUSSI REPORT

The concept of Economic Development has evolved in the past 50 years, after the Second World War. In 2009, the French President Nicholas Sarkozy, unsatisfied with the statistics information on the society and the economy, asked the economists Joseph Stiglitz (President of the Commission), Amartya Sen (Advisor) and Jean-Paul Fitoussi (Coordinator) to create a committee named "Commission on the Measurement of Economic Performance and Social Progress". Its objectives were to identify the limits of Gross Domestic Product (GDP) as an economic and social indicator and to think about what information would be necessary to create better indicators of quality of life (Report, p.1, i. 1).

An important commission's motivator was its precise understanding of the powerful influence of indexes trying to measure some aspect of society. These indexes are used to design and assess policies; as metrics for academic works in all knowledge's fields; to inform civil society what can be used in private and political decision making; to assess and influence the market, and, above all, to define social objectives, because "what we measure affects what we do" (REPORT, p. 2, i. 3). Having this in mind, the commission noticed the strong limitation of GDP and of other existent indexes to fulfill this function.

A question remains. Given the complexity of a society, only indexes related to the capacity of material production or to the market activity are insufficient to describe a realistic picture of a country or region in the several relevant aspects, even in the economic development dimension of a society. Despite its imperfection, even in its original objectives and the fact of being restricted to only a feature of a social dimension, the GDP rooted as a reference index, not only for the economic performance, but also for the social progress. This happened due a great effort dedicated to its improvement and to mistakes in its interpretation by policies designers, who used the GDP as a parameter of something that it does not measure. This has generated wrong decisions and inaccurate inferences.

With the development of the *information society*, the population started to demand statistical data for their decision. There is a clear and striking is the difference between the diagnostics derivate from economic aggregates and the perception of people on their own quality of life or on the economic performance of their country. Then, the fact that these indicators do not measure what is considered important in a good society is evident.

Therefore, the construction of new indicators should be preceded by questionings about the real goal of society. The commission believes that providing a good life to the human being is the best answer. As first effect, it requires a close relationship between what is measured and the households' reality. A second effect is the definition of a good economic performance which, from now, will be one that allows society to offer a good life to the human being.

However, this answer raises several normative questions. "What is a good life?" is the most obvious and important one. Although several features determine quality of life and their importance varies among people, the Commission believes that there is consensus about some aspects of life, as material standards, education, health, political voice. They are strongly relevant for anyone's quality of life, thus the new indicators must be supported by the measurement of those aspects.

It is equally important to measure not only quality of life, but the sustainability of such a quality of life over the generations. Therefore, indicators of the economic and environmental sustainability are necessary to properly design a society's development plan. Its absence would cause similar effects to a firm ignorance of its liabilities and assets, of its cash flow and of its liquidity. In other words, it would make society oscillate between states of strong well-being and states of economic and environmental crises with damaging consequences for large part of the population's quality of life.

Thus three important Commission's work fields are determined:

- Deficiencies of GDP as a measure for quality of life;
- Quality of life;
- Sustainability.

After discussing upon the GDP's deficiencies, the Commission recommended changes to make it a closer measure to the households' reality and pointed out other economic indicators as NDP (National Disposable Income) and households' income, consumption and wealth, more revealing than GDP, in this sense.

The Commission showed special concern about avoiding the flawing of these last three measures because of the inequality. Alternative ways of measuring them were suggested. As an example, the use of median values seemed more appropriate than the average, and then separately calculating them for different social classes. This first work field also revealed the importance of non-market activities, which are not captured by current measures. However, they have relevant impact in households' standards of life and quality of life. Some examples of this can be commuting, domestic works and leisure.

The issue of quality of life has three different approaches. The first considers it subjective and tries to measure quality of life by questions that try to capture the happiness of people. The second understands that quality of life depends on objective features as political voice, education, health, material standard of life, economic and physic insecurity, social connections, quality of environment and specific activities. The third approach determines quality of life by people's freedom to allocate their resources on what most delights them.

The last work field comprehends two main concerns. The first is to create indicators to monitor levels of natural resources. They warn about dangerous levels of these resources, aiming at the sustainability of next generations. They also relate the level of production and the standard of quality of life to the consumption of natural resources. The second improves the measurement of a country's liabilities and assets to make the monitoring of a country's financial stability possible.

In each of these topics, the report does not discuss policies, but new ways of measuring their effects according to new criteria. However, it is clear that what is measured is affected by what is expected and vice-versa. Therefore, there is the intention of changing the society's schedule of priorities by the shift in the way it assesses itself. The Commission itself recognizes this (REPORT, p. 5, i. 10).

4. THE ROLE OF ECONOMICS FOR THE CHURCH'S SOCIAL DOCTRINE

4.1. *What is The Function of Economics in the Church's Social Doctrine?*

The phenomenon of economic behavior is associated to the social nature of men. It is connected with the necessity of surviving, material restrictions and social interaction: *"The economic sphere is neither ethically neutral, nor inherently inhuman and opposed to society. It is part and parcel of human activity and precisely because it is human, it must be structured and governed in an ethical manner."* (Benedict XVI, 2009, 36).

The first important issue is the position of Economics in society. Economics is a dimension of human life and it is not the main important element of life. It is extremely damaging to the human nature that the economic dimension becomes the most important reason of life. This already happens in some societies nowadays. The contact among people became superficial because they wish unnecessary goods and desire useless products that stimulate the production of useless products and so on.

As an example, there also is a misalignment between the social economic indicators and the society dynamics throughout the world. Stiglitz-Sen-Fitoussi Report criticized the creation of indicators which do not seem to be relevant to the society. This sort of indicators drives too far from the households' reality. People can not identify their lives with numbers. There is no real life quality dimension of the population.

In the last decade, a distance from the human sciences and the Economic Science is seen and it has created a resistance between Economics and Ethics. The positive side of the science looks forward to create theorems, arguments, and concepts, observing the reality, while the normative side is focused on what should be the best solution to an economic problem. The normative science is very useful where the invisible hand of the market can not find solutions.

Economics was born in the human science cradle and, as far as possible; it must promote human dignity, respecting the complexity of different dimensions of reality. It must accept itself as a limited and in current progress and development science.

4.2. "Promoting the whole man and all men"

The economic instrument must be a tool for the freedom of humanity, but not a limiting factor. According to Paul VI, one needs to generously dedicate himself/herself with generosity to promote "the advancement of all men and of the whole man" (*Populorum Progressio*). It is a distortion of this science to propose an economic growth based on exploitation of fellow-citizens, or of any other society in the world, aiming at the maximization of profits, then generating areas of poverty and stimulating selfish behavior where the market emerges.

The Economic Development goes beyond wealth distribution, income generation and acceptable life quality standards. It goes beyond the agent's capability of making choices. Freedom without "existential orientation" results in deep social unhappiness. People do not know what to do with their means, given the high quality of life standard they hold. This is so much so because the human real objective is not the material property or a very good GINI indicator (*Corrado Gini, Variabilità e Mutabilità, 1912*). Nevertheless, it is a way to reach the deep targets of a human's soul. Sometimes it seems that "men don't know how to express the very dignity of human being, the image and likeness of God" (Church's Social Doctrine, 2005).

4.3. "Culture, Health and Education"

Part of the current concept of economic development is to promote the social environment that enables constructions of a *great human family*. It is important to have the cooperation of States, private economy and non-profitable organizations to provide culture, health and education to underdeveloped countries. It is important to rescue regional social traditions with the focus on the multiple cultures and the diverse way of lives: "*Evolving societies must remain faithful to all that is truly human in their traditions, avoiding the temptation to overlay them automatically with the mechanisms of a globalized technological civilization.*" (Benedict XVI, 2009, 59).

This is not only the position of Catholic Social Doctrine, but also the current concept of economic development. It means to deal with problems related to public goods, or to the provision of sanitation, sewer and water for regions of in low purchasing power. Also, it intends to

guarantee nourishment, aiming at the development of healthy children in fundamental school. It assures a good formation of the citizens' conscience.

The world current stage of organization does not accept development policies that ignore regional partners, neighbors and other nations in the planet. The phenomenon of integration of too many places on earth through communication, markets and the ways of transportation led to the needs of looking at other economies, trying to ordinate the economic growth of all players. The international commerce brings the benefits of specialization (Paul VI, *Populorum Progressio*, 1967, p. 285), but it carries historical and social stigmas that prevent technological and economic improvements in underdeveloped countries. This causes more poverty and marginalization in the international commerce network. The Encyclical *Caritas in Veritate* (2009) somehow appoints these issues as of "*special relevance to the commitment to development in an increasingly globalized society: justice and the common good.*"

4.4. *The Relative Poverty*

It is very important to gather efforts and fight against extreme inequality in unstructured nations, where it is important to promote changes and to stimulate the distribution using models to ameliorate the inequality. Solidarity must underlie the cooperation speech where there are problems with nature (earthquakes, seaquakes, active volcanoes etc.), politics (violence and repressive dictatorship), social movements (civil wars, terrorism, violent separatist movements, xenophobia). John Paul II believes in the reduction of the relative poverty (*Centesimus Annus*, 1998, p.15) by altruism and caring attitude.

The concept of poverty is wide, facing the complexity of modern social relationship in the globalized world. As Benedict XVI comments in *Caritas in 11 Veritate* (28): "*It is an aspect which has acquired increasing prominence in recent times, obliging us to broaden our concept of poverty and underdevelopment to include questions connected with the acceptance of life, especially in cases where it is impeded in a variety of ways.*" As an example, a deepest poverty of the human nature is the loneliness.

Some of the answers to the failure in specific social targets are the gaps in the poverty definition. It is possible that public policies are based on outdated concepts and the police makers support their attitude in issues that will not solve the society's problem. Sometimes, human nature must be comprehended and not just conducted.

5. GENERAL CONCLUSIONS

The Church's Social Doctrine and the Stiglitz-Sen-Fitoussi Report, which dealt with about economic performance measurement and social progress, walk in the same direction, but the Church's Social Doctrine goes further. The Report aims at the technician point of view, related factors and limitations to advances in measuring the human development due to methodological incapability and difficulties to bring theory into reality.

Approaching the human being to the indicators' measurement is the objective of the Stiglitz-Sen-Fitoussi Report. Currently, the existing indexes do not capture the complexity of a real economy's evolution. The Stiglitz-Sen-Fitoussi Report criticizes the excessive importance given to the aggregated data, as GDP, proxy of nominal income and general measure that do not include the population's day-by-day reality.

The Church's Social Doctrine walks in the same direction as the Stiglitz-Sen-Fitoussi Report, but it stresses the importance of the human being, given its condition of God's creature just made for the love. A human being is the owner of economic features with transcendental needs that go beyond the physical and social dimensions. Either the Stiglitz-Sen-Fitoussi Report or the Church's Social Doctrine defends the sustainable environment practices and criticizes the current non sustainable standards of production. The economy must not forget the technical point of view when analyzing the human needs. The Report does not look for the ethical issue and it is based upon the utilitarianism and the individualism, i.e, the individual agent theory seeks the maximization of the utility. This assumption is in the core of the neoclassical microeconomic theory.

The Church's Social Doctrine is committed with the ethical issue in the economic science. The Social Doctrine defends the human side of the exchange relationship in the modern society and the construction of the wide human family, focused on justice and solidarity. The Economic Science is an instrument available to the human kind, working for the solidarity and the common wealth.

The Stiglitz-Sen-Fitoussi Report discusses essential topics in the Economic Development field, but it is limited to the physical and material dimensions. It does not take into consideration the transcendental and supernatural aspects of the human life. Benedict XVI says that love and charity fulfill of meaning the word "happiness", which walks in the same direction as the true sense of human development, directly related to the economic development. In his own words, the Encyclical *Caritas et Veritate* says:

The charity is everything because, as Saint John teaches (cf. 1 Jn 4:8, 16) and as I recalled in my first Encyclical Letter, "God is love" (Deus Caritas Est): everything has its origin in God's love, everything is shaped by it, everything is directed towards it. Love is God's greatest gift to humanity; it is his promise and our hope.

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