

**WUCWO Presentation Outline**  
**“Sowing Hope for the Common Good: Money Love & Virtue”**  
**Fatima, Oct. 23, 2104**

**We live in difficult times**

- We face economic, ecological, social and political challenges
- Many countries are facing economic hardship with
  - A decline in income – in Portugal, for ex., pensions are being squeezed on both sides: they are reduced because of the austerity program, and at the same time rising taxes (in order to reduce govt deficit, again as a result of the austerity program) eat into income
  - Unemployment, particularly among the young, is high (in Portugal, the unemployment rate of young people is 35%!)
    - So often the old (the retired) are supporting the young
    - Many people are saying: I worry, because the prospects for my children are worse than they were for me when I was young
- Increasingly we learn of environmental problems
  - Floods, droughts - extreme weather conditions probably linked to climate change
  - Loss of species in our natural world: fish stocks, bees – so important for pollination – and so on...
  - Ecological degradation: pollution, loss of coral reefs, over-exploited forests, damaged farming land, no longer able to bear food
- Austerity, unemployment and environmental degradation all contribute to social malaise
  - Further impacted by declining values and loss of human respect
- Political uncertainty multiplies, particularly in the Middle East with the rise of terrorism; repercussions are felt worldwide
- And now we have Ebola spreading, giving rise of a risk of pandemic
- There are so many challenges across the world: we are afraid and we worry for the future of our children
- Is this a deep civilizational crisis?
- The Chinese character for *crisis* comprises two roots: danger and opportunity
- Times of crisis are usually the most creative times
- So do we have an opportunity to reform the world, making it a better place?
- This can only happen if we work towards it
- **Hope** is the seed of transformation, and hope is the theme for this assembly and our panel – I understand it is also the motto for WUCWO
- On Oct. 11 we had the feast day of Saint John XXIII, the ‘good Pope’ and I was reminded that his was a message of hope. At his address at the opening of the Second Vatican Council, he criticized the “prophets of doom” who “in these modern times see nothing but prevarication and ruin.”
- His encyclical *Peace on Earth* (1963) was addressed to all people of goodwill. The reception worldwide was incredible. The encyclical was printed in its entirety in the *NY Times*
  - In it St. John XXIII highlighted the importance of **order on earth** for peace. He spoke of rights, of responsibilities, of collaboration to bring about order.
- On his deathbed he said: “It is not that the gospel has changed; it is that we have begun to understand it better. Those who have lived as long as I have...were enabled to compare different cultures and traditions, and know that the moment has come to discern the signs of the times, to seize the opportunity and to look far ahead.”
  - He died in 1963, over 50 years ago.

- Likewise, today we have prophets of doom; we are still challenged and tried
- We need to counter this with hope. Hope is eternal.
- As Maria Giovanna said this morning, being realistic does not mean we forget our spiritual dimension.
- Pope Francis is our beacon of hope.
  - In *Evangelii Gaudium*, which Sister Teresa will talk about, he writes of a thirst for the ultimate meaning of life, for God (§86).
  - And he is concerned about stewardship – economic and environmental
  - He calls for a **transcendent** vision of the human being to be incorporated into the economy, which will help make our world humane
    - This is important – a **transcendent** vision of the human being
    - This is **new** - we did not talk about economics in this way before
    - We are beginning to see his influence on the economic discourse
- Although I do not speak specifically of hope in my presentation, the path suggested is one of hope, and humanity and stewardship are indispensable components

### **There are interlocking levels of perception**

- We tend to focus on immediate problems (food production, for example) or systems (the financial, for ex)
- This is very necessary – we need to base action on the concrete
- However, if we look only at immediate problems, this is not enough, especially in today's globalized world, where we are all interconnected
- For example, we may wish to maximize food production to feed the world. But, if not properly managed, this can lead to ecological problems, through the detrimental effect from chemical runoff and excessive water usage, for ex
  - It can also impact livelihood by making it impossible for small farmers to compete with industrial farms or to produce their own seed (they are forced to buy from Monsanto)
- Let us next look at the financial system. What happens in the financial system impacts not only banks and individuals dealing with the banks, but communities, countries, and even the world, as we have seen with the big financial crisis unleashed in 2008, with economic disruption that we still feel
- So in order to understand how to deal with the challenges before us, we need to look beyond the immediate problem and even the system to see how we are all interdependent
- We are interconnected not only through problems and systems, but at a higher level
  - This incorporates the human level, the level of values and our humanity
  - This involves the spiritual level, which matters to us as Christians: the level of consciousness or conscience, the level of love
- I would like to propose that it is at this level that we can sow hope, because it is only at this level that we can truly work towards the common good

### **Ideology behind Financial Crisis**

- My work is within finance, so my talk begins with the economy and finance as a starting point

### **A lot of blame has been attributed for the financial crisis**

- Mostly banks are blamed and often government
- For this reason, the call has been for regulation and governmental action
- But the fault lies much deeper than that and in fact can be found in the way we organize our society and act within the precepts assumed

- Our model of organization has a supposition about human nature that is not helpful, and it encourages detrimental behaviour
- **Pope Francis writes in *Evangelii Gaudium* (§55) - “The current financial crisis can make us overlook the fact that it originated in a profound human crisis: the denial of the primacy of the human person! We have created new idols... the idolatry of money and...man is reduced to one of his needs alone: consumption.”**
- Let us look then at our economic and financial model – it assumes that
  - The human being has one over-riding motivation in life which drives all action
  - And that purpose is wealth-maximization – we are economic persons (*homo oeconomicus*). We desire wealth, for it permits consumption.
- Economic theory tells us that with each person maximizing his *self-interest*, seen as the accumulation of wealth, the whole society benefits through the *invisible hand* – this is the economic synthesis that a father of economics, Adam Smith, left us in the 18<sup>th</sup> c.
- This is the guiding theory behind liberal economics, which has been ruling over the last generation, since the 1980s
- No values are necessary, for economic markets are perfect.
- As long as each person seeks to maximize wealth for himself or herself, the contribution to the economy will lead to all benefitting, as the economic pie grows
- Government’s role is to keep the economic wheel turning within this supposition
- And because markets are assumed to be perfect, we allowed successive deregulation starting in the 1980s, which contributed to excesses and the eventual collapse of financial markets in 2008
- But we are actually not listening fully to Adam Smith, for he also believed in *self-command*, in virtue, which we have ignored. Excess arises from neglecting *self-command*, or self-restraint
- Adam Smith was not only an economist; he was a moral philosopher, but economic theory has ignored this part of his contribution
- In fact, economics ignores philosophy, the root from which it springs
- Economics looks only at what can be measured to arrive at *efficiency*
  - Philosophy is subjective, and all that is subjective cannot be trusted in economics
- We believe we are so *efficient* that we can ignore wisdom

### Aristotle

- But it was not always so
- Philosophy is a key part of any human organization
- The human being is much more than just an economic person
- Aristotle (4<sup>th</sup> century BC), who influenced the thinking of St. Thomas Aquinas, understood this when he wrote about the *polis* or the city state
- And he wrote about it by incorporating money, love and virtue
- We can say that Aristotle, one of the fathers of philosophy, was also the father of economics
- He explained economics (*oiko-nomous*) as management of the household.
- Today our economy is more complicated than the households in Aristotle’s time, but the earth is still our home, an expanded one (Pope Francis writes about the economy as our *common home* in *Evangelii Gaudium*, §206)
- The exchange of excess goods for necessary ones take place in the marketplace, and money serves as the unit of exchange
- This system needs to function well for harmony in the city state (*polis*)
- Harmony leads to a *life well lived*, to full flourishing of the person (*eudainomia*), or happiness, the ultimate goal in Aristotle’s time, and a goal also in our times

- In order to permit this, Aristotle believed that *virtue* is indispensable
- Virtue is inspired by *philia* or friendship, which the Greeks called the best gift: the “crown of life and the school of virtue”
- For Aristotle, **the highest virtue is justice, for it makes all other virtue possible**
- In a similar vein, Thomas Aquinas wrote that **a just person is religious**
- Aristotle viewed justice as *proportionality* or balance
- A just person respects another person’s right (commands trust), practices temperance (she does not hoard), is not greedy (avoids excess)
- So for Aristotle, justice is the highest virtue, for it permits all other virtue
- We see in our current world a lack of proportionality or balance
- The financial crisis was created by excesses – excessive speculation, excessive salaries and bonuses, excessive greed – an excessive desire for money
- The ecological crisis is caused by excesses – excessive fishing, excessive logging and general depletion of resources; excessive consumption > waste and climate risk from carbon emissions
- Incidentally, the Greek root of the word ‘ecology’ is *oiko-logos*, or study of the household [or nature] – nature is our home
  - Management of the economy has to incorporate the consideration of nature, our home

### Economy and Money

- There is no denying the importance of the economy, for it involves management of material needs
- We need material goods in order to live, and beyond the basic necessities, material goods can make life pleasing
- But we are not just primal beings, seeking to satisfy our appetites
- We are human beings with a need for dignity and for social connection
- The economy cannot serve money, but the person at the centre of the economy – a point that Pope Francis makes
- Money is necessary; it provides a beneficial function
- It can be seen as the *life-blood* of society
  - The Franciscan monks were the first to refer to money as blood in the Middle Ages
  - François Quesnay, economist and physician to Louis XV, also referred to money as blood
- Money, like blood, can bring nutrients or it can bring toxins
- It depends on how we use it
- Money and the economy are not serving us, not serving the common good – the good of all members of society

### Civil Economy

- There are many people here with strong ties to Italy, so some may know of the important work that the leading Italian economists, Luigino Bruni and Stefano Zamagni, are doing around *civil economy*
- Both have worked closely with the Vatican and with Pope Francis and Pope Benedict XVI before him
- I have learned a lot from them
- The civil economy concerns itself with the common good
  - It is based on reciprocity or collaboration arising from friendship
  - It does not focus on the self (true *self-interest* involves the community at large)

- The economy cannot be purely instrumental, with ‘perfect’ markets determining outcome – we have seen that markets are not perfect
- Economic markets can be an expression of virtue through
  - Justice (ensuring proportionality and balance; it is the virtue that enables other virtues)
  - And humanity (people within the economy cannot be used simply as tools; they must be shown respect, and in turn show respect - reciprocity)
- For this to happen, it is essential that
  - We have confidence in each other and trust in the system
    - People have to behave responsibly at the individual level
    - And institutions and governments also have to be worthy of trust
    - Good behaviour at both the personal and the institutional levels – that is our social contract
  - And we must exhibit mutual assistance via friendship or fraternity, via reciprocity (enlightened *self-interest*)

### Virtue in Markets?

- Is this not a contradiction?
- A civil economy requires virtue in markets – is this possible!?
- People often say that business and virtue are opposed
- The prevailing economic theory says that virtue is **not** necessary; in economics and business, we leave our morals behind
  - The pricing mechanism permits markets to function
  - All that the market requires is *self-interest*
  - Based on preferences determined by *self-interest*, the market will find a price for goods and services
  - Any regard for the other person would entail *sacrifice* of one’s own interest (I will lose out if I give the other a good deal)
  - Therefore, markets need not have any moral content
- However, Luigino Bruni and Robert Sugden, an English economist, argue that virtue can exist in markets, without entailing sacrifice
  - This is through trust and reciprocity
  - The market allows for dignity, removing the need to beg
  - There has to be fairness in exchange: each party must reap benefit
  - Today’s financial markets are often not fair
- Virtue in markets is not complicated – it simply requires that we show fairness and respect in our economic dealings with each other: that we do not cheat or take advantage of the other, that we give fair value for money, that we honour our word, that we do our part and that we treat others as we would like to be treated ourselves: the Golden Rule

### The Person in Society

- A vision of virtue in economic markets requires a different perspective of the human being than what is prevalent today
- Perhaps we should look at the human being not as a separate *individual* but as a *person* linked to the community
  - Not purely as *ego*, focused on material and primal needs, but also as spirit, capable of generosity and love
- The person in society is part of an interdependent whole working together towards the *common good*
  - Each contributes and receives

- We tend to think of government as the provider of public goods
- But the common good is more than a collection of public goods
  - It is the sum of the civic conscience
  - Therefore, the common good depends on all of us
- Within society, we are free agents
  - But liberty is not simply the absence of restraint
  - Liberty mandates that we consider the other
    - My liberty has to reflect yours (it is the mirror image of yours)
    - it can only happen through my respect for your own liberty and a sense of what is right, of what is just

### Competition vs. Collaboration

- Within such a vision of society, cooperation is emphasized
- Our society is organized around competition - we think this is mandated by Charles Darwin's theory of the *survival of the fittest*
  - we have to fight to survive
  - we need to win, or else we lose
  - we need to make more money than the other
- Competition is at the conflict level; cooperation is at the level of love
- Darwin also wrote about cooperation
  - He believed that humans possess "social instinct... becoming more tender and more widely diffused until they are extended to all sentient beings."
  - And that
  - "[as] soon as this virtue is honoured and practiced by some few of us it spreads through instruction and example to the young and eventually becomes incorporated in public opinion"
- Yes, survival is as much about cooperation, symbiosis (living together) and reciprocity
- And education and example are important
- The social instinct is innate; it is also learned
  - The more it is practiced, the more it spreads
    - In this way, it is like love

### Ontology of Love

- To understand collaboration, we must understand love
- We can look at love through three different expressions, increasingly viewed as important today
- Empathy that is, in the words of 2 American psychologists:
  - "Entering the private...world of the other and...moving in it delicately without making judgments" (Carl Rogers) – in other words, to live in the skin of another person
  - Martin Hofmann says it is: "The glue that makes social life possible" - in other words, it is indispensable to a well functioning society, for harmony
- Compassion (it is a word we hear more often than empathy)
  - It entails sharing in another's suffering (passion= *pati* in Latin)
  - It is used in Buddhist teachings
- Love is more
  - It is a sharing in joy
  - We often think of love as emotion, but it is more than that
  - It is the moving power of life
  - It is a drive towards unity, to harmony or happiness

- In Christian teachings, there is also the commandment to love: “A new commandment I give to you, that you love one another; even as I have loved you, that you also love one another.” (John 13:34)
  - An emotion cannot be commanded
  - Therefore, love requires a *will* to love
- In Economics, we need to follow the path of love
  - *Homo oeconomicus* (the economic person) was the model for the 19<sup>th</sup> and 20<sup>th</sup> centuries
  - Can *homo amans* (the loving person) be the model for the 21<sup>st</sup> century?
- Perhaps *homo oeconomicus* was justified in our Western world during the 19<sup>th</sup> and even part of the 20<sup>th</sup> century, when there was great deprivation and misery
- But in today’s world, is this still justified?
  - We have *scarcity in the midst of plenty*: there are the poor, but also great wealth. The disparity in income is high.
- Albino Barrera, a Dominican economist, writes (in *God and the Evil of Scarcity*) that
  - Scarcity is an evil because it deprives one of the necessary subsistence for survival, growth and development
  - The greater the scarcity, the more urgent is the need for sharing.
  - Barrera says that humans can use scarcity as stepping stones toward greater perfection<sup>1</sup>
  - This is a search for the *good*, defined by Aristotle and Aquinas as the perfection that all things seek, *i.e. completion*
    - Completion or unity is the ultimate form of love, or *agape*.
  - This is the path of *homo amans*, the person who loves, through collaboration and sharing

### Financial Stewardship

- Now that we have discussed virtue and love, let us return to money
- The 3 pillars of the financial system are:
  - At the governmental level (macro-prudential)
    - Safeguarding the financial system and controlling systemic risk through
      - Financial legislation
      - Supervision
  - At the institutional level (micro-prudential)
    - Ensure solvency of banks through
      - Risk management systems (capital ratios, and balance sheet/liquidity management)
  - At the human level (behavioural)
    - Ensure transparency of bank products and proper understanding of risks, both by bank and consumer (not *caveat emptor* , or buyer beware)
    - But does it not involve more than this? Is this enough?
    - It is not just about preventing losses; it is to create welfare, wellbeing
    - At its higher level, human behaviour is not just defensive; it is expansive

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<sup>1</sup> Barrera, Albino (2005) *God and the Evil of Scarcity: Moral Foundations of Economic Agency*, Indiana: University of Notre Dame Press

### Finance & the Good Society

- Finance plays an important role in human society
  - It permits constructive investment: LT focus – it builds a better future
    - In today’s world, we desperately need LT investment: infrastructural investment in response to our environmental challenge – renewable energy, transport systems, urban renewal
  - Finance involves stewardship of assets , to provide for our security
  - Contributing to the crisis and persisting today is focus on the ST, including speculation, betting with money - it renders the financial system fragile
- Credit (*credere*) is to believe in the trustworthiness of the borrower
- Yes, finance is *fides* or trust and a means (life-blood) to an end (the common good)
  - But it must be properly employed – used well
  - Love and virtue are required to work alongside money

### Building the Future

- So what do we need to bring this about? We need
  - Education
    - To restore the human dimension
    - The purpose of education is not just to *produce* more economic beings
    - We focus on the instrumental, on *efficiency*, and use science as the avenue
    - We need to restore philosophy, the teaching of *wisdom*
  - Reflection (Joseph Pieper, a German Jesuit philosopher of the 20<sup>th</sup> century, borrowed from Thomas Aquinas when he wrote that no knowledge is complete without two parts: *ratio* (reason) and *intellectus* (contemplation, seeing what is truly important through the eye of the heart) – Sister Teresa will talk about *seeing*)
- Only thus can we arrive at virtue inspired from within, from love, and not simply from adherence to rules and regulation
- Thus can we arrive at a human community, where the economy has good purpose

### Money, Love & Virtue

- In this way can we go from our current system where money is seen to buy love and to take from virtue
  - We have seen that the love of money has led to a breakdown of ethics and a disruptive scramble for money
- In this way, we move to one where love feeds virtue, and where virtue reinforces love, and together work with money to serve the person at the centre of the economy
- We cannot underestimate the power of example
- Pope Francis writes in *Evangelii Gaudium*: “goodness tends to spread” (§9)
- We are fortunate to have in Pope Francis one such example of goodness, but I am sure we have many more, not as visible but equally important, as we will probably discover in the course of this Assembly today and tomorrow and in the days to come.
- **Yes, in order to build the common good, we need to understand what it is to be human and to make money, love and virtue work together, not in contradiction**
- **That is our hope**
- Thank you!