

PRESIDENTIAL SPEECH

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AT THE INTERNATIONAL CONFERENCE ON: “STRONG GLOBAL ECONOMIC SYSTEM : Revealing the Logic of Gratuitousness in the Market Economy”

Bangalore (India), 26 ottobre 2011

Your Eminence,
Your Excellencies, Archbishops and Bishops
Your Excellency Archbishop SALVATORE PENNACCHIO, Apostolic Nuncio in India
Esteemed Speakers, Professors and Reverend Fathers and Sisters
Dear Students and friends,

I am very pleased to participate in this international colloquium in India, on a particularly sensitive issue today, especially in light of economic changes and crises that afflict the world in recent years: “STRONG GLOBAL ECONOMIC SYSTEM : Revealing the Logic of Gratuitousness in the Market Economy”.

Dr. Babusaheb Ambedkar, affectionately called by you, the Father of the Indian Constitution had called this great country to Reflection in 1943: “The questions which President Roosevelt propounded for the American public to consider will arise here, if they have not already arisen: Who shall rule - wealth or man? Which shall lead - money or intellect? Who shall fill the public stations - educated and patriotic free men or the feudal serf's of the corporate capital?”¹

These questions raised by Dr. Ambedkar become very relevant today as in recent years the economic debates are centred on the question of rules, laws, and financial market controls, but rarely on the only thing really important: the centrality of the human person.

After the great leaders of yester years, like Mahatma Gandhi, Jawaharlal Nehru, Ambedkar and others, it seems that our modern day intellectuals lack the moral stature or the ideas and the courage to imagine going beyond a selfish capitalism. Almost everyone appears to be limited to speak innocuously more of an economy of needs than of a more ethical science promoting a wellbeing that is evenly distributed and that concerns not simply the material body but the total personality, the heart, spirit and soul of every citizen.

¹ Ranade, Gandhi and Jinnah. Vol-I, in Dr. Babasaheb Ambedkar Writing and Speeches, Vol 1 published by the Government of Maharashtra, 1979, 213-215.

In this brief lecture, I would like to make a journey through the encyclical, *Caritas in Veritate*, following a track delineated by two terms which on the surface do not appear to belong to the language of economics: **reciprocity and gratuitousness**.

In fact, perhaps the novelty of the encyclical *Caritas in Veritate* for contemporary economic theory and practice lies in the proposal that reciprocity and gratuity are the founding principles for economics and markets. And this holds true not just for the *non profit* market or the voluntary services or for social economics but also for the total ordinary economic life, stretching from the banks to the multinational companies. It appears to be a thesis that sounds revolutionary in the face of which it is legitimate to ask whether it has a theoretical foundation.

In order to respond affirmatively to this question we would first have to clear up the philosophical misconceptions even if partial, of the concepts of reciprocity and generosity. Infact the way these terms are currently used specially in economics differs greatly from the way they are used in *Caritas in veritate*.

1. Reciprocity

I would like to begin the clarification on the connotation of the concept of reciprocity, begin with a reference to an article published in authoritative journals of economics some years ago.²The

Two famous economists who authored the article, present theory of reciprocity which holds that an altruistic person should choose as a *partner*, who is indifferent and not altruistic, giving this reason: an altruist would be saddened by the low level of happiness of his or her partner. But, if the second partner also worried about the first, then he or she, too, would be pained for having made the first partner sad. In other words, according to this theory on reciprocity, if the well-being of one person (A) also depends on the well-being of another (B), and if the well-being of B depends on that of A, when A is not well then B suffers because of it, and this fact makes A even worse because B is suffering because of him, and so on, in a growing spiral of suffering. The strategic indication contained in this theory is that if one wants to avoid suffering too much in difficult moments, it is necessary to choose a partner who does not worry too much about it, so that these mechanisms are not triggered. The critique that British economist Robert Sugden gives

² BERNHEIM D. – STARK O., «Altruism Within the family Reconsidered: Do Nice Guys Finish Last?», in *American Economic Review*, 5 (1988) 1034-1045.

that article is interesting: “this hypothesis is contrary to the facts of experience. When we are unhappy, we want sympathy; other people’s sympathy makes us feel less unhappy, not more. We want partners who will sympathize with our pleasure and our pains”³.

The problem with the concept of reciprocity in the theory proposed by Bernheim and Stark and in most economics models is the question of individual preferences⁴ when it should really be a question of relationships rather than a sum of individual relationships. Reciprocity has no meaning if it is not taken in the context of relationships. This can be better understood in terms of the “*we rationality*”⁵, developed by economists like Robert Sugden, Michael Bacharach, Alessandra Smerilli and others who speak of a relationship without renouncing the primacy of the person, nor reducing the whole group to an abstract “we”.

Then there is yet another problem in the contemporary theory of reciprocity: that is the fact that genuine sociality in reciprocal behavior is measured simply by the sacrifice of "material" benefits while rewarding or punishing personally. While there is no doubt that sacrificing for punishment and rewarding does have a civic function – think about the punishment one could receive for throwing papers in the street – the fact cannot be ignored that even in this case, the attention is on individual behavior, losing sight of reciprocity as a relationship. The different theories on reciprocity remain substantially individualistic, containing however individual actions that are altruistic or pro-social. Reciprocity thus is reduced to a simple “exchange of gifts”.

Similarly the other types of reciprocal relationships like those that involve contracts, of market association, of the so called “normal” economy are often considered by modern theories of economics to be “bad” forms of reciprocity, because altruism and selflessness seem to be avoided a priori by these exchanges.

One can take recourse to ancient philosophers like Aristotle and Plato to find the real meaning of reciprocity. For them there was a social link that held together the life of the *polis* in whose vision reciprocity extends to the relationships in the market to reach to the point of friendship (*philia*) if we look at the etymological roots of the word reciprocity, we discover that the word comes from the Latin *recus* (behind) and *procus* (in front) producing the meaning of that which goes to and from or which comes and goes. Reciprocity is not to be considered as a contrast to the

³ SUGDEN R., «Correspondence of Sentiments: An Explanation of the Pleasure of Social Interaction», in BRUNI L. – PORTA P. (EDD.), *Economics & Happiness. Framing the Analysis*, Oxford University Press, Oxford 2005, 97.

⁴ Cf KOLM S. C., *Reciprocity. An Economics of Social Relations*, Oxford University Press, Oxford 2008.

⁵ In this theory, the belongingness to various groups interacting among themselves is replaced by a mentality of all of forming one collectivity.

different social contracts in business and market phenomena. There are important phenomena cited in fact instances in modern economics wherein reciprocity has found a voice and life in the phenomena cited by *Caritas in Veritate*. We can cite for example equitable commerce⁶, which means providing an equal playing ground in the markets for developed and underdeveloped countries or for that matter micro financing⁷, which makes credit available to those who would be excluded from the system on account of the impossibility providing patrimonial/property ownership guarantees. Also of great interest is the Economy of communion which is linked to the Focolare movement.⁸ In this system, as compared to other business systems, the companies involved channelize the profits not as per the remuneration of Capital, but to communion directing it to three objectives: helping people in difficulty (creating new jobs and providing for primary needs), spreading both the “culture of giving” and of love and also of developing business. Our recent experience shows us that many more people are liberated from the traps of indigence and exclusion through social and business contracts than through charity of gifts.⁹

It is from this perspective that the thought of the Holy Father in *Caritas et Veritate* is to be interpreted. He teaches that “The Church's social doctrine holds that authentically human social relationships of friendship, solidarity and reciprocity can also be conducted within economic activity, and not only outside it or “after” it. 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.”¹⁰

2. Gratuitousness

Caritas in veritate emphasizes the subject of gratuitousness and gift. In connection to economics: “Only in charity, illumined by the light of reason and faith, is it possible to pursue development goals that possess a more humane and humanizing value. The sharing of goods and resources, from which authentic development proceeds, is not guaranteed by merely technical

⁶ Cf BECCHETTI L., «Commercio equo e solidale», in *Aggiornamenti Sociali*, 1 (2004), 65-68.

⁷ Cf MAGGIO F., «Finanza etica», in *Aggiornamenti Sociali*, 1 (2003), 70-73; REGGIANI T., «Premio Nobel al microcredito», in *Aggiornamenti Sociali*, 12 (2006) 823-833.

⁸ Cf www.edc-online.org e FERRUCCI A., «Il progetto di Economia di Comunione», in *Aggiornamenti Sociali*, 4 (2002) 324-332.

⁹ Cf BRUNI L., *Reciprocità. Dinamiche di cooperazione, economia e società civile*, Bruno Mondadori, Milano 2006.

¹⁰ *Caritas et Veritate*, § 36.

progress and relationships of utility, but by the potential of love that overcomes evil with good (cf. Rom 12:21), opening up the path towards reciprocity of consciences and liberties.”¹¹

Benedetto XVI uses the expressions «gift» e «gratuity» as synonyms. In this his concept is innovative and different from the contemporary science of economics, and in certain ways even from social sciences in general which associate gift with altruistic or philanthropic behavior and in general to a “something” of human action. Instead, the gift that we find in the encyclical is the “giving”, a self-giving of the person and therefore concerns first the question of being and then that of acting, something that assumes various forms. This gift or gratuity can be inserted into any type of action even in the social contracts and markets and business activity. Gift-Gratuity is therefore not a *gadget*, or concession, nor gifts, nor points gained on loyalty programmes. Real gratuity places itself before the others, specially those who are vulnerable without mediators, because it goes beyond the calculations of equivalence or guarantees.

This gratuity is present in the title of the encyclical itself, in which *Charity* which at the beginning of Christianity was written as *caritas* is a latin translation of the Greek *agape* (love) but also refers to another Greek word *charis* (Grace, gratuity). Thus, *caritas* being *agape*, that is love that is typically Christian love, a love that implicitly includes reciprocity, because Christian love means nothing other than “love one another” (John 13:34). The love taught by Jesus ushers in a new fraternity even in economics based on reciprocity and gratuity. This can be done only if as the great Indian Philosopher Dr. Sarvepalli Radhakrishnan said, “One has to achieve not merely technical efficiency but greatness of Spirit.”

3. Conclusion

Only within the vision of Reciprocity and gratuity can we understand the idea of economic activity and economics in *Caritas in veritate*.

As we begin this every interesting conference on economy, being an African, let me end with the prayer of a great African, Leopold Sedar Senghor, President of Senegal, West Africa in the 1960s

O bless this people, Lord, who seek their own face
under the mask and can hardly recognize it...

O bless this people that breaks its bond...

And with them, all the peoples of Europe,

All the peoples of Asia,

All the peoples of Africa,

¹¹ *Caritas et Veritate* § 9

All the peoples of America,
Who sweat blood and sufferings.

And see, in the midst of these millions of waves,
The sea swell of the heads of my people.
And grant to their warm hands that they may clasp
The earth in a girdle of brotherly hands,
Beneath the rainbow of thy peace.