

## CHALLENGES OF MAKING A NEW ECONOMIC PARADIGM WORK:

A roadmap to the “Macau Manifesto”.

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The Financial Crisis in 2007-2009 was considered as a wake-up call to change the economic paradigm which seemed to be profoundly rigged against ordinary people, towards a more sustainable model oriented towards the common good. Moreover, there has also been some hope that the one-sided focus on economic growth would finally give way to a more comprehensive view of integral development that would mitigate the ecological disaster and abuse of natural resources. It would be misleading to claim that nothing has been done to change the prevailing economic model. This is not the place to list all the valuable initiatives which have been undertaken to implement solidarity and subsidiarity and bring about more justice. However, it seems fair to claim that there hasn't been any decisive breakthrough. The COVID-19 crisis and the broadly racist turmoil all over the world have underscored the uneasiness and pervasively widening gap between the rich and the poor and the persistence of outdated prejudices and discrimination.

In October 2020, the Macau Ricci Institute Symposium at the Ilha Verde Campus of the University of Saint Joseph gathered 27 presenters to address this most fundamental challenge facing our shared life on this planet, namely, the prospects for a paradigm shift in economics. The presenters shared their expertise and experience to confront this challenge and to make our contribution to the work of The Economy of Francesco streaming conference scheduled for Assisi in November 2020. Their voice is modest, but their ambition is high to join with the voices of so many advocating new solutions to the sufferings caused by the contemporary economic paradigm.

The challenge in drawing together concepts and ideals for a New Economic Paradigm and sustainable models of economy was to focus on the realities of our time and to integrate thought and action towards the goal of economic transformation.

I use “new” to capture the possibility of a paradigm shift addressing the structural weaknesses of the economic policies and practices that confront us today. Societies and economies are shifting all the time and we note the positive changes and attitudes by people, communities, NGOs, companies, governments and the United Nations to advance socially and environmentally sustainable economic models at the macro, meso and micro levels. It is not simply “new” versus “old” economics. Economics is dynamic and describes the way individuals, organisations and nations utilise their resources and talents in maintaining both essential and non-essential goods and services. The economic paradigm is our contemporary world: ever-changing, ever-complex, and yet, infused with the simple joys and tragedies of life.

The Macau Manifesto gathered contributions from the MRI Symposium into an agenda of three platforms for change which will contribute to a paradigm shift in economics that is already happening. These change platforms are: 1. Subsidiarity Economics, 2. Wellbeing for all, and 3. Common Good Entrepreneurship.

## 1. SUBSIDIARITY ECONOMICS

In the New Economic Paradigm, subsidiarity comes to the fore to give an economic voice and power to individuals and the communities that sustain them. Subsidiarity is the principle, developed in Catholic Social Teaching, starting from *Quadragesimo anno* in 1931, that a central authority should have a subsidiary function, performing only those tasks which cannot be performed at a more local level. The dominance of geographical borders has created different levels of decision-making power that rests with provinces, regions, or municipalities. But in many cases, the units are too large or too small to

effectively promote cooperation in practice especially in circumstances in which problems concern several entities in total or partly.

Subsidiarity in reforming economics highlights communitarian solutions and posits that the most effective solutions will emerge from dialogue and voluntary cooperation involving the existing institutions of local communities. Subsidiarity is an enabler of freedom for persons and communities. However, the right circumstances need to be created to enable persons and communities to be free from constraints and helped to take action through educational support projects and targeted investments for micro enterprises. Subsidiarity focuses on the micro-economics of sustainable living for persons and communities. As the Macau Manifesto urged, a New Economic Paradigm must call governments to intervene in capital markets to ensure that those currently excluded, the poor and the disenfranchised, are empowered with access to resources and capital to move from subsistence and deprivation to share in goods and resources. Subsidiarity thus requires an investment or subsidy by governments and NGOs and those moral agents who have access to capital, but that capital and its allocation must not be used (either in effect or intent) to create dependencies that are contrary to the Principle of Subsidiarity.

One concrete recommendation in the Macau Manifesto focused on the potential for developing micro-banking in and through credit cooperatives. The Principle of Subsidiarity should encourage reflection on recent successful experience with micro-banking as a way to distribute capital to prospective entrepreneurs, while maintaining the necessary circulation of capital, that is, through loans and their repayment, enabling more distribution. The Grameen Bank, first opened in Bangladesh, depends on empowering local networks and organizing them as accountability structures ensuring the compliance of all participants. For example, if I obtain a loan because I have been approved for it by the members of my local community, I am more likely to pay it back, when any default would result in foreclosing opportunities for other members

of the community to qualify for their own loans. Microloans can enable the poor to come together in cooperative business ventures that integrate social and economic interactions so that mutual help will not be merely occasional or sporadic but continuous. Such ventures fulfill the purpose of economic cooperation by improving the lot of the economically weak through working together.

## 2. WELLBEING FOR ALL

The COVID-19 pandemic makes evident the need for a global social commons for all. It makes us aware that health is the most precious element in the universal common good and that it is globally vulnerable. It also makes us aware that we are all in the same boat as one human family. The virus doesn't know or respect any frontiers. To stop the pandemic, all nations must cooperate beyond their borders. We feel a greater sense of interdependence: we are all vulnerable, we are connected globally for the best and the worst. We should, therefore, give up our collective short-term thinking and understand solidarity as an intragenerational and intergenerational challenge. The COVID crisis makes us aware that we have to rethink and to reshape our present economic paradigm to take account of the poor, the natural environment and future generations. The concept of wealth creation should be extended to include natural, human and social capital. Public wealth creation is required to generate wellbeing for those without wellbeing.

The ideal of Wellbeing for All calls for attention and action towards those who do not enjoy wellbeing, notably the poor, the disenfranchised and refugees. Pope Francis has made clear that poverty in our world today is not a natural condition to be endured like typhoons and earthquakes. Poverty is the result of systemic failure in the corruption of economic systems and their manipulation to favour the interests of some groups over others. The rich are no more moral or deserving than are the poor.

The universal virtue that motivates this concern is the instinct and

responsibility that each of us shares to honour human dignity. Self-formation, precious to western and eastern cultures, has an indispensable role to play in promoting wellbeing and drawing educational resources from both western and eastern cultures.

Wellbeing for All offers a vision of solidarity across cultures and borders that sets aside traditional prejudices against others who do not share in our prosperity, whether those prejudices are based on race, creed or colour. If the New Economic Paradigm is to fulfil its promise, we must learn to trust empowerment strategies that are open to all people, and not just to those who are near and dear to us personally.

Creating the New Economic Paradigm is, for some, a spiritual struggle, that calls on everyone to repent their complicity in unjust social structures in order to work with all others to discover new ways of sharing our gifts and resources. Ignacio Ellacuría, the Jesuit priest and philosopher, Rector of the University of Central America when he was killed with 5 other Jesuits in 1989, described the hope for civilization as “not simply the creation of a new world economic order, in which the relations of interchange are more just, but a new civilization, built no longer upon pillars of hegemony and domination, on accumulation and difference, on consumerism and a falsified well-being, but rather upon pillars that are more human and more Christian”. Wellbeing for All in Ellacuría’s vision is “a universal state of affairs in which are guaranteed the satisfaction of fundamental necessities, the freedom of personal choices, and a context of personal and communitarian creativity which would allow the apparition of new forms of life and culture, new relationships with nature, with others, with oneself and with God.”

In his encyclical *Laudato Si'* (2015), Pope Francis speaks of an integral approach to a new economic system that takes into account our relationship with the environment and ecology, the relationship with the poor and social justice, and the relationship of respect for others and fraternity. Chinese scholar and environmental activist Liao Xiaoyi praised the encyclical and its

many similarities with the “ecological civilization” that China is promoting in recent years. We are challenged to respond to the call to “restore the various levels of ecological equilibrium, establishing harmony within ourselves, with others, with nature and other living creatures, and with God” (*Laudato Si'*, 2015). The Chinese concept of “integral,” “*Yuanrong*,” “圓融” highlights the interconnectedness in all relationships with all things. How well this resonates with *Laudato Si'*'s vision of the Earth as our Common Home, and the most demanding need, at present, to mitigate climate change by reducing greenhouse gases to limit global temperature increases to no more than 1.5C.

The Symposium discussed the Philippines as an example of the potential catastrophe that awaits some countries if no immediate actions are taken with international agreements following on the commitments made at COP21 in Paris. The geographic location of the Philippines is already suffering from an increase in catastrophic flooding due to its vulnerability to climate change. Silliman University in the Philippines provides an example of how private institutions can play their part as communities to improve environmental wellbeing. The University is addressing the problem of climate change throughout its operations and has confirmed that environmentally responsible policies can create favourable economic returns in areas such as time and energy reduction in waste collection; stream of biodegradable wastes sustain organic fertilizer production; recycling supports the local household economy and reduces the destruction of primary sources of products like trees and mineral deposits. Tapping alternative forms of energy like solar energy save costs on light and power, savings that allow Silliman University to allocate more funding to improve teaching and learning services.

Despite globalization and transnationalism, we face a “new era of walls”. Migratory pressures are increasingly contributing to economic inequality, political instability and climate change. The COVID-19 pandemic has illustrated the need for trans-border/transnational collaboration in order to

address global issues, among them the ongoing refugee crises that demand greater focus for the sake of personal and familial wellbeing. For the Wellbeing of All, the New Economic Paradigm must be based on “softer” borders. Transnational cooperation and evidence-based public discourse to address the plight of refugees requires the creation of more open border policies and transnational networks working to change the discourse on migration. Uganda, for example, is showing the way to softer borders for refugee management with its integrative and liberal policies.

### 3. COMMON GOOD ENTREPRENEURSHIP

Ethically oriented consumers and investors have the potential to pave the way for a revolution in the economic paradigm in transforming monetary and economic structures and in driving the development of a praxis that serves people and the planet. We see the failings of predatory free market practices: inequality, economic dislocation, financial short-termism, corruption and exploitation. Whilst human freedom to trade with one’s talents and resources is a private good, societies accept the need to share the cost of providing public goods (good of non-excludability and non-rivalry) and, in less obvious ways, acknowledge the need for interventions in the cause of what might be loosely named as social justice, collective development and ecological protection.

Unlike private and public goods, the Good of the Commons relates to all human behaviours, including economic behaviour, that are taken to benefit those beyond immediate transactions and relations. A market-oriented economy can only work for the Common Good if the majority of actors in the system are able to restrain our instincts for greed and over-consumption and choose to both invest and consume in the interests of the Common Good. Exclusively self-interested behaviours make collective action for public wealth impossible and generate free-rider problems.

The purpose of the economy, and thus of the business enterprise, is

the creation of wealth in a comprehensive sense: natural assets and liabilities, physical and financial capital, healthy and educated people, and trustworthy relations between economic actors. The limited focus on financial and economic measures (as in the common understanding of profit) distorts the meaning of profit (and its maximisation) and distorts decisions about wealth creation. Creating sustainable wealth is the true purpose of economic life which transcends the growth of (material) resources by focusing on people and sustaining nature.

Mainstream economics has failed to acknowledge the intrinsic value of nature. It suggests valuing environmental goods and services on the basis of a market value determined by competing economic actors. Nevertheless, there is no algorithmic solution to nature's allocation problems. Decisions and policies related to nature and society require making qualitative and multi-perspective considerations and wise and responsible management.

In the New Economic Paradigm, wealth creation is re-conceived to be generating sustainable wealth for the wellbeing of all and the safeguarding of all natural resources and ecosystems. Sustainable wealth is measured by an organisation's financial performance, the quality of its management and governance policies and practices and its impact on the relevant public goods and 'public bads' (social and ecological). Organisational purpose is focussed and accountable for an organisation's natural assets and liabilities, physical and financial capital, healthy and educated people, and trustworthy relations between economic actors.

Common Good Entrepreneurship activates the three components of corporate (moral) responsibility:

- The subjects of responsibility ("who is responsible?") are business enterprises conceived as "moral actors" – to the extent they are "corporate actors" (Coleman 1991).
- The contents of responsibility ("for what one is responsible?") consist in creating wealth and respecting human rights.



- The addressees of responsibility (“toward whom is one responsible?”) are not only shareholders and other stakeholders, but also society at large, future generations and nature.

In light of these three components of moral responsibility, companies must demonstrate continual improvement in public wealth creation, measuring it and reporting it. The increasing sophistication, alignment and reporting of ESG measures at the individual company-level is becoming a tool, amongst others such as the GRI, to promote corporate transparency in the management of manufacturing and supply chains. For small and mid-sized enterprises, the B Impact Assessment has been used by over 4,000 companies worldwide to become Certified B Corporations, or B Corps. These companies must meet rigorous standards that require them to consider the impact of decisions on their workers, customers, suppliers, community, and the environment.

Prioritising the Common Good reveals the incompatibility of the prevailing Consumer Society with a realistic understanding of the capacity of the Earth to provide raw materials for this consumption and absorbing its waste outputs, most notably greenhouse gas emissions. A new economic framing must expand the imaginative horizons of producers of goods and services and marketing functions as well as consumers. Importantly, any such new framing must also allow for an inclusion of the needs of people with no access to the consumer society as well as the needs of future citizens. The New Economic Paradigm must be able to inspire societal hope and spur entrepreneurial innovation.

Common Good Entrepreneurship requires a paradigm shift from consumption and its marketing machinery to Consummation defined as “the act of making something complete or perfect” (Oxford Shorter Dictionary). Consummation-inspired marketing has the potential to refresh the role of marketing as a creative, respected and influential positive force in enterprise and as part of a new economic paradigm geared toward “The Consummate

Society.” It can drive a shift to a higher level of excellence in global value chains, redirecting people’s needs, wants and desires and the processes, products and services that fulfil them.

Prioritising the Common Good means recognising that business enterprises are morally responsible to act with justice, supporting systems that promote fairness and solidarity. The wisdom traditions teach us that the supreme good of every person and community is to attain *eudaimonia* (human flourishing). The Confucian Entrepreneur uses Confucian values and principles to avoid unethical ways of pursuing wealth and profits, and instead cultivating culture and learning to bring good to society. S/he is people-centred, combining the spirit of a scholar with the talents of a merchant. The Focolare Movement’s Economy of Communion, for example, shows us how businesses can promote fairness and solidarity in producing goods and services which are needed for human flourishing.

Profits are necessary for business viability and growth, but some profits should be used to invest in social development. To bring governance and accountability to this goal some companies place a limit on the distribution of profits in their constitution. The Social Enterprise Mark now accredits companies in 10 different countries who have limited profit distribution to 49% with the remainder being invested in the organisation’s social purpose activities. B Corp also requires its accredited companies to include a commitment to balance the interest of all stakeholders in board decision-making.

Corporate responsibility complements but does not replace the individual responsibility of business leaders. Organisational managers should ensure that policies give guidance to employees and suppliers to respect human rights, social justice and care for ecosystems. The UN Guiding Principles on Business and Human Rights (UNGP, 2011 ), with its 30 internationally recognised human rights are relevant as the minimal ethical requirements for business and economic ethics in the global and pluralistic

world. The UNGP's Reporting Framework is supported by two kinds of guidance: implementation guidance for companies that are reporting, and assurance guidance for internal auditors and external assurance providers. Equally important in preparing business leaders to exercise these responsibilities is the development of applied ethics in higher education. The next generation must be challenged to experience and analyse social deprivations and shape an urgently needed new paradigm which enables all actors of society to achieve a more just society based on the principles of dignity of each person which is the basis for developing cultures of solidarity, mutual respect, entrepreneurial drive and subsidiarity.

In my own presentation to the Symposium I briefly pointed out the urgent need for change in our educational institutions which may be decisive in order to bring about the paradigm shift. I outlined three tracks upon which such change must proceed:

1) The *humanistic* track:

Values are shaped through different religious and secular wisdom traditions which have always the tendency to fall into ruins. Alternatively, there should be a convincing link established between a scientific exploration of wisdom traditions with case studies which demonstrate their complex implications at all levels of educational institutions. This training often enters the stage too late and is often not well integrated into the rest of the curriculum. No wonder that this is often dismissed as a useless "soft skill" lacking any relevance in the market place. From a cynical point of view the humanistic track just risks becoming a fig leaf. However, it is crucial that the humanistic track keeps exploring innovative ways to demonstrate the need for values education.

2) The *economic* track:

Professional codes of ethics and ethical branding should focus on investment programs emphasizing social, governmental and environmental responsibilities as well as define legitimate restraints on runaway corporate executive salaries based on shareholder rights to determine corporate board

of directors; progressive taxes on the wealthy as advocated by Warren Buffet. A key element is the reference to wisdom traditions which emphasise the purpose of the economy as oriented to the benefit of the larger society and especially of the most disadvantaged. A cornerstone of a new approach to business and finance education is a social analysis which in a comprehensive way explores the consequence of individual and institutional decisions and challenges professionals, students and professors to conduct field work in destitute contexts in order to get a better grasp about the decisive factors to change a situation for the better.

### 3) The *legal* track:

Professional legal networks should monitor the implementation of the regulatory reform packages and develop professionals committed to creating jobs and helping those left behind. Laws should be framed in such a way to make it especially onerous to defraud a pension plan with triple damages provisions and mandatory criminal sentencing with stringent standards. The harshest punishments including various ways of shaming are reserved for corrupt behaviour. However, the main goal of the legal track is not to insist on implementing regulatory reform packages but to develop appropriate principles to guide the legal framework and its related incentives.

#### The promise of unusual success

Prioritising the Common Good cannot happen without a spiritual conversion towards the good of others beyond the individual. The Macau Ricci Institute Symposium referenced a range of wisdom and spiritual resources to challenge economic agents to promote the virtues of empathy, altruism, and respect for nature and future generations. The Manifesto identified three platforms for global economic change. Changing our current economic and technological paradigms is possible. In *Laudato Si'*, Pope Francis sketches a path for conversion at the individual and community level. An important step in changing the economic paradigm is to name the steps involved in transforming an individual change of heart into changes of

communities and changes of structures. “A healthy politics is sorely needed, capable of reforming and coordinating institutions, promoting best practices, and overcoming undue pressure and bureaucratic inertia” (*Laudato Sí*, 2015, 181).

A common thread in the Macau Ricci Institute Symposium was the need for a change of heart (*metanoia*). That change of heart at the individual level must flow into communities and institutions. The building of communities, traditions, and institutions always involves a lot of horse trading. As we enter the so-called Decisive Decade to mitigate the risk of catastrophic climate change we must shift into an emergency pace of action and minimise the cost to the most disadvantaged. Any new paradigm will not be a single “silver bullet”, but a complex web of interacting movements for change. As Pope Francis reminded us, “The urgent challenge to protect our common home includes a concern to bring the whole human family together to seek a sustainable and integral development, for we know that things can change. The Creator does not abandon us; he never forsakes his loving plan or repents of having created us. Humanity still has the ability to work together in building our common home.” (*Laudato Sí*, 2015,13). It has certainly been a happy coincidence that the Macau Manifesto coincided with the renewal of the agreement between the Holy See and China. Despite hosts of difficulties and setbacks this agreement indicates the level of trust which is needed to overcome deep-seated resentments and reach reconciliation. However, this demanding process should not be restricted to the minority of believers. In trusting the Chinese, Pope Francis certainly hopes that they in return will honour his friendship and help him in his attempt to make economic development sustainable.

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