

DIOCESE OF BRESCIA

Conference on “The Christian and the challenge of globalization”

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Social values in the age of globalization

Address by the Governor of the Bank of Italy
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Brescia, 7 September 1998

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Giuseppe Tovini lived and laboured in the second half of the last century, a period of sweeping political and social change. His work and thought had a profound influence in this region and this town.

Born a citizen of the Austro-Hungarian Empire, Tovini had become Italian while still at university and soon had to contend with the political and moral problems posed by the Roman Question.

He was not intransigent by nature; he sought to lay the foundations of a future reconciliation and resolved conflicts by steadfastly adhering to the Church's teaching.

He threw himself wholeheartedly into local politics and administration. Working together with many other Catholics, he played an important role in organizing opinion campaigns and associations. He was intensely involved in cultural activities, worked in the field of political journalism and promoted publications that took root in the decades that followed and still flourish today.

Among the many projects for the material and spiritual advancement of his fellow citizens, he assigned primary importance to schooling, the education of children and the training of youths.

He encouraged the foundation of banks and the construction of public works that would benefit the region in which he lived. Particularly in his later years, he felt the need to extend the range of his activity by promoting initiatives on a national scale.

Both the intensity and the results of Tovini's labours were prodigious, but they did not diminish his devotion to his family. He was sustained throughout in his work by his rich spiritual life; we have only to recall his piety and adoration of the Eucharist. In the last years of his life and right to the very end, the inner strength and the vision that sustained him enabled him to go on even amid difficulties and incomprehension. Some of the major cultural and financial ventures that he launched bore fruit after his death.

Tovini was totally immersed in the problems of his times. The breadth of his vision made him a precursor of practical social reformism. His *modus operandi* and the values he pursued can still provide us with guidance in addressing the problems of our own times.

1. Tovini's style and method

Tovini performed his intense and multifarious activities in conditions of often vehement, though always loyal antagonism with political adversaries, sometimes with friends, for on occasion he met with incomprehension on the part of those who shared his ideals. At that point in history those who opposed him sometimes represented the State. Yet he never set himself against the institutions or authority of the State as such. He endeavoured through persuasion, using the instruments offered by the law and politics, to turn the action of the public authorities toward the values and objectives that he shared with many others, indeed the majority of the population.

He worked from inside existing structures, but sought to improve them and adapt them to the needs of the day; this was the secret of his reformist gradualism. Taking

advantage of every space of freedom and initiative, he sought to create a society that would not hinder, but foster, the pursuit of his own high principles.

He promoted innovative activities and procedures to address social needs that were still latent and unexpressed, but which his intuition recognized.

He was a layman in the fullest sense of the word. If mystics are people able to read and interpret structures, events and situations in the light of a higher vision, Tovini certainly was one; and this accords with his conduct, even in everyday affairs.

2. Social institutions and economic life

Tovini was thus not a revolutionary who attempted to overturn existing equilibria. The results of his activity have lasted because they were rooted in the force of intellect, in the conviction and involvement of all those concerned.

Democracy, in the sense of popular participation in the administration of *res publica*, was less developed in Tovini's day than it is now; yet when he was faced with difficulties, Tovini placed confidence in his fellow men, not only those who held positions of responsibility and authority, but also those of humbler status, the common people.

He aimed to bring out the best in people and focused on education. In the seemingly dry parlance of modern economists, we would talk of investing in human capital.

This is a lesson that is still valid today.

The most socially and economically advanced communities are those with the highest level of education among all their citizens, not just among privileged minorities.

The causal relationship between progress and education runs both ways. There is an undeniable link between economic wellbeing and a higher average level of education and a tradition of cultural and social institutions able to foster awareness of the problems facing society and ensure the efficient functioning of public services. Civil society is founded on shared ethical principles and conduct that translate into and ensure the proper functioning of the public sector and the private economy.

It is difficult, perhaps illusory, to construct a modern economic and financial system without a fabric of cultural, social and political institutions in which the generality of the population plays an active role. Dramatic and far-reaching events of the present time serve to remind us of this.

3. Some current problems: the school system

Accordingly, Tovini devoted great attention to culture, the school system and the education of young people.

In Italy the school system, the enhancement of its efficacy, contents and values, can and must make a further important contribution to economic and social development, especially in the economically disadvantaged areas and regions, marked by behaviour that gives priority to the achievement of wealth and power and contrasts violently with orderly social life and modern economic activity.

School drop-out rates are higher in Italy than in the other leading industrial countries. In relation to the active population, the number of certificates and diplomas earned at the different levels is significantly lower. Total spending on education is relatively modest, reflecting the limited importance of private education.

In the countries we compare ourselves with, there is a better balance and closer cooperation between public and private schools, ensuring standards of education that are qualitatively and quantitatively superior and match the productive needs of advanced societies.

The coexistence of public and private education must aim at achieving a balance — required by distributive justice, democracy and the Constitution — that rewards young people's abilities and aptitudes and does not discriminate heavily according to families' wealth. This requires the solution of the complex problems of funding, teaching assignments, compulsory schooling and autonomy, on which Parliament and the Government are now working. A critical examination of school systems in other leading countries can help in identifying solutions.

4. Employment

In the economically most backward regions the distortions in culture and values are intertwined and interact with structural unemployment and the difficulty young people have in obtaining dignified employment.

On numerous occasions in the past I have dwelt on the problems of unemployment, especially among young people, and on the need to find adequate solutions both on the supply side and on that of effective demand.

Employment in Italy had already begun to shrink in the eighties. At the start of 1993 I warned that past developments and recent trends indicated the situation would grow worse and underscored the need for adequate countermeasures.

The origin and spread of the contraction have become clearer since then. The rise in unemployment is common to all the economies of continental Europe. It stems from a deterioration in the outlook for growth, due in part to the ageing of the population, and from the insufficient competitiveness of our economic systems in the face of the new challenges of globalization. Firms' efforts to achieve efficiency gains, primarily through the introduction of innovative technologies, have the immediate consequence of reducing employment. Competitiveness is blunted by high levels of taxation and labour costs.

Alongside unemployment, grey employment is spreading. A part of the workforce is employed in jobs that are insecure and irregular, particularly as regards taxation and social security coverage. The problem exists in all economies, but its scale in the South of Italy is alarming.

Grey work, besides revealing other dysfunctions, is evidence that the conditions of regular employment are uneconomic in relation to productivity and international competition.

It is now widely recognized that there is an urgent need for appropriate solutions; the problems are receiving priority attention from employers, the trade unions and Parliament.

It appears necessary for labour costs to be brought closely into line with productivity on a local and a sectoral basis and even at the level of the individual company.

It has to be acknowledged that conditions of employment are more flexible today than they were just a few years ago. However, they still do not appear to be flexible enough. Market forces and workers' state of need create a de facto flexibility, based on non-compliance with the regulations, that is risky for the firm and less advantageous for workers than a legal contract even where this guarantees a lower wage.

Irregular jobs have far-reaching ethical and social implications.

They are damaging above all to younger workers, many of whom are irregularly employed. The official statistics show irregular employment to be at least 20 per cent of total employment in Italy, and the proportion is higher in the South, where it reaches 50 per cent in some branches of activity. Only a small part of the unemployment recorded by labour force surveys corresponds in reality to off-the-books employment, the portion of the latter that escapes the official statistics.

When young people suffer such problems, there is clearly a risk that they will be attracted by illegal activities and, in extreme cases, by organized crime.

The problem of labour flexibility is accentuated today by the new conditions in which our economies operate in the age of globalization.

Globalization has brought an unprecedented increase in international trade, and hence heightened competition from countries with extremely low incomes, labour costs and living standards. In the past this concerned only less sophisticated products, but in recent years, as the education and skills of the workforce in the emerging economies have improved, it has come to involve technologically advanced industries as well.

By comparison with earlier decades, the full international opening of the economy has also made the demand for goods more variable and increased the need for structural change.

Flexibility is required of firms in their organization of production and choice of products; it must be mirrored in the behaviour of the labour force.

The flexibility must be such that, in a setting of monetary stability, it fosters growth and employment.

Increasing investment by Italian firms abroad and a scant ability to attract foreign inward investment are evidence of an uncompetitive environment.

The regained stability of our economy owes much to incomes policy; a lasting agreement between employers and the unions is necessary. The globalization of the economy and the defence of employment will require a new dimension to incomes policy within the framework of continued cooperation between business and labour. Not only wages but also working hours and employment practices must be more closely related to productivity, profitability and the business cycle.

Unless flexibility is governed legally by workers' and employers' representatives, it remains the preserve of market forces, often with the undesirable effects I noted earlier.

The legality, security and dignity of workers are desirable qualities of our society. They must be defended, because they have been called into question with the full international opening of the economy.

They are values that are inherent in civil society and the principles of democracy.

5. The public sector

The growth of an economy depends on the prospect of an expansion of aggregate domestic and international demand in connection with the emergence of new needs, population trends and international opening.

Monetary stability is a necessary condition for an environment conducive to the creation of wealth and the expansion of employment.

In order to enhance competitiveness, it is necessary to give certainty to expectations concerning the level and composition of public expenditure in the long term. The objective must be a substantial easing of the overall fiscal burden, which, by weighing on workers, firms and the economy as a whole, is a drag on the growth in economic activity and adversely affects employment.

More than a century ago a German economist enunciated the law that in the long run the budget grows faster than the economy. This tendency was fully confirmed in the decades following the Second World War. Public expenditure is now everywhere far higher than it was in the prewar years.

In the OECD countries, which in recent decades have enjoyed unprecedented growth, the individual ratios of public expenditure to GDP rose from around 30 per cent in 1960 to around 50 per cent from the eighties onwards.

The share of expenditure devoted to defence, public safety, education, justice and the operation of local and central government has remained virtually unchanged at about 20 per cent of output.

By contrast, expenditure on health care and, even more markedly, social security has expanded steadily. The situation differs somewhat from country to country: the share

is higher than average in continental Europe and Scandinavia owing to the more extensive coverage provided by these countries' social welfare systems.

The cost of servicing the public debt has increased rapidly in some countries owing to the failure of revenues to keep up with the exponential growth in expenditure. After increasing initially, the resources devoted to infrastructure and public works have remained modest.

Over the years the increase in the supply of goods and services by the public sector has sometimes led to inefficiency, especially when the goods and services were produced directly by the State. As public expenditure increased in scale, evidence of its low productivity began to accumulate.

A reduction in the role of government can help to foster faster economic growth by making it possible to lower taxes. This is especially true in an international context where other countries already have a lighter tax burden or, following action to curb expenditure, are now easing the pressure of taxation.

A better division between public finance and private enterprise offers the prospect of large gains in overall efficiency and social welfare.

Action must therefore be set within a medium-term framework, with a constant focus on containing expenditure and increasing productivity and distributive efficiency in the sectors where expenditure is tending to rise fastest — first and foremost public health care and pensions, where private insurance is a possible alternative.

Needs arising from changes in the economy and increased international openness remain unsatisfied. In the social policy field this openness has produced a new demand for assistance, education and integration connected with the flow of immigrants.

Infrastructure is inadequate, especially in the South; even though private capital can play a role in such projects, public initiative is still necessary.

Planning the main items of the budget is not only useful, it is necessary. In no way, however, should it entail a command approach to entrepreneurial activity. In order to attract foreign investment and avoid the relocation of production outside Italy, favourable conditions for business growth must be created by improving infrastructure and public services, reducing the tax burden and reforming the labour market to meet the new needs arising from international openness.

Public initiative at the legislative and administrative levels remains essential in laying down guidelines for the satisfaction of collective needs. The actual choice of the composition and level of production must remain the preserve of firms, which are called upon to maintain a constant effort to innovate and diversify.

More room can be given to the non-profit and voluntary sector, which in more advanced economic systems has a broad and varied role and is better than central government and local authorities at identifying new needs and responding to them efficiently.

6. Globalization

Globalization is the product of an epoch-making change. It stems in part from major technological advances in communications but it is also the result of cultural changes in attitudes and relations between peoples. The transformation is fraught with risks but it also offers great opportunities.

Globalization has fueled international trade in goods and services. In recent years it has primarily involved financial assets, which have sometimes grown at an abnormal rate compared with productive activity. In the years to come it will increasingly affect the movement of persons.

International commerce is an ancient activity; in the decades following the Second World War it expanded enormously. Subject initially to a degree of control and then managed, the growth significantly boosted the economic development of the countries that succeeded in participating in the flow of trade.

Financial globalization is a more recent phenomenon, one that has developed with little external control owing to the absence of authorities able to govern the pace and manner of expansion. By its very nature, it requires regulation.

International finance has made a major contribution to economic growth. The growth in the volume of financial flows can nonetheless be excessive; funds can be suddenly relocated, causing stability crises and in extreme cases, which have been disturbingly frequent, having political consequences. Sometimes the cost of financial instability has been the destruction of wealth and savings and the impoverishment of parts of the population in the weaker economies that had placed too much reliance on international finance; on other occasions, it has taken the form of inflation and unemployment.

These problems are still with us and are receiving close attention from the monetary authorities of the leading countries; however, in view of the complexity and magnitude of these crises and the absence of adequate instruments with which to intervene, their solution remains uncertain.

All in all, however, the globalization of trade and finance in recent decades has been beneficial, since it has fostered worldwide economic growth.

A major effort is under way, aimed in the first place at analyzing and understanding phenomena of unparalleled intensity and scale.

The measures already adopted in the last three years to counter the crises in Mexico, Asia and Russia have involved a huge volume of resources, unequalled, even in relative terms, in earlier interventions; they have kept the risk of a collapse of the international monetary and financial system at bay.

But the return to normality will also have to be based on new rules for finance and money that international organizations and the central banks of the leading countries are struggling to define.

Ways are being sought to handle crises with a fairer division of the costs among all the parties involved. The primary objective must be to develop a system for forestalling crises. This will require the role of the International Monetary Fund and the World Bank to be revised and strengthened.

Globalization also affects the relations between peoples, labour forces. An internationally concerted and coordinated approach to the problem of migratory flows appears increasingly necessary. Over time such flows can bring a series of benefits, especially for countries whose populations are ageing rapidly, as in Europe. Together with voluntary organizations, political and administrative bodies are working to limit the sometimes disruptive short-term effects of immigration, control the flows and maximize the benefits.

7. An open society and the primacy of the person

The epoch-making change of globalization must necessarily be matched by innovations that will allow our economies to benefit from the transformation, while reducing the inevitable costs and limiting the risks.

A modern society open to cultural and economic exchanges with other countries requires, in addition to political and social institutions, an economic environment that is favourable to private enterprise, a system of labour relations that has definitively superseded opposition on principle between workers and firms and that makes what each side requires and provides more compatible with the growth of economic activity and, lastly, public finances that are more functional and productive.

The closing years of the last century were probably no less agitated than our own times and just as affected by political, social and economic changes. Giovanni Battista Montini noted that Giuseppe Tovini was among those who "... were aware of the new world and sought with humble means and great courage to enter ... the social arena".

Men like Tovini, and many others with him, tackled serious new problems with a spirit of service, professional competence, cultural openness and great personal commitment.

He gave us a lesson of farsightedness that, especially today as the short century gives way to the new millenium, is, should be, a quality of those who are active in society and of those who administer the state.

Tovini, together with satisfaction for the results he achieved, encountered difficulties and opposition on more than one occasion. The ability to foresee and pursue the general interest sometimes gives rise to misunderstandings among those who would

like immediate results, but also to gratitude on the part of the majority when the long-term goals are understood.

Tovini's endeavours in this world, his constant reference to a higher ideal bring to mind the ontology of Thomas Aquinas: "*Ipse totus homo ordinatur ut ad finem ad totam communitatem cuius est pars ...*". But "*Homo non ordinatur ad communitatem politicam secundum se totum et secundum omnia sua*". And further, "*Totum quod homo est, et quod potest, et quod habet, ordinandum est ad Deum ...*".

This, I believe, is the most important lesson for us and our times.