

## **Forum "Globalization of indifference? The economy at the service of people**

### **PRESENTATION**

Marcelo Scocco

Globalization began with the trade between the old world and the new world; it grew with the industrial revolution, and increased with the technological development of the late twentieth century. This phenomenon exacerbated international competition. Computing, connectivity, and Internet encouraged the movement of capital, introduced the intangibles industry, and favored the mobility of the better educated individuals, who were able to compete globally, without borders. (Friedman, 2006)

The circulation of knowledge at international scale, and the deregulation of transport, telecommunications, financial services, and other key activities in the economy, were the conditions for the initiation of what is now known as the *"new economy"*. (Guellec, 2000)

This phenomenon has affected the lives of all people in all countries, to a greater or lesser extent. Free trade and open borders have increased trade and thereby production and wealth. But it is the responsibility of all sectors of the society to anticipate the negative externalities generated in the process. Failure to do so would result in the economy rather than in the service of the people, to become a "dictatorship of money".

Globalization is primarily a political phenomenon and is conditioned by the competition or the lack of it, by educational and media content, cultural, and social aspects, and the process of political decision-making itself. (Ferguson, 2013).

I have the privilege to present to you the Forum "¿Globalization of indifference?" (SS term coined by Pope Francisco) in which our guests: Ms. Nelly Opazo, Dr. Eduardo Jurado, Professor Lothar Ruf and Dr. Alan Shaun Cabello, will present a proposal for the economy to serve the people: Instead of the dictatorship of money: the man bonded, rooted, attached. The "Culture Alliance" as our answer to the today's big questions of society and the economy.

## PAPER NO. 2

### ***"That humanity be served by wealth and not governed by it"***

by Dr. Eduardo Jurado Béjar

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Niall Ferguson, one of the most prominent contemporary historians, argues that economic, social, and political challenges of the Western world now reflect a *"degeneration of their institutions"*. (Ferguson, 2013) Modern States have developed a number of institutions dedicated to regulate economic and social life. However, it seems that they are weakening, which yields to the *"tyranny of capital"*.

*"The problem lies in our laws and institutions... and when the institutions are weakened economies become sick"*, says Ferguson.

This author proposes the metaphor of *"the black boxes"* to describe the four key components of our civilization: **"democracy"**, **"capitalism"**, the **"rule of law"**, and **"civil society"**. Within these "boxes" there is an extremely complex set of interrelated institutions. (Ferguson, 2013)

When we talk about "democracy" we are actually referring to people voting, elected representatives, political societies, the nature and role of government, civil and military authorities, and civil government agencies.

By "capitalism" we mean private property, the factors and means of production, the market economy, economic agents, and the *"invisible hand of the market"* mediating between wealth and poverty.

When we say "rule of law" we refer to aspects such as equity and social inclusion, intergenerational transfers, and the primacy of law over any other governmental principle.

Finally, when we speak of "civil society", we do it to refer to citizens who are outside the government structures and, who collectively act to make decisions in the public sphere.

We tend to think that the mere existence of political institutions, ensure the development and social welfare.

Alexis De Tocqueville said by 1840:

*"Political societies are not what the laws do to them, but what beforehand, the feelings prepare them to be; the beliefs, the ideas, and the habits of heart and mind of the men who constitute them"*. (De Tocqueville, 2010)

In his recent Apostolic Exhortation *Evangelii Gaudium*, Pope Francis criticized the theory that assumes that *"all economic growth, favored by the free market, manages to cause by itself greater equity and social inclusion in the world"*. *"Facts*

*have shown –says Pope Francis– that economic growth is not necessarily reflected in development and social welfare".*

Paul Krugman, Prince of Asturias Award for Social Sciences in 2004 and Nobel Prize in Economics in 2008, said:

*"It may be objected that it may not be correct, that the invisible hand of the market ensures that the private and social returns match. However, economists have known long ago that when it comes to speculation that proposition is simply false".*

When we talk about *"the invisible hand"* we face a general cynicism about the nature and role of government. The lack of confidence extends to most of the major institutions, public distrust of banks, large corporations, and news media. This loss of trust corresponds to a loss of mutual confidence. Speculation and the decline of civic spirit in society arise.

The employer has a central role in the creation of wealth. In turn, the state responsible for the common good has a central role in the correct distribution of social wealth, but this responsibility should be controlled by the civil society and responsible citizenship.

When institutions are weakened, a kind of absolute autonomy appears in the markets and speculation emerges.

*"An ultimate invisible tyranny is established, sometimes virtual, imposing unilaterally and implacably, its laws and its rules".* (Francis, *Evangelii Gaudium*, 56)

I am a strong supporter of the market economy, but to achieve prosperity we need to balance the market with a State that seeks common good. It is necessary to have people voting in urns, elected representatives, civil government agencies, and citizens acting collectively to make decisions in the public sphere. Otherwise, we could arrive to a *"tyranny of capital"* or a *"globalization of indifference"* –as mentioned by Pope Francis, in *Evangelii Gaudium*– and almost without realizing it *"we become unable to commiserate with the clamors of others, we no longer cry before the drama of others nor are we interested in taking care of them, as if everything were an alien responsibility not concerning us"*. (Francis, *Evangelii Gaudium*, 54)

Poverty is a state of social situation in which material and immaterial deficiencies exist in a certain time and space, affecting the development of the human being. This concept should be useful in studying individuals, families, groups and communities, from a pragmatic and semiotic perspective. Poverty can be structural when it is impossible to break the vicious circle or incidental when it is caused by a momentary setback that can be overcome. Unfortunately, economists prefer to focus on the temporary situation and leave the problem of intergenerational transfers aside.

In his *Reflections on the Revolution in France* (1790), Edmund Burke wrote that the true social contract is not the contract of Jean-Jacques Rousseau between the sovereign and the people; or the *"general will"*; but the *"partnership"* between

generations. In the words of Burke *"the State is a partnership not only between those who live, but between those who live, those who have died and those who are to be born"*. (Burke, 2013)

*"The biggest challenge facing modern democracies is how to restore the social contract between generations. The obstacles are discouraging in that sense"*. (Sachs, 2011)

Today most economic agents promote policies that lead to intergenerational inequality. Excessive public debts, environmental pollution, inadequate distribution of income, and a perverse deregulation –like that of the 1980s in the USA for example–, are not only symptoms of weak institutions and ailing economies, but the breakdown of social contract between generations.

*"It is not that deregulation is bad, what is bad is a bad regulation"*. (Sachs, 2011)

The financial crisis that began in 2007 originated precisely in a bad regulation. This was the script: Managers of large banks with strong incentives to maximize shareholder value; the Basle rules allowed companies to set their own capital requirements on the basis of their internal estimates of risk based on ratings by private rating agencies; central banks encouraged to intervene by lowering interest rates if the asset prices fell; politicians passed laws so that low-income families could have access to their house; and finally, the Chinese government decided to invest its surpluses in buying American government debt, so the yields of these values were kept artificially low. All this helped inflate a housing market that was already in full bubble.

*"The whole of the scientific building has collapsed"* Alan Greenspan had said before the US Congress.

In the documentary *Inside Jobs*, Ferguson showed the absolute impassivity of those involved. It was the most brilliant documentation of the financial crash. Those who tell the argument, agents, bankers, and politicians spoke to journalists recorder connected. (Schirmacher, 2014)

This narrative, according to Frank Schirmacher<sup>1</sup>, in *"Ego, las trampas del juego capitalista"* (*Ego, the Traps of the Capitalist Game*) satisfies all the criteria of a scary movie. People had bought houses they could not afford and acquired new loans with houses that did not belong to them. Those who had seduced them to do so and gave them money, made with the bonds –derivatives– an indecent business. It was the result of deregulation, greed and egomania, concludes Schirmacher.

Governments, business people and civil society, we must address the structural causes of poverty, such as achieving an effective legal framework to combat corruption frontally, and denounce the excessive deregulation as well, but also restrain the excessive intervention of the State that suffocates honest companies, discourages entrepreneurs, promotes destructive competition and kills entrepreneurship.

In his message to the World Economic Forum meeting in Davos (Switzerland), Pope Francis said:

*"Ours is a time of great change and significant progress ... Indeed the advances that contribute to the welfare of the people are to be praised, as for example, in the field of health, education, and communication, as well as in many other areas of human activity, and we must recognize the fundamental role of the modern economy in these changes, at the time of promoting and developing the vast resources of human intelligence. ... It is necessary, therefore, a renewed, deeper and broader sense of responsibility in everybody. .... In this way, men and women can more effectively serve the common good and make the goods of the world more accessible for all". (Evangelii Gaudium, 52)*

Pope Benedict XVI, in his Caritas in veritate had already told us:

*"The growth of equality requires more than economic growth, although it assumes it. It requires, first, a transcendent vision of the person, because without the perspective of eternal life, human progress in this world runs out of breath". (Caritas in veritate, 11)*

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<sup>1</sup> German journalist and essayist, doctor in Philosophy and Literature, and according to the Gottlieb Duttweiler Institute in Switzerland, one of the ten most influential thinkers on the planet.

It is difficult to resist the excesses of consumerism and the obsessive pursuit of wealth; and, to do it surrounded by the noise, distractions and temptations posed by this era of globalized media, implies a greater challenge.

In the past, trading rooms of the stock exchange were full of people who could see each other. In the 1990s, these areas became computer screens with the brokers sitting in front of them and where the numbers move swiftly.

*"If you have lost your client's money, organize the funeral and start thinking about the next operation". (Schirmacher, 2014)*

Selfishness ceased to be an attribute of human beings and began to be performed by computer programs. It makes the benefits before the other is even aware that he will have to pay for it. (Schirmacher, 2014)

We can overcome our misconceptions of economy by promoting the personal virtues of self-awareness and moderation, and the civic virtues of compassion for others and solidarity. We can overcome our misconceptions of economy by maximizing our level of consciousness, the capacity of self-transcendence, and the ability to go beyond ourselves.

Father Kentenich says:

*"Solidarity, mutual material, moral and religious support is a value permanently in force. We have to respond to the needs of our time. And the*

*most clamorous of these is the social misery. You have to work at the social level to alleviate or remove that misery". (Kentenich, 1991)*

At the end of 1914:

*"We must educate ourselves with all energy in social sensitivity and social commitment. ... Social spirit is the spirit of love, kindness, and consideration for others; a delicate compassion for others' misery and prompt and timely help. ... And we will have more clarity, if I say that this social spirit can only occur if selfishness, egomania, or excessive self-interest is vigorously fought. That fight will open a great and vast field of social commitment". ("Héroes de Fuego" p. 180)*

I make my own the words that Pope Francis used in his letter to the World Economic Forum:

*"The international economic community can count on many men and women of great honesty and personal integrity, whose work is inspired and guided by noble ideals of justice, generosity, and genuine care and development of the human family. I urge you to take advantage of these great human and moral resources, and to accept this challenge with determination and vision of the future. Without ignoring, of course, specific requirements; scientific and professional in every sector, I ask you to strive so that wealth serves humanity, and is not governed by it".*

Our great bet is on "the social saint" Father Kentenich says.

*"We need leaders with a deep culture of spiritual life, not only men and women who know how to speak, but who are also living the Catholic ideals. No offense, I think there are flaws in the selection of our Catholic leaders. Perhaps, we choose great speakers committed to Catholicism at a political level, but who have not sufficiently embodied the catholic ideals". (Kentenich, 2010)*

And on the Journey of the Industry Day in 1930, he told us:

*"Let us not remain at the level of mere ideas. We are talking about moral renewal and justice and love are part of that moral. Let us work together in the solution of the socio-economic crisis in the place we are. Let us be social saints, men deeply anchored in God, convinced of our ideals, who want through Schoenstatt to be one with the people and to lead them to the Church, to Christ."*

*"We, as part of this Apostolic Movement, are called to this task. We are facing a crucial question of the Movement ... so far we have worked for religious renewal. This should now lead to the solution of the social issue".*

Schoenstatt provides a concrete leadership from the Church for the solution of the social issue, based on the concept of authority and paternity, centered on the person, in the holiness at work, and the organism of relationships. The *Iberoamerican Committee of Executives and Schoenstattians Entrepreneurs – CIEES*– (for its acronym in Spanish) develops, according to the pedagogy of the

Founding Father, practices that promote and deepen a new relationship, in an organic and *Kentenich mode*, all elements that make up the company and its field, so that the economy is at the service of the people instead of the threat of the "dictatorship of money".

Thank you very much.

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