

Servizio Nazionale
per la Pastorale
Giovanile

Centro
“Giovanni Paolo II”

Ufficio Nazionale
per la Cooperazione
Missionaria tra le Chiese

Agorà dei Giovani del Mediterraneo

Global development and solidarity

Address by the Governor of the Bank of Italy

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Loreto, 13 September 2002

I. Globalization's "precedents" are the printing press, the great geographical discoveries and the industrial revolution.

Bacon described printing, together with gunpowder and the compass, as one of the inventions that had transformed the face of the globe and living conditions on earth. Historical research and scientific inquiry were given new impetus. Erasmus noted that the books of the Library at Alexandria had been housed within walls, whereas those that the Venetian printer Aldo Manuzio could produce had no limits to their collection but the world itself.

The discovery of America was a revolutionary event. It posed new problems for politics, for economics, for law, even for anthropology. It created the conditions for a cultural and spiritual integration that was unique in history. With the opening of new, inexhaustible markets, came an enormous development of productive forces, of income and wealth and a decisive contribution to the prosperity of Europe. But abuses of the indigenous peoples were perpetrated, which soon became the subject of debate within the Roman Catholic Church.

Francisco de Vitoria, a theologian at the University of Salamanca, developed a theory of natural law in defence of the native *indios*, who according to some did not even belong to the human race. In his *Relectio de Indis*, de Vitoria affirmed the full dignity of the *indios* and of all human beings, because they were created in God's likeness. The school of Salamanca upheld the dignity of the native population; at the same time it justified the legal right of the Crown of Castille to conquer the territories of the Americas and in so doing laid the basis of international law.

In the sixteenth century the inflation caused by massive European imports of gold prompted the development of fundamental theories of money and finance. Inflation was explicitly attributed to the abundance of gold and silver in circulation. Already towards the end of that century the great theologian and jurist Luis Molina discussed the characteristics of money markets, which were highly developed in some cities, and stressed that in order for the market to generate a non-usurious rate of interest there had to be no collusion between operators and no exploitation of inside information that could distort market conditions.

Influenced in part by the discoveries, Thomas More wrote his *Utopia*, dense with Platonic reminiscences, imagining a community without social inequalities, in which Roman-law property rights were transcended. This was the first of a series of utopian worlds, to be followed by those of Campanella, Bacon and other philosophers.

In the late eighteenth and early nineteenth centuries, the first industrial revolution worked a radical transformation of civil life and of social and political relationships, in an economy in which farming and traditional activities predominated. The outcome was an increase in wealth, but also tensions and upheavals in connection with the distribution of the value of the goods produced and the control of production. There began to emerge, in the industrial economies, a new set of relationships between economic and social groups, with repercussions on the legal order, political power and the organization of the State.

Ferdinando Galiani, in the mid-eighteenth century, wrote tracts on money and the working of markets that remain enlightening even today. The advent of industrialization in eighteenth- and nineteenth-century England, which John Stuart Mill was the first to call a “revolution”, stimulated analysis of the ensuing economic, social and political transformations. The leading lights of the classical school, Adam Smith and David Ricardo, came to the fore.

The same years saw the first seeds of reflection on the role of the State in governing the social and moral consequences of the industrial revolution. For de Sismondi, the State’s task was to prevent *human beings from being sacrificed in the*

name of a wealth from which they would derive no gain. Robert Owen underscored the need for education, extending to the humblest classes, to foster widespread welfare and overcome the barriers between manual and intellectual labour.

Movements such as Luddism arose against the introduction of industrial machinery.

At the end of the nineteenth century, based on observation of the great changes in the organization of production and the structure of the economy and of the innovations that had sometimes overturned earlier social equilibria with repercussions on the moral and religious life of the multitudes, *Rerum Novarum* founded Catholic social doctrine. The first half of the “short century” would be perturbed by the two wars, by Communism, Nazism and Fascism.

Referring to current events and the great problems opened up by globalization, one could conclude that our examination of the historical upheavals so summarily recalled above constitutes a sort of *de te fabula narratur*. In all its decisive passages, the course of history and time poses analogous problems. Utopianism and extremism are interwoven with solidarity and personalism. Theoretical visions and ideologies affect social transformations and are affected by them. New paths for philosophical, social and economic thought are opened.

At every change of epoch, catastrophic and palingenetic visions confront one another. Every epoch has its own “anti-globalizers” and its own *laudatores temporis acti*, its dogmatic optimists. The upheavals of history are never straightforward, but in the end the course of events does not coincide with extreme visions.

Faced with globalized society, John Paul II recalled in Toronto: “*The question* that arises is dramatic: *on what foundations* must we build the new historical era that is emerging from the great transformations of the twentieth century? Is it enough to rely on the technological revolution now taking place, which seems to respond only to criteria of productivity and efficiency, without reference to the individual’s spiritual dimension or to any universally shared ethical values?”.

In the information and communication society, we can affirm that knowledge is power. Science can enhance the dignity of man, provided its limits are never lost sight of. Scientific research must remain free, but its application cannot violate important ethical principles. Although the interval between research and market has been drastically shortened, a strict principle of precaution must prevail, in the name of the dignity of mankind, the ultimate criterion of all our actions. Science too is the work of man and is for man, who cannot be reduced to economic man, nor to technological man.

Globalization must be for the benefit of man.

II. Free trade in goods, the globalization of commerce, was the fundamental cause of the immense increase in output and the international spread of economic prosperity in the twentieth century, especially the second half.

The economies that succeeded in taking part in the world trade system benefited.

Opening the economy to international relations also powered the growth of output and employment in some backward countries where the return on investment was greatest.

The past few decades have seen an expansion of financial globalization that has its roots in the possibility offered by information technology of carrying out transactions in real time with intermediaries and economic agents in every part of the world. This has given new impetus to the expansion of wealth, but it has also generated new problems for the stability of the economy. Distributive inequalities have been aggravated. Some countries do not partake of the benefits connected with the expansion of trade. When international crises erupt, the weakest states suffer.

Globalization poses new questions to nation-states at the same time as it reduces their ability to respond. The issue of solidarity, in all its importance, is entering international relations; it must become the criterion inspiring every form of cooperation, with a view to a common good that will be to the benefit of all.

Free enterprise in industry and finance is indispensable for economic progress at both the national and the international level. It is by this means that economic advancement spreads.

But it is not sufficient for balanced development. Private initiative must be regulated and oriented by policies that correct its distortions and deficiencies. A better distribution of the benefits of trade and financial integration, social justice, access to the enjoyment of food and health are not ensured to a sufficient degree by the market. The role of the “public sector” and of states in guaranteeing harmonious and balanced development is fundamental.

According to the World Bank, one billion two hundred million people in the world, the large majority of them in Asia, live on less than one dollar a day. Forty-eight per cent of the population of sub-Saharan Africa and forty per cent of that of southern Asia live on less than a dollar a day. Sixteen per cent of the inhabitants of Latin America also continue to live in these conditions.

Income is not the only gauge of the standard of living; in evaluating welfare, indicators of health and of the level and diffusion of education must also be taken into account.

In practice, the reduction of poverty can only come from growth and must be entrusted to it. An analysis by the International Monetary Fund confirms a positive correlation between several years' increase in GDP and a reduction in the number of poor people. The developing countries that have recorded low or negative growth in the last few decades have not achieved appreciable results in reducing poverty.

In the more advanced economic and social systems, maintaining a high rate of growth requires continual innovations, which from the field of science are progressively introduced into economic activity, fostering new forms of organization of work and the production of new goods.

In the more backward systems, to achieve economic growth it is possible and necessary to replicate the production methods of the more advanced countries, with appropriate adjustment and adaptation.

The lack of improvement in the distribution of output at world level, indeed the growth in equality, is due in part to the slowness with which technological progress spreads to the less advanced countries.

The process of imitation, in the production of goods and on the demand side, is likely to promote the diffusion of progress.

The formation of qualified human capital is essential for the appropriate and effective utilization of the new technologies.

Growth and the policies that activate it are also the answer to the problems caused by population growth in the backward countries. They must be our response to a reviving, misleading Malthusianism. But growth must be sustainable, ecocompatible, respectful of the dignity of the human person.

Compared with thirty years there are two billion more people today, most of them in the developing countries. More than a billion people do not have access to sources of drinking water. More than two billion live in unsanitary conditions. One

billion three hundred million live in fragile rural ecosystems, particularly in drylands, mountains and forests.

Environmental degradation and soil depletion contribute to the decline in agriculture and to the consequent exploitation of forests, grasslands and wetlands. Rain forests and bio-diversity are in serious danger. Some countries have no alternative to the intensive exploitation of declining natural resources.

A vicious circle is created between poverty and environmental decay.

Resource conservation, energy saving, the protection of health and the environment and support for farming are the priorities that governments, together with social and economic forces, are called on to confront with greater resolve.

Agricultural protectionism is an especially serious obstacle to the improvement of living conditions in the developing countries, many of which are penalized by the restrictions still placed by the advanced countries on agricultural and textile imports.

The removal of the tariff and technical barriers to some categories of products can benefit not only the development of the countries concerned but the global situation as well.

A large part of the resources of the poor countries risks being absorbed by loan repayments and interest payments.

Under the impulse in particular of the Catholic Church, intensified on the occasion of the Jubilee of 2000, and other churches, initiatives have been under way for some time on the part of the major industrial countries for the cancellation of the poorest countries' debt on a bilateral basis. Italy has allocated \$6 billion for debt cancellation.

It is now necessary to proceed at the international level, with greater participation and speed and with targeted measures. Debt cancellation will enable the poor countries to enter the circuit of international trade and will contribute to a more balanced growth of the world economy.

A substantial change in the models of production and consumption is necessary.

In the coming decades the aging of the population in the economically advanced countries will require considerable numbers of immigrants from countries where living conditions are miserable and the population is younger. It is the further development of a new form of globalization, this time of people. It raises significant civil and cultural questions in the receiving countries.

It requires Europe to shape an active policy of regulation and integration; it demands measures that do not start at the borders but whose development begins in the places from which the immigrants depart; it requires farsightedness, an open mind and, at the same time, firmness in the preservation of our values. The entire West cannot be indifferent to this phenomenon, which will increasingly characterize the new century. In a long-term perspective, it can bring considerable advantages. Immigrants' remittances can alleviate the conditions of often extreme hardship in the countries of origin.

III. The goals of economic development, the reduction of poverty, a better social equilibrium and more dignified conditions for the inhabitants of the backward countries are closely connected with the prospects of international détente, with the victory of peace. The challenges that lie before us are the definition of a new governance and the promotion of new international arrangements.

Globalization must not accentuate inequalities and exploitation; it must be governed, dominated by man. It must be turned to the advantage of all.

It is necessary to re-examine some of the foundations and institutions of public and private international law. The edifice must be based on the values that affirm the individual's dignity, his free self-determination, his right to work and, more in general, the principles of peaceful coexistence and non-interference, the fight against terrorism, and opposition to criminal conduct on the part of states and governments.

It is necessary to strengthen the role of the international organizations in terms of their representativeness and tasks. Institutions such as the newly-created International Criminal Court and proposed bodies such as the International Tribunal for the Environment.

Cooperation among countries is the most effective way to increase the opportunities for comparing, discussing and formulating policies that individual countries will apply within their borders and in international relations. There is certainly no question of a political world government, but there is a need for forms of governance expanding progressively at the global level. It is a question of developing or creating — drawing on the work carried out in recent years in numerous international fora and organizations — common rules for the economy, the environment and the fight against organized crime and disease.

Cooperation between the United States and Europe is essential. The Wilsonian and Rooseveltian traditions could have a role to play in the guidelines for international conduct. Whatever happens, awareness must grow on both sides of the Atlantic of the absence of viable alternatives to the close integration of the two continents' destinies.

In a Europe that will have a secure future if its rules have a broad democratic legitimation, crucial importance attaches to the decision on its Constitution; this will have to rest on appropriate syntheses of central and local requirements in the Community and on the Christian roots of the Old World, which, in view of their universal value, give sustenance to the whole of western civilization.

Recently I stressed again that finding a solution to today's problems called not only for a strengthening of international cooperation but also for the activation of informal groups of major countries. What is needed is clear and convinced convergence on some primary interests, such as resources, climate, international public order, on interests, in other words, that can be considered *global public goods*.

Rapid growth, powered by the most highly industrialized economies, is a fundamental condition for a strengthening of the weakest countries, those most vulnerable to the repercussions of unfavourable cyclical developments.

IV. The recent summit in Johannesburg approved the Earth Charter and an Action Plan; awareness of the urgent need for measures to promote sustainable development took a step forward.

Eradicating poverty was called the greatest global challenge for the world of today. A commitment was made to halve the percentage of the world's population living on less than one dollar a day by 2015.

The conclusions of the Monterrey Conference, setting out the ways to increase development aid and increase its effectiveness, were confirmed.

The rich countries undertook to provide the developing countries with aid for sanitation as an expression of global solidarity. Consensus was also reached on the urgent need to proceed with and strengthen the debt-reduction initiative for poor countries.

It was agreed that there was a need for technology transfers to the developing countries and for science to be put at the service of economic growth.

Satisfaction with the progress that had been made was tempered by recognition of the absence in many fields of instruments for taking action and of means for making commitments binding; in some cases these could remain a dead letter. Insufficient attention was devoted to the all-important issue of the tariff barriers that hinder developing countries' agricultural exports.

The requirements for real progress are concreteness and realism, together with a farsighted vision that will bring about the good international government referred to at the summit. Politics, in the broadest sense, must play its part.

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Globalization today — as the invention of printing, the discovery of America and the industrial revolution earlier in history — marks a new era. It requires solutions to be found to serious and complex problems.

The relations between the economy, finance and policymaking are growing ever closer. Globalization calls to mind the question of a new international order and the need for at least fundamental rights to be applied globally. The principles of international law must be reformulated and organizations and arrangements for preventing conflicts must be created or strengthened.

The West, which has not died as an ill-omened prophecy would have had it, has a fundamental function to perform. In this context Europe can play a decisive and aggregating role.

The reduction of inequalities is the social question of this century.

In the wake of the terrorist attacks of 11 September the world witnessed an extraordinary example of solidarity and ability to react. Great was the horror for the barbarity, universal the *pietas*, clear the perception of the interdependence of populations. A close-knit alliance was formed against terrorism, for the defence of life. Everything possible must be done to preserve what Kofi Annan has called "global unity". But terrorism must be opposed and rooted out with an even broader political action; in addition to firm countermeasures and repression, there is a need for wide-ranging international policy initiatives aimed at reconstructing, in its entirety, the international community, improving relations between states and overcoming the growth in insecurity.

It is clear that terrible situations of poverty, areas marked by widespread exclusion, and long unresolved problems between states are likely to create conditions conducive to terrorism and increased insecurity.

Movements that contest globalization risk replicating Luddism; such forms of violence are neither justifiable nor comprehensible. However, some aspects of the criticism of today's global society deserve to be given due consideration. The real problem is that of the government of globalization, in the first place so as to ensure that it diminishes and does not heighten the tensions between states, peoples and cultures.

In this field as well it is necessary to strengthen the prospects and foundations of peace. Schooling can do much; my mind goes to the possibility of extending university curricula to include studies on peace, man's greatest good. Destabilizing events in the international sphere, acts in preparation of offences

against humanity and civilization must be firmly countered; the institution of preventive defence must be assessed. But the United Nations must be granted greater power to intervene in international conflicts at the preventive stage. A request has been made to ratify the principle of the propaedeutic nature of its interventions at the start of military actions.

Much is entrusted to economic policies and the role of international financial institutions. Within states, in the West, in Europe, in Italy, policies aimed at the implementation of structural reforms — which in many respects are unavoidable, not least owing to international economic developments — contribute indirectly to the beginning of a new international economic order.

The foundation on which peace rests is justice, starting with social justice and the ability to correct one's own faults and pardon those of others. Today, solidarity is not a luxury; it is an essential component of an adequate international equilibrium.

We must constantly turn our thoughts and actions to young people, such as those here today at Loreto, one of the most important spiritual and cultural centres in Europe. The older generations hand on the torch of engagement, work, participation and the construction of a better world to be built on peace. The young are called upon to study hard, to be tenacious in tackling life's difficulties, to have values, to set themselves goals that are not only material.

As John Paul II said at Assisi in January, "The shadows will not be dissipated with weapons; *darkness is dispelled by sending out bright beams of light.*"