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What civil society for the Italy of tomorrow?

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Introduction

Italian society is seeking a more stable structure, directions in which to develop that a great many people of good will can believe in and support.

The evolution of international political and economic relations, technological development, close and pervasive exposure to financial, demographic and cultural exchanges with other countries and regions of the world are raising new problems and creating new needs; they require changes in the organization of the economy and in the State, renewal and reforms.

We must recover ideas and proposals for action, with objectives of justice and the common good our constant aim.

Mater et Magistra, *Centesimus Annus* and *Quadragesimo Anno*, which in the thirties had already highlighted the problems of financial capitalism, remain fundamental reference works.

Gaudium et Spes and *Populorum Progressio* offer mankind a vision of hope and cooperation, at the global level.

I Italian economic development

Italy is one of the world's leading industrial countries. Its gross domestic product is equal to about 3 per cent of world output.

During the nineties, Italian GDP grew more slowly than in previous decades and less than the available resources would have allowed.

The consequences in terms of the exclusion, even when only partial, from economic, and hence civil, life of so many, especially the young, are plain. Unemployment undermines distributive equity; it worsens the suffering of those who for other reasons already do not participate fully in civil and political life; it generates poverty.

Italy, like other European countries, is going through a period of economic and social transition whose duration and outcome are still uncertain. The difficulties derive in part from external factors, such as financial globalization and economic instability in the countries of Central and Eastern Europe following the collapse of the socialist regimes; in the last two years, the financial crises in Asia and Latin America have adversely affected economic conditions. Italy has been burdened with inefficiencies, unresolved organizational problems, the uncertain progress of institutional transformation, corruption in business, insecurity and the spread of organized crime in some parts of the country.

Industry's contribution to growth is now much smaller than in earlier decades.

The decline in the birth rate, the associated fall in the size of the younger age groups and the ageing of the population, in part due to the positive development of longer life expectancies, have shifted consumption from industrial products to services.

In the fifties and sixties in Italy, as in other large countries, the gradual opening to international trade and the European Common Market were powerful stimuli to growth and the modernization of the economy.

The foundations of a modern welfare state were laid during this period. The public pension system was founded, social pensions were introduced and health services were extended to ever broader segments of the population.

Between 1950 and 1970 Italian GDP grew by an average of 5 per cent annually. The number of labour units in employment rose from just over 17 million to 20 million. Between the mid-fifties and the end of the sixties the unemployment rate declined progressively, from 6.6 to 4.2 per cent.

In the late sixties and early seventies, social protest and labour strife, in part a reaction to many years of moderate wage growth, led to a significant redistribution of income from profits to wages and from investment to consumption.

The oil crises led to a further increase in the wage bill and a long period of double-digit inflation. The severe restrictions on bank lending in 1974 and 1977-78, and the reduction of the budget deficit in the latter period, curbed inflation, thereby avoiding devastating effects for the financial sector and the productive economy. Inflation subsequently rose again, fueled by the expansion of public spending and worsening deficits. Pensions and health service coverage were increased even further.

In the early eighties, restructuring in industry caused a large fall in employment in the sector, which was nevertheless offset by an expansion in services. The increase in interest rates and the containment of monetary growth gradually brought the inflation rate into line with that in the other advanced economies.

Italy's participation in the European Monetary System played a decisive role in curbing inflation.

The inadequacy of budgetary policy and the lag with which incomes policy followed monetary policy slowed the process of disinflation. The loss of competitiveness stemming from the rigour of exchange rate policy caused the external deficit to increase.

The public debt began to expand rapidly.

Towards the end of the eighties, lower oil prices and slower wage growth allowed firms to improve their profitability. However, they were penalized by high interest rates, which were necessary to stabilize the exchange rate and ensure the placement of the public debt. Investment suffered as a consequence.

Between 1970 and 1990 domestic output increased in real terms at an annual rate of 3 per cent and employment rose from 20 to 23.3 million labour units. However, in 1990 the unemployment rate had risen to 9.1 per cent.

The exchange rate crisis in 1992 dramatically revealed the imbalances and inefficiencies that had accumulated since the mid-seventies and were still present in the Italian economy.

The sharp correction in the deficit implemented with the 1993 budget, comparable in scale to that of 1977-78, accelerated the consolidation of the public finances at the cost of a pronounced fall in domestic demand. The decline in industrial employment associated with a new wave of restructuring was not offset by the increase in employment in the services sector. At the end of 1995 employment had fallen by 1.2 million units from its level at the start of the decade.

Unemployment, which had already increased during the eighties, rose to very high levels in the second half of the nineties both in historical terms and in relation to other countries.

The labour force participation rate in Italy is about 60 per cent, one of the lowest among the industrial countries. The unemployment rate, which was 11 per cent on average in July, is especially high among young people and in the South.

Between 1990 and 1999 GDP has risen at an average annual rate of 1.2 per cent, half that recorded in the other EU countries.

In 1998 per capita GDP was 36 million lire, in real terms nearly twice its level in 1970 and triple that in 1960.

The distribution of income is affected by unemployment and the many people in irregular employment on earnings well below the average. The ratio of employee compensation to value added at factor cost for the entire economy was 44 per cent in 1960; it rose to over 50 per cent in the mid-seventies; in 1998 it had fallen back to 44 per cent.

If the increase in overall and per capita income does not give rise to prospects of a new phase that will also benefit those at the margins of society, the inequalities may fuel tensions, fragment social consensus and generate opposition; they may also produce mistrust and apathy towards politics and institutions.

The two Italies

The Italian economic crisis of the nineties mainly affected the South. The average unemployment rate in the southern regions has risen to 22 per cent; nearly half the young people under the age of 30 are looking for work.

The abrupt termination in 1993 of the special southern development programme, inadequate as it was in many respects, aggravated economic and social conditions in the area. The stagnation of the southern economy gave rise to endemic problems of banking instability that were overcome by the intervention of the supervisory authorities and injections of funds by the State and the national banking industry.

The historic dualism of the Italian economy, which is rooted in and intertwined with the cultural and environmental context, has grown worse again after the projects launched in the first phase of southern development policy in the fifties and sixties had begun to close the gap between the South and the Centre and North of Italy.

Two major areas coexist in Italy with sharply contrasting economic and social characteristics.

Some of the regions in the Centre and North are just as affluent as the most highly developed areas of Europe, and sometimes more so. Unemployment is low; in many cases there is almost full employment.

In the South, where 36 per cent of the Italian population lives, per capita income is 45 per cent lower than in the rest of the country. The region's endowment of tangible and intangible infrastructure is especially inadequate by European and northern Italian standards.

While the northern regions show a substantial demographic deficit, birth rates in the South continue to be appreciably higher than death rates; the average age of the population in the Centre and North is 42, in the South it is 37.

Demographic trends

Population aging looms over Italy, even more than over the rest of Europe, owing essentially to the fall in the birth rate.

The fertility rate, which needs to be slightly above 2 children per woman to maintain a stable population, has been falling in Italy for three decades to stand at 1.2, the lowest level of all the developed countries.

The number of young people is declining in both relative and absolute terms; that of old people is increasing.

Based on life expectancy curves, the population of people under age 20 in a stationary population should theoretically be about 25 per cent of the total. In Italy the figure has already fallen to 21 per cent, underscoring the process of population aging and demographic decline; it will fall still further over the next two decades.

The work that older workers can do exceeds that of the past in terms of both quantity and quality. Nonetheless, the scarcity of young people and the rise in the average age of the population affect economic progress in several ways.

Failing a sharp rise in birth rates or in immigration, Italy's population will shrink, especially in the regions of the Centre and North, where the death rate exceeds the birth rate.

Slower economic growth and a higher average age lower the propensity to invest in industry; saving diminishes; demand shifts towards services; investment in human capital, which is crucial at a time of far-reaching structural change, does not rise sufficiently.

II Globalization and competitiveness

Globalization basically consists in the enormous growth of the last few decades in world trade in goods and services and in capital flows. More recently, above all in finance, it has been the result of the huge strides made by information and communications technology.

Information, data and financial capital can now be transferred, instantaneously, anywhere in the world.

We talk of a single global financial market.

Globalization, which is the product of scientific and economic progress, has been driven by the leading multinational groups and the countries able to reap the economic and political benefits. It has extensive and sometimes devastating cultural as well as economic effects; it affects the nature of the goods that the world produces and consumes.

In this new context firms in some branches of economic activity tend to grow ever larger in size. The bulk of world merchandise trade is controlled by just a few hundred large corporate groups.

Trade in financial instruments has had especially important consequences for the management of savings, banks' operations, capital markets and the ownership and organization of enterprises.

All of these factors have an impact on the generation of income and on employment. Appropriate economic and social policies are required to deal with their effects.

The step-up in international migration can itself be seen as one facet of globalization. Men and women move from one country to another, from one part of the world to another, in

search of a higher standard of living. In the long run the impact on culture, society and politics is more far-reaching than that of commercial and financial exchange.

Globalization intensifies competition both in the international sphere and within national markets, with beneficial effects for economic and social progress. It may result in faster world economic growth.

In the medium and long run the world economy stands to gain considerably from a better allocation of the available resources and the easing of financial constraints on the growth of investment.

However, economies that are unable to adapt may suffer impoverishment, especially among the weakest social groups and in the most backward regions. There may be a contraction in some traditional economic activities and forms of employment. In the short term even the industrial economies may be adversely affected by international competition. For countries to benefit from the new global context, they will need to have policies that reinforce the productive structure of the most advanced sectors.

Markets must be subject to rules and controls that guarantee the full and correct play of competition. Situations in which a few large operators can distort market conditions to their advantage must be avoided. Control, complicated enough at the national level, becomes problematic in the international sphere, requires that there be a powerful will to cooperate.

Globalization is a historic phenomenon. Its consequences have been the object of inquiry in recent years by intellectuals, politicians, men of the Church. Conditions must be created nationally and internationally that will ensure an equitable distribution of the benefits it brings.

In the new context, a decisive role will be played by the ability to develop innovative industries, to offer quality products at competitive prices.

The competitiveness of a region or of a country influences its ability to stimulate and attract productive investment, which is the source of output and employment, of income and consumption, and, ultimately, of the standard of living of its citizens.

The cost of labour in a country must be competitive by international standards. The level of the taxes levied on labour, firms, consumption and income from financial assets must not be penalizing. There must be adequate infrastructure permitting high productivity to be achieved. Justice and law and order must be assured. The legal and social environment must be conducive to the growth of enterprises.

The attainment of these objectives can and must be compatible with legislation that ensures sufficiently high levels of social and environmental protection.

III Participation and social exclusion

In 1754 Antonio Genovesi inaugurated here in Naples the first chair of Political Economy in Europe; economics was part of a broad range of social and political analysis. He asked what objectives the sovereign and those responsible for public affairs should have and enunciated the dictum of maximum economic well-being for the largest possible number.

States' economic and social policies must explicitly establish the objective of maximizing the growth of the economy and employment.

The long period of economic growth that began in the 1950s gave rise to a parallel process that brought increased well-being for the population, growing participation in economic and democratic activity and, ultimately, enjoyment of the advantages of civil society.

In the fifties and up to the middle of the sixties large numbers of young people and adults continued to leave Italy in search of better living conditions abroad, above all in other European countries. With the rapid growth of the economy in the sixties the flow first came to a halt and then gave way to immigration.

Rising employment and prosperity gave young people confidence in the possibility, thanks also to higher educational attainment, of finding a job and achieving a dignified standard of living.

The crises of the seventies and the delay in adjusting economic policies in the eighties first slowed down and then halted these positive trends.

In the nineties the ability to create new jobs in Italy seems to have been exhausted, owing to the fall in the rate of growth. This has led to the exclusion of a large number of citizens from economic activity.

The diminished possibility of entering the world of work in a satisfactory manner is a major cause of social exclusion. The lack of a regular job comes on top of other causes of difficulty and hardship.

The new forms of flexibility recently introduced into employment relationships have reversed the decline in employment. Between 1995 and 1999 the number of persons in work increased by 600,000, mostly in part-time and fixed-term jobs. A large number of young people have obtained regular work, thereby alleviating unemployment.

Social exclusion

According to a recent study carried out by the Centro Studi Investimenti Sociali (Censis), more than 650,000 households have one or more members suffering from a serious illness, such as Alzheimer's disease, cancer or AIDS; 320,000 households have problems associated with mental deficiency; 1,400,000 households include someone who is blind or deaf and dumb or otherwise physically disabled; more than 700,000 households have to cope with alcoholism or drug addiction. The use of drugs among young people is rising.

More than 3,000,000 Italian households are faced with difficulties of this kind; of this number nearly 15 per cent have one or more members who require continuous care, in terms not only of economic support but also of attention and affection.

The burden weighing on these households calls for both general and specific measures. We must close the gap that separates Italy from the other European countries in this field.

One of the most telling indicators of social exclusion is the large number of young people who drop out of school to take up jobs that are often irregular and sometimes illegal. There are 180,000 seventeen year olds who have dropped out without obtaining a lower secondary school diploma.

In the North the phenomenon appears to be due to the difficulty the school system has in competing with a high demand for young workers in jobs that are qualitatively attractive. In the South the young drop out for a variety of reasons related to social hardship and cultural deficiencies; the ability of the school system to encourage investment in educational attainment is limited.

One of the fields in which Italy lags far behind is that of computer literacy. A survey of young people aged between 15 and 24 conducted in 1997 showed that the proportion of those who regularly used a computer was well below the European average.

Some 11 per cent of the labour force is out of work, about 2,600,000 persons. Of this number 40 per cent are first-job seekers; more than half are women; the majority are resident in the South and are aged between 25 and 39, the age group that should be the most active.

There are about 700,000 households in which nobody has a job, 5 per cent of the total; in 450,000 households there are only persons with irregular or precarious jobs; in 670,000 low-income households there is only one person working; 10 per cent of Italian households include employed and unemployed persons.

This widespread hardship undoubtedly also reflects the transformation under way in a large part of the labour market, where new forms of regular employment, albeit not full-time or permanent, are growing in importance. According to the National Social Security Institute (INPS), some 1,500,000 million people are employed on part-time or fixed-term contracts.

The ways in which people, including young people, are employed are different from those of earlier decades, when job stability was a consequence of uninterrupted growth of every sector of the economy. Globalization has contributed to the breakdown of this model and calls for new forms of flexibility and adaptability. In contrast with the increases in employment and rapid economic growth of the fifties and sixties, the nineties have been marked by contradictory trends.

Rapid growth of the economy is also necessary in order to consolidate the positive trend of employment of the last two years.

The right to work

The first article of the Italian Constitution states that “Italy is a democratic republic, founded on labour”.

A high level of employment is the fundamental and most direct means of reducing poverty. A larger and better distributed income alleviates the forms of exclusion that have non-economic causes.

The right to work enables every citizen to share in the benefits of social life. The performance of dignified activities and functions gives substance to political rights.

It is the State’s duty to create the conditions in which employment can grow and to equip the young and the unemployed with the means to enter the world of work; the regulatory and economic framework of employment relationships must be adapted in the light of these objectives.

Too often in the past attempts were made to give effect to the right to work through the direct intervention of the public sector. This was amply justified in emergencies, such as the Great Depression and the early period of postwar reconstruction.

The direct involvement of the State in economic activity is no longer the solution except in specific and well-defined cases, such as the provision of public goods and services.

The expansion of economic activity, the source of employment and higher living standards is entrusted in modern economies to private enterprise. Especially in economies open to international trade, it is entrepreneurial initiative that can grasp opportunities and satisfy needs; the authorities must act in a manner that is consistent with this fact.

Incomes policy

In today's national and world economic setting, relations between the two sides of industry cannot be based solely on the criterion of maximum appropriation of the "surplus", that is, the excess of the value of production with respect to costs. In order to defend employment, the top priority is to ensure that enterprises remain vital and able to adjust to cyclical and structural changes, in good times and bad.

Some important steps have already been taken in this direction, with positive effects on employment; further progress is necessary to eliminate the pronounced imbalances present in the labour market.

Under competitive conditions, firms cannot pass on excessive costs and inefficiencies to consumers. When labour costs are rigid, cyclical fluctuations and even temporary difficulties translate into lower employment.

A close correlation between a firm's labour costs and its profitability can ensure its survival and the stability of employment even in adverse external circumstances. This correlation creates *de facto* solidarity between the firm's owners and workers in the search for the conditions most conducive to success in the market. In view of the risks they run, entrepreneurs must remain free to organize the factors of production in the most appropriate proportion and manner.

It must be possible for the dialectic between labour and enterprise to lead to a strategic partnership, whereby workers participate *de facto*, or possibly in a more complex manner, in the capital and destiny of the company.

This model is undoubtedly easier to achieve in smaller firms and production units. It is part of the secret of the vitality of the small firms that are so widespread in the Italian economy. Labour relations in large companies are necessarily set in a more rigid mould. In the fifties and sixties, when Italy had a relatively closed, fast-growing economy, rigidity had less serious repercussions.

The slow growth of the economic activity and greater cyclical instability, the more frequent structural changes imposed by technological progress and the opening up of the economy to international trade increase the risk of companies, above all those with large payrolls and inflexible costs, incurring losses.

Companies, especially large ones, respond to these changes by reducing their permanent, full-time workforce to the indispensable minimum. Where possible they seek to replace workers with machinery and production processes that boost efficiency and with employees on fixed-term contracts that can be renewed or not depending on their needs.

The growth of these new forms of employment is a positive development when it is accompanied by an enhancement of the quality of work and skills; it contributes significantly to reducing youth and female unemployment. However, it is advantageous for firms themselves to create permanent jobs, which make for a more highly skilled and experienced workforce and one with an interest in the company's growth.

Flexibility in labour costs must therefore be sought more in adequate forms of remuneration than in an employment relationship that is temporary in nature. In Italy, highly unstable forms of employment have been introduced alongside employment that is rigid in terms of duration and pay. It is necessary to seek intermediate solutions that increase the cost- and job-flexibility of full-time, permanent employment while making the new forms of employment less unstable.

The principle always underscored in social doctrine, rendered explicit in *Mater et Magistra*, is that a worker's pay must safeguard the dignity of the worker and his family on the one hand and be compatible with the situation of the firm and the economy on the other. Its realization is entrusted first of all to concertation between the two sides of industry.

Irregular employment

Irregular employment constitutes a degeneration in employment relationships. It has attained abnormal dimensions in some regions of Italy and in specific industries.

It gives rise to a relationship between firms and employees which, *de facto*, is highly flexible, but which in some respects is extremely detrimental for workers and the community.

Irregular or "grey" employment alters competitive conditions; it harms companies that comply with laws and contracts.

It is most widespread in socially degraded environments; it is often accompanied by other kinds of irregularity; at times it involves illegal economic activities. It deprives young people of the dignity of working in the light of day; it can induce them to consider it admissible and natural to engage in illicit and, in extreme cases, criminal activities.

A not inconsiderable share of employment in Italy is provided by off-the-books work. Without this inferior form of flexibility, the unemployment rate would be much higher.

The onerous supply conditions of regular labour are a factor in irregular employment, which is always precarious and generally ill-paid.

The magnitude and gravity of the phenomenon must be recognized and action taken to revise the structure of employment relationships so as to foster a return to legality.

IV The budget and the public sector

One of the factors reducing participation in the labour market and encouraging the flight into the submerged economy is undoubtedly the high level of taxation, in all its forms, needed to ensure the non-inflationary financing of public expenditure.

While the economy was being opened up to foreign competition, the need to correct the imbalances accumulated in the past resulted in the revenue side of the budget growing in relation to GDP in a manner that was inconsistent with the new conditions. The overall fiscal burden — taxes and social security contributions — on businesses, employees and consumers rose in Italy from 29 per cent of GDP in 1979 to 39 per cent ten years later.

The fiscal burden grew further until 1997, in order to fulfil the commitments made at international level regarding the consolidation of Italy's public finances. It is now in line with the European average, but the increase was rapid; the system has not fully adapted to the new situation and the incidence of evasion remains high.

It would have been necessary to contain the expansion of public spending, particularly current expenditure, and lower its ratio to GDP. Instead, the adjustment of public expenditure has been marginal and focused mainly on capital expenditure.

The rise in the overall fiscal burden affects labour costs and reduces employment; it diminishes the propensity to invest and drives domestic savings abroad.

In neighbouring countries the overall fiscal burden is as high as it is in Italy, but the level of tax evasion is lower and the burden is consequently spread more widely and fairly.

The quality of public services is higher in these countries and they are better endowed with infrastructure. The resources that government absorbs through fiscal revenue are returned to the economic and social system, with benefits for production.

Credible and resolute action must be taken over the next five or ten years to lower the ratio of general government expenditure to GDP. The reduction in spending must be large enough to permit a gradual easing of the fiscal burden on firms, labour and consumption. The effort to fight evasion has begun to bear fruit and must be kept up.

The dynamism of the private sector can produce orderly growth if there is an efficient public sector that not only establishes and enforces the rules but also provides the public goods whose supply cannot be entrusted to market forces.

While on the one hand the State must withdraw from economic activities that the private sector can perform better and more effectively, on the other economic development increases the need for rules and for several essential public goods and services.

Funds made available by the international community in the form of grants or credits are not fully utilized owing to the limited project-development capability of governmental bodies in Italy.

The programme launched to increase the efficiency and effectiveness of the public administration must be rapidly and resolutely implemented.

V Ethics in the economy

It is a commonly held belief that private enterprise is driven by the pursuit of profit. This is a useful simplification for the purposes of economic analysis. It is nonetheless true that without profit capital and labour are not gainfully employed and neither are the other capabilities present in the economy.

Entrepreneurial activity may, however, also be inspired by more noble and, not infrequently, altruistic interests, as when the desire to be successful is accompanied by the knowledge of performing functions that are also socially useful.

When economic activity fails to abide by the basic principles of proper conduct in dealings with employees, other businesses, the market and public authorities, the resulting well-being does not extend to the community at large; it may lead to an involution of the system.

This is the case with corruption in the conduct of business and in relationships between private activities and the public sector. Corruption distorts the use of resources; it prompts the search for solutions that benefit some but damage the collectivity; it is detrimental to the overall efficiency of the economy; it slows down growth and leads to unemployment.

The serious effects on the economy and on society of ethically improper behaviour are evident in the systems now emerging from so-called real socialism and in many developing countries.

The highest gains are generated by illegal activities, which destroy the foundations of civil society. Corruption and the absence of ethics in business undermine the very basis of the market economy and the principle that the pursuit of profit by the individual entrepreneur benefits the entire community.

Proper conduct and morality respond to deeply-rooted needs, stem from voluntary attitudes of individuals. But ethics and legality are also necessary for orderly economic activity, as well as for a harmonious social life.

Business ethics are needed by the market and the economy, not only to satisfy our consciences.

VI Economic progress and culture

Italy's economic growth in the last fifty years — remarkable in both quantitative and qualitative terms when compared with earlier decades — is mainly due to the large-scale application to production processes of new and, in many instances imported, technologies. Production methods that had already been tested in more advanced economic systems were introduced with profit into Italy's still comparatively backward economy.

Emerging countries can draw on the experience of developed countries through the circulation of goods and capital; theoretical knowledge and practical skills are transmitted together with capital and investment.

The growth in the decades following the second world war, which was particularly rapid in the countries we now rank as industrialized, was fueled to a great extent by this exchange of technologies and related applications.

There is probably still considerable growth potential in Italy, which has a vast area with abundant labour and great cultural traditions but a relatively backward economy and many social needs still to be satisfied.

Even in the more developed regions of our economy the opportunities for growth are still not exhausted.

Information technology and increased investment in high technology can be used to recreate conditions analogous to those experienced in the long expansion of the fifties and sixties.

The scope for growth increases with the availability of young people, who more readily learn and assimilate new techniques and methods of production.

There is a need for labour relations to be regulated in ways that foster the use of new technology.

The level of education and vocational training needs to be raised.

Human capital, the sum of technical ability and vocational skills, is the cornerstone of economic progress.

Investment in education is increasingly emerging as essential to growth and, in the medium and long term, as producing a very high return.

In advanced economies the value of human capital is vastly greater, even in strictly economic terms, than that of natural resources or public and private physical capital.

Economic development and its dissemination fall primarily within the sphere of private initiative. The authorities must provide the basic ingredients, above all an adequate level of education.

The educational system

An educational system that can respond promptly to new needs, grasp opportunities and test new methods without constraints or impediments is of fundamental importance.

Education is a public good, in view of its nature and the fact that it is destined for the public, not in the sense that it necessarily has to be provided by the State.

This is the background against which we should set the contribution of an educational system whose diversification is also entrusted to the initiative of citizens, who, while complying with specific basic requirements, make it possible to choose the type of education and teaching.

The principle of subsidiarity must also apply in this field. It is possible to have integrated systems in which the State and private citizens compete in providing the public good or service, according to their respective propensities.

The purchase of the good of education cannot, however, be delegated to market mechanisms. It is one of the fundamental duties of a just society to ensure that all its citizens start from a position of equality, with the same conditions of access to the good. It is for the State to ensure these conditions, leaving, subject to specific guarantees, subsequent developments regarding the content of what is taught and the method of teaching it to the ability of individuals and the initiative of private non-profit organizations.

There is a growing consensus for something along these lines; progress has been made on the legislative front.

Universities and high schools do, in effect, offer a large measure of freedom of choice. In more advanced societies — where individuals are admittedly better placed to sustain the costs of education — universities and research institutions are largely founded and run by the private sector.

It is possible to envisage agreements between credit institutions and universities for the supply of credit, of loans to individuals, to cover the cost of investing in education.

Education is part of the broader problem of culture.

Culture is the ability to understand and hence to govern the forces of nature, society and institutions; it is the key to the fundamental problems of giving social life a direction and each individual a sense of his own being.

It is essential that there be a secular, scientific culture, based on analytical knowledge of material and social reality. Acquiring such knowledge is also one of man's rightful activities, and highly spiritual; it is the exercise of a power of the mind and the intellect, which is able to understand, albeit with difficulty, every aspect of reality and to communicate this understanding. It is from the ability to know the internal laws of reality that the possibility of governing and improving it derives.

A lofty vision of culture, ideals and faith instructs and guides us in the government of material, social and intellectual forces.

VII What kind of society for the twenty-first century?

We are facing a historical transition that in some respects is comparable to those brought by the invention of printing in the fifteenth century, which contributed enormously to the spread of culture, and the great voyages of discovery in the following centuries, which opened the societies of Europe and the known world to cultural exchange with the New World.

The Catholic Church, thanks to its universal openness, is the institution best prepared culturally to grapple with the enormous changes involved.

Globalization means that international cooperation must be put on a new basis.

The weakest countries must be helped to cope with the sometimes traumatic impact of increased trade, new technologies and the information society. The difficulty these countries have in adapting and reacting has economic, social and political consequences.

The efforts of international organizations to assist these economies must be supported. From the year 2000 of the Christian era, forgiving the debts accumulated in the past by some of the poorest nations can allow them to participate once more in trade and the dialogue with the more developed economies, to the advantage of the entire world economy.

A new international division of labour is necessary. Less developed nations can increasingly produce traditional goods, offering them on the global market at relatively low prices. Wealthier nations will have to concentrate on the production of advanced goods and services; collaboration within the European Union is likely to prove crucial.

The world economy will benefit.

In the developed countries, and especially in Italy, the operation of the economy, the manner of working, the relations between the two sides of industry and the organization of civil society itself must be made consistent with technological progress, cultural evolution and the new world order.

In a necessarily pluralistic context, policies must be formulated to foster cohesion and collaboration for the common good of all the components of a society that, as earlier trends change and the population ages, risks falling apart, losing sight of noble goals shared by all, and going astray.

New needs and new kinds of poverty are emerging. The State is not always capable of coping with them. With adequate public support, the voluntary sector can play an important auxiliary role.

The slower growth of the population and the increase in the average age have adverse effects on economic and social development.

We must react to the signs of involution. We must achieve growth and stability, invest in the future.

The foregoing considerations underscore the value, in economic terms as well, of policies in support of families and the young. An increase in the birth rate can help to reverse the current demographic trend, but the effects are extremely slow to emerge and will only be visible in several decades.

Immigration, regulated by appropriate policies, can therefore make a valuable contribution.

The problems of unemployment, poverty and social exclusion are particularly serious in Italy's southern regions. From Naples, the capital of the Mezzogiorno, the home of Vico and Alfonso de' Liguori, Serra and Galiani, Croce and the great physician Giuseppe Moscati, a cry must go up to draw renewed attention to the South, as offering the nation an important opportunity.

Society is not a mere aggregation of individuals. It is a living organism with a set of rules, of which the legal system is one expression.

The parts of the legal and institutional order most closely related to what is contingent and historically mutable must be adapted; without losing sight of natural law and fundamental values, they must provide appropriate guarantees. They are not, however, sufficient to ensure vitality and progress.

The commitment of men of good will to the cause of justice and the common good is essential.

Liberalism also postulates the need for distributive justice and requires that citizens should be enabled to develop, with the necessary effort, their own capabilities and personalities, to the benefit of the community. Solidarism and reformism share this ideal of justice.

It is a vision that is not in conflict, indeed is entirely consistent, with a pluralistic democracy in which individual initiative and market forces can operate. It is from their operation, in a well regulated and secure system guaranteed by an adequate presence of the State, that material well-being follows.

But it is necessary to go beyond material well-being towards a common good that involves moral and spiritual values as well as economic and material objectives.

Through analysis and research, we must improve our understanding of how all the components of the social body operate and interact with institutions in the historical context with which we are faced.

This brings to mind the pages of Thomas Aquinas on the adequacy of the intellect to comprehend reality, on the structure of society and on the role of the State. Not far from here, during Lent of 1273, he preached in the “common tongue” so as to be understood by all.

Social doctrine, and the reflections of thinkers closer to us in time based on these intellectual foundations, instruct us on the relationships between the people, democracy and forms of government on and the need for ideals to guide the actions not only of individuals but also of those delegated to represent the people’s sovereignty. The State’s organs, the Parliament and the Government, must be places devoted to the search for ways and means of procuring the general good.

Political society and civil society must complement and complete each other, work together in pursuit of the same goal.

Our universities, including the ecclesiastical ones, are endowed with enormous cultural and analytical abilities and can revive the systematic study of these themes.

I have limited myself in most of the preceding pages to an analysis of the economic aspects of our society and have outlined some solutions, which must be studied in more depth and developed for practical application. It is for others, with the necessary cultural tools, to elaborate the legal, sociological and moral aspects.

I have full confidence in the fruitfulness of such efforts. The soul is *quodammodo omnia*. The intellectual dominion of reality can give birth to concrete action.

Fides et Ratio reassures us of the possibility, given the unitary nature of reality, of combining knowledge of the material world, of the economy and society, with a higher vision.

A cultural design is necessary in order to act and build coherently. It is inspired by an ideal of Wisdom, because “all good things together came to me with Her” and “She was present when God made the World”.