



**SECRETARIAT FOR THE ECONOMY
TO THE HOLY SEE**

**Keynote address by His Eminence, George Cardinal Pell AC,
to the Global Foundation roundtable on the global economy**

Rome, 17 January 2016

A few bald, and as yet unsubstantiated claims on my part, should set the ball rolling. For Catholics the economy serves the polity and then society and material values are insufficient to produce right order and a sense of purpose in individuals and communities. Business serves society and society needs the Transcendent.

To be more specific, this means that greed is not good and that we should not endorse the motto of the late lamented Lehman Bros “*we make nothing but money*”.

We are blessed to be able to meet at the beginning of a new year, in these beautiful and peaceful surroundings, overlooking Rome, the ancient capital of Empire, home of the successor of Peter, the eternal city.

Let me express my gratitude to the Order of Malta for making available its magnificent Villa Magistrale on the Aventine Hill, where one can see, on arrival, the dome of St Peter’s basilica framed perfectly by the avenue of cypress trees.

I also wish to pay tribute to the Global Foundation for its remarkable capacity to convene a meeting of this calibre and to bring together, in a spirit of informed discourse, some of the best talents from across the world and from many walks of life – leaders from faiths, business, international institutions, academia and civil society. A special acknowledgement goes to the Chairman of the Foundation, Mr Jock Murray, to its Advisory Council Chairman, the Most Rev Dr Philip Freier, who is also the Anglican Primate of Australia and, in particular, to its Secretary General and convenor of this meeting, Mr Steve Howard.

It has been my pleasure to know Steve and the work of the Foundation for some time now. We share Australian origins and an ambition for a better world. What the Global Foundation does so well - with an understated ability and very few real resources, I might add - is to create a platform on which often disparate others are able to meet, dialogue, disagree perhaps and work together towards higher purposes. It is evident to me that such a spirit is alive in this room tonight.

May I commend all of you for the open and collaborative manner in which you have demonstrated your willingness to address some of the most complex challenges facing our modern world, in particular the global economy. I hope that you will all continue to support the work of the Global Foundation in taking forward the outcomes of these deliberations. It would be a pity if we could not agree to sustain this fine, cooperative effort, into the future in some tangible and practical way.

'Rejecting the Globalisation of Indifference':

Our dinner this evening sits more or less at the mid-point of your roundtable deliberations on the topic of *'Rejecting the "globalisation of indifference": mobilising for a more inclusive and sustainable global economy'*.

Let me say a few words about the opening phrase, *'Rejecting the globalisation of indifference'*, coined early in his papacy by Pope Francis, to describe a general community indifference to the terrible loss of lives among the boat-people attempting to cross the Mediterranean. It has become a continuing and general Papal motif, serving as a constant wake-up call to all of us on the planet to move beyond our shallow self concerns.

Earlier today, you have brought to the table your own and varied perspectives. As I understand it, you have discussed and generally agreed, that it is clear, both factually and anecdotally, that the global economy is under new and different pressures and has been so for some time, certainly since the Global Financial Crisis of 2008. This is despite the efforts of many in international and national leadership positions, who made brave calls and have attempted to adjust and adapt whatever economic levers may be at their disposal.

The Situation Today:

Before listing a few examples of today's comparative economic malaise, described by Christine Lagarde as "the new mediocre", we should remember that many in our societies had or have come to regard increasing prosperity as inevitable and necessary and are unwilling to admit

that communities might be living beyond their means and that the immense debts across the world have to be, at least, managed and contained. Some of us (Australians in particular?) are too used to success and take it for granted. Despite all this, it remains true that market economics have brought unprecedented prosperity and represent, despite their many faults and deficiencies, an extraordinary human achievement.

Dr Johnson famously remarked that when a dog walks on its hind legs, it walks badly. But, he continued, “you are surprised to find it done at all”. So too with the market economy.

Naturally enough political constituencies do not like sacrifices and this imposes severe restrictions on democratic governments, especially when they have to address the irresponsibilities of their predecessors. The willingness to make sacrifices for future generations is even lower, although rarely articulated, and helps to explain the largely unfunded liabilities of many or most government pension funds.

Migration patterns demonstrate that migrants and refugees realise that democratic societies with free economies offer better prospects for them and their children. But the immense differences in incomes are daunting and discouraging.

It is sobering to realise that someone around the U.S. poverty level of \$ 11,000 a year is in the top 15 per cent of world income distribution (TLS 20.11.15 p3) and that the bottom 20 per cent of the world’s population earns less than \$ 550 a year (ibid), despite the fact that World Bank recently stated that the percentage of people across the globe now living in extreme poverty has fallen below 10% for the first time.

Even in the Western world we find new and deepening inequalities which are dangerous for the community trust and acceptance which business needs to function.

One economist recently wrote that “the Achilles heel of modern capitalism is the financial sector” where the model of motivation has been skewed towards a dysfunctional reliance on incentives.

Twenty years ago for non-financial companies in the U.S.A. the pay of the average CEO was twenty times higher than the average pay of the work force. Today the ratio is 231 to one, while the banks have a ratio of 500:1 (TLS 25.09.15 p3). Breaking the link between the salaries of directors and CEOs would be a step in the right direction of limiting these differences as well as pointing out the significance of the transfer of wealth from wealth-owning shareholders to CEOs (ibid. p4).

Another couple of anecdotes also highlight the scope for improvement. We no longer make a distinction between the deserving and the undeserving poor (i.e. those responsible for their predicament), but it might be useful to introduce a category distinction between the deserving and undeserving rich. Big bonuses for executives who have presided over big losses seem incongruous, just as incongruous as having the same marginal tax rate for a doctor on £ 160,000 a year and a CEO on £ 5,000,000 a year (ibid. p4). Most spectacularly, of course, is the privatising of profits and the socialising of losses by “too-big-to fail” businesses.

More locally here in Italy it is deeply sad to realise that there is a continuing unemployment rate of 40 per cent for young graduates (with a worse situation in the South). Unemployment at any time in life is demoralizing, but this is doubly so at the beginning of a career.

While the American dream that most middle class children will be more prosperous than their parents has probably ended, the most remarkable economic progress has happened elsewhere, especially in China, which is the late 20th century’s greatest economic success story. Hundred of millions of citizens, through hard work, intelligence and a hybrid of corporatist and market economic policies have lifted themselves from poverty, despite the recent slowdown, market turmoil and a rebalancing which some economists have called transitional. India in particular, like South Korea has followed a similar path, which is replicated to some extent and with troughs as well as peaks throughout market economies in Asia, in part of Latin America and now in parts of Africa.

My views are of course my own, spoken from within the Catholic tradition, but also spoken from an Australian perspective. Australia is one of the closest allies of the United States and we rejoice in and benefit from their economic pre-eminence and (at this time) the economic stability provided by their strong currency and their excellent job creation numbers. In fact the entire world economy benefits from these achievements.

We are also aware of the importance for everyone of the changing relationship between the old and new economic powers and the need for this to be negotiated peacefully. Therefore the decision of the U.S. Congress, just before Christmas, to pass a resolution favouring a rebalancing of the voting power in the International Monetary Fund to reflect better the realities of today’s world, was an important step forward.

I acknowledge too the effective work, in recent times, of global regulators, including the Financial Stability Board, comprising the central banks of the G20 nations, capably led by Bank of England Governor, Mark Carney. He has demonstrated in his own jurisdiction that regulators will do their bit, but can only go so far; his argument, which I support, is that the better angels of the

business world itself need to be clearer about what are otherwise implicit ethical underpinnings of the British economic and financial system and, in so doing, they should actively cut adrift the ‘free-riders’ who will not abide by these principles. Could this initiative be globalised, in a partnership between the central banks of each of the G20 nations and leaders of global business represented here at this meeting? Perhaps the Global Foundation could help in bringing this about?

I also recognise the efforts of the OECD, in leading, again on behalf of the G20, the crackdown on international tax avoidance by global companies, in a program known as Base Erosion and Profit Shifting. These measures were agreed and adopted at the Turkish G20 Summit last November and will go a long way to strengthen community trust in business ‘doing the right thing’.

Both of these initiatives, incidentally, were accelerated by Global Foundation sponsored conversations held here at the Vatican, in 2014.

However, as always, if we are to truly mobilise the global economy, in a sustainable fashion, it will require business, not regulators, to take a leading role.

A Catholic Contribution:

We began by asserting baldly that business should serve society and society needs the Transcendent. Are there any specifically Catholic teachings to help us work out what these claims mean that are different from the doctrines of secular humanists or of the other great religions or even of the other Christian denominations? I believe there are.

All Christian teaching should begin from Jesus’ own words and those of the other New Testament writers.

Jesus’ teachings on money, riches and poverty are fascinating and provocative. He was quite clear that no one could serve both God and money (Mt 6:24); one or the other had to have the last word. Jesus broke with Jewish tradition as he did not believe prosperity was a sign of divine blessing or approval and he famously said that a rich man had as much chance of entering the kingdom of heaven as a camel had of passing through the eye of a needle! (Mt 19:24). This was too much for those like Peter who had been a successful fisherman on the Sea of Galilee, but Jesus explained that God can do what is impossible to man (Mt 19:26).

Jesus knew that money was good and necessary and he asked only his special followers, those called to a particular and higher level of witness, to give away their riches and live in poverty

(Mt 19:16-22). However the Lord also understood the unequalled power of money to fascinate and then harden and corrupt human hearts. God or money is an inevitable choice.

Two other teachings of Christ give us some encouragement to balance off these hard messages.

I like to quote Maggie Thatcher who pointed out that if the Good Samaritan had been without capital he could not have paid for the care of the man who was beaten and robbed on the road to Jericho. It was also useful that the innkeeper trusted him sufficiently to accept his promise to cover any extra costs when he returned (Lk 10:25-37).

Even more usefully the parable of the talents shows that Jesus understood that money should be used profitably to produce income. The man with one talent who was condemned had not wasted his money or thrown it away. He was condemned for burying it and not generating a proper return.

From the beginning Christians took over and adopted the Greek appeal to reason, using first of all the Stoics and especially Plato for the first millennium and then Aristotle from the thirteenth century.

We won't be detained by considering whether the Benedictine monasteries were the first capitalist enterprises in the West or by examining the contribution of the 13th to 15th century Franciscans, such as St Bernadine of Siena, who taught that money was fertile not inert, so distinguishing legitimate interest from usury and laying the theoretical foundations for banking. Medieval and early-modern theologians made some of the most important theoretical developments that allowed money to become more than simply a means of exchange and instead a major source of fuel for economic growth.

Suffice to say that the Catholic Church has a sophisticated and developed body of social doctrine, which is always under review, sometimes disputed and most recently assembled in the 2004 Compendium of the Social Doctrine of the Church.

Within that we also have the tradition of papal teaching which began with Pope Leo XIII's 1891 "*Rerum Novarum*" encyclical, responding to the spread of democracy and republicanism unleashed by the three ideals of the French Revolution of 1789, liberty, equality and fraternity, the Industrial Revolution and the rise of socialism, communism and trade unions.

Nearly every pope since Leo has made a significant contribution to this social theorizing. Of all the popes, Pius XII is the one who wrote the most extensively and with considerable sophistication on finance and banking. Another contribution from Pope Benedict was his insistence that any comprehensive concern for the environment must have humanity at its centre, a basic point

which Pope Francis also adopts in his eloquent tribute to the variety and beauties of nature and his insistence on our obligations to future generations in *Laudato Si'*.

Christian thinkers will be writing about our moral obligations in environmental matters for the next generations. While the moral imperatives are basically clear, prognostications about the future will remain a hazardous exercise, not least because of the scientific uncertainties.

The other great challenge of the future for Catholic social theory is the study of the market economy, taking up from St John Paul's encyclical *Centesimus Annus* of 1991.

The market economies are here to stay, to be studied, distinguished one from the other, evaluated and improved, because no better model is available at the moment, because of the market's capacity to rejuvenate after massive disruptions such as the Great Depression and the GFC of 2007-8 and because they are not producing the massive alienation that Marx predicted. We might have too much sugar in our society, such as consumerism, but we are not being poisoned by deserts of salt.

We are all aware of Pope Francis' commitment to social justice, his option for the poor and those on the peripheries and his condemnations of exploitation, abuse and consumerism.

What is not so widely known is that Pope Francis himself in *Laudato Si'* and in his address to the US Congress in September, has made specific and favourable reference to the role of business.

To the US Congress, the Pope said:

"It goes without saying that part of this great effort is the creation and distribution of wealth. The right use of natural resources, the proper application of technology and the harnessing of the spirit of enterprise are essential elements of an economy which seeks to be modern, inclusive and sustainable".

His Holiness went on in Washington to quote from *Laudato Si'*:

"Business is a noble vocation, directed to producing wealth and improving the world. It can be a fruitful source of prosperity for the area in which it operates, especially if it sees the creation of jobs as an essential part of its service to the common good". (Laudato Si', 129)

All present at this roundtable are here because you already have a strong sense of underlying, ethical commitment, that you bring to bear in your professional lives. I see this as being completely consistent with Catholic Social Teaching.

Doing practical things, consistent with principles:

I was pleased to note that you spent much of this afternoon in discussion about three issues that demonstrate the importance of underlying principles in achieving productive outcomes.

Too often at meetings such as this, we focus on and sometimes reach agreement about high-level matters, but leave the room with a question mark about implementation and action – the ‘so what’?

Your work on the issues of good governance, empowerment of women and youth and anti-slavery or forced labour is most welcome. In particular, I congratulate those of you who have made specific commitments to action in these areas.

We are striving for good and better governance here in the Vatican. It is of paramount importance to the credibility of the Holy See, that we apply world’s best practice in the management of our own financial and economic affairs, with transparency, international cooperation and commitment to continuous improvement. With our Council for the Economy, we have come quite a long way in a short space of time, but we still have a way to go.

We should work to encourage among our young men and women the emergence of effective entrepreneurs who will contribute to sustainable growth, especially through job creation.

On the empowerment of women, the facts are incontrovertible - economic growth will rise through the application of consistent practices in enabling and encouraging the full potential for women in the economy.

The education of young women is also vital for another reason, for their roles as wives and mothers of tomorrow’s generations and as primary educators. They, and perhaps even more importantly, young men need to be reminded of the vital role of families in building healthy societies, of the beauty and consolation of lasting marriages especially in our Western communities ravaged by family collapse. When human capital declines, social fragmentation with its economic consequences can only increase.

The future belongs to those with children. And a final teaser: Is there a link between economic stagnation and a declining population, e.g. where there are too few taxpayers to finance welfare and pensions?

Anti-slavery is an area of focus where the Holy Father and other religious leaders, notably the Archbishop of Canterbury, have cooperated closely in their efforts to see global change to eradicate this scourge of forced labour.

I commend the important announcement, in conjunction with this event, by the Consumer Goods Forum that its 400 members, representing the world's biggest consumer goods firms and supermarket chains, have decided to slavery-proof their complete supply chains to eliminate forced labour in their business partners. It is important to comprehend the scale of this decision - your members represent more than US\$2.7 trillion in sales, employ 10 million people directly and have a further 90 million jobs along the value chain. Congratulations on a giant step forward. Special commendation is also due to Ambassador McCarthy and Bishop Sanchez Sorondo for their invaluable work in this area of slavery-proofing.

It is against this backdrop that I am pleased to confirm that the Vatican itself will commit to slavery-proofing its own supply chains and I hope that today's announcements will serve as encouragement for others to follow suit.

Conclusion:

As I conclude I should thank all those who contributed Reflection Memos to this Rome Roundtable. I found them instructive, thought provoking and encouraging because the need for an ethical and indeed spiritual framework and foundation for economic activity was so regularly acknowledged. Before I mention corporate Social Responsibility, the triple bottom line of economy, environment and society, let me make one other point.

It is not too surprising, but it remains unfortunate, that only one respondent spoke about the barriers political prejudice and religious extremism are to inclusive and sustainable economies. It is the elephant in the corner of the room. Terrorism has already reduced the number of pilgrims and tourists here in Italy and other evil possibilities can easily be envisaged.

In some ways our meeting here in Rome is countercultural in Western terms, not because we are opposed to populism, to the advocacy of simple untenable solutions, to ugly nationalism and not simply because religious leaders are involved in dialogue with business leaders.

What is somewhat unusual is that we are committed to inspiring hope, to spelling out our obligations to the society and environment of today and tomorrow. Would it be useful to try to clarify further some of the basic ethical principles that underpin the relationship between businesses and the good society?

We all realise that there are regular contrasts between China and the Western World. One that is less expected is that while many opinion leaders in the West are committed to expanding the possibilities for individualism and moral autonomy, so undermining traditional values and institutions and excluding Christian values from public discussion, in China President Xi Jinping is encouraging the study of traditional Chinese values and especially of Confucius to fill the moral vacuum after the Great Leap Forward, the Red Guards and the unparalleled spread of prosperity.

Every society needs to find purpose, trust and hope and inspire people to be good, industrious and honest.

We have much to learn from one another, but with persistent and patient efforts at many levels over a considerable period of time we can continue to make a difference. The Global Foundation is well designed and placed to enhance this progress and I personally am committed to helping this working cause.

George Card. Pell
Prefect

(3713 words)