Conceptual paper

Some reflections on poverty eradication, true development and sustainability within CST

Juan Sapena*, Vicent Almenar, Andreea Apetrei, María Escrivá, María Gil

Universidad Católica de Valencia San Vicente Mártir, Spain

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A B S T R A C T

Poverty eradication has been repeatedly identified as the largest challenge facing international society in its quest for a peaceful, prosperous, and just world.

The present document summarizes academic reflections on the links between the concepts of poverty, development and sustainability. Departing from Catholic Social Teaching documents, we study how, in addition to income poverty, institutional aspects and lack of values impede severely to avoid the so-called "poverty trap".

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Introduction

Reducing poverty has become an priority concern, yet there is no international consensus on guidelines for measuring poverty. From an economist approach, income poverty occurs when a family's income fails to meet a previously-established threshold.

The very concepts of economic development and modernization represent implicit as well as explicit value premises about desirable goals for achieving what Mahatma Gandhi once called the realization of the human potential.

Despite significant improvements over the recent decades in advancing human well-being, extreme poverty and inequities remain widespread in the developing world.

Most research on poverty in affluent nations uses a relative poverty measure. Analysts typically set the poverty line at 50 or 60 percent of the median income within each country. This also is the type of measure used by the European Union in calculating poverty rates.

There are a number of alternative, though by no means antithetical, visions of what antipoverty policy should aim to achieve: capabilities, opportunity, reciprocity, social inclusion, community, subjective well-being, and others.

While some authors claim that the poorest countries are stuck in a poverty trap from which they cannot escape without an aid-financed big push Sachs (2005), others, such as Easterly (2006), or previously Bauer (1965), suggest that the lack of growth in many developing countries is due to bad government, not to inadequate foreign aid.

But, as Duflo and Banerjee (2011) state, poverty does not only consist in a lack of income, but also involves poor health, poor education, poor quality of life and, finally, a difficulty to realize one's ambitions. This issue is also remarked at Sen (1999) who tie together the concepts of poverty and lack of freedom.

In the same vein, the council, so Paul VI said, had proposed our own new type of humanism: a Christian humanism that honors and serves humanity without divorcing man from God (Council Vatican Second, 1965).

Poverty and sustainability within the light of CST

CST on human development and the economy has its more clear origin in Leo XIII (1891) (from its first two words, Latin for "of revolutionary change"), or Rights and Duties of Capital and Labor, encyclical issued by Pope Leo XIII on 15 May 1891.

This "seminal encyclical" has been updated and completed at Pius XI (1931), Paul VI (1967), Paul VI (1971), John Paul II (1981) and John Paul II (1991).
Other principal documents to be carefully studied are the Concili
ium Constitution Council Vatican Second (1965), and, more recently

Within the light of Catholic Social Teaching, human develop-
ment and true progress cannot be reduced into constituent parts.
For Pope Francis, Business is a noble vocation, directed to pro-
ducing wealth and improving our world. It can be a fruitful source
of prosperity for the areas in which it operates, especially if it sees
the creation of jobs as an essential part of its service to the common
good (see Pope Francis, 2015). Francis thus identifies the common
good mainly with the creation of jobs.

Perhaps, the best way for the Church to help create employment
is to spread the ideal of virtuous and principled entrepreneurship
as opposed to rent seeking.

In Pope Francis (2015), “Pope Francis denes consumerism as
the selfcentered culture of instant gratification”. However, con-
sumerism conduces consumption beyond its reasonable and moral
limits by buying new things just out of the urge of acquisitiveness.
And moreover, from an intertemporal perspective, consumerism reduces investment, thrift and savings, thus undermin-
ing the basis of a good capitalist economy.

It is an evil that certainly stimulates production in the short
run but soaks up resources through waste and weakens moral
stamina and resilience in our society. In contrast, Christian spir-
ituality proposes a growth marked by moderation and the capacity
to be happy with little. Pope Francis also advocates for a true inclu-
sion of the poor into the market economy (Pope Francis, 2013). He
also demands for a “subjective poverty of all” (as a personal choice
of renunciation and inner detachment) by calling the opulent soci-
eties to moderation, temperance and sharing. This true inclusion
can be confronted to a throw away culture which spreading around
the globe.

Free market and poverty eradication

In Moyo (2010), it is defended that an engagement with the
markets is the only way to deliver long-term growth and reduce
poverty. But the concept of “free market” and its attributes some-
times appear as con
terfactual.

As highlighted at Schlag (2017), from CST perspective, only an
ethical market deserves to bear the name free market because true
freedom requires an aim and sense for its reasonable exercise. We
can imagine a person in a desert without knowledge of where to go
in order to find the next oasis, although can be understood as free
in the sense of being unconstrained, however, one would hardly
call wandering lost in the desert real freedom. Only when the path
is clear, are we free to walk on it or not. Ethics is not an optional
addition to business. Thus, a pure market is not the same thing
as a free market. True freedom requires the motives of our deci-
sions go beyond mere so-called “utility” and short-term (myopic)
pleasure.

Moreover, a truly free a market requires a legal framework to
enhance trust and a social capital in order to promote a culture of
creativity, work, and enterprise. In this framework, ethics constit-
tutes an integral part of the economy that structures it from within.
Without a shared core of moral values there is no real trust, and
without trust society lacks what is most important for a functioning
economy: social capital. Trust is a prerequisite for economic ex-
change, for credit, payment on term, and any form of coopera-
tion. Widespread trust is a result of a longstanding record of such
loyal behavior. The government also plays an important role in the
creation of trust.

From this perspective, Pope Francis remarks the supremacy of
labor over capital. For him, and also from a Christian perspec-
tive, employees are not mere soulless factors of production that
can be sacrificed in the search of profit increases. Benedict XVI
also framed business exchange boosting true development, as a
space of human relationship, and not only of material transactions.
The human person is essentially not only an individual substance
but is also constituted by his or her being in relation to oth-
er and this element is essential when conceiving and designing
policies.

Pope Francis Fair competition always and everywhere lowers
prices and thus makes goods and services available to the
poor, while it also stimulates creativity, in the aspiration of being
faster than the competitors in offering new and better prod-
ucts. In the same vein, for Pralhad (2010), low-income markets
present a prodigious opportunity for the world’s wealthiest com-
panies to seek their fortunes and bring prosperity to the aspiring
poor.

Interestingly, Schlag (2017) cites St. Bernardino of Siena (+1444)
who defended that said that inefficient businesses must be allowed
to fail in the interest of the common good, in order to ensure the
best use of resources.1

Inclusive vs exclusive development

One crucial root to sustainable development and poverty erad-
ication is strongly linked to the existence of inclusive institutions,
and avoidance of extractive ones. Following Acemoglu and Robin-
son (2012), inclusive institutions are those who guarantee property
rights, create incentives, encourage human initiative, and unleash
creativity.

Inclusive institutions contribute to fair and free competition,
playing an important role in this process: by lowering interest rates,
and directing profits in a diffused way throughout society, thus
redistributing wealth in a non-coercive way. This broad distribution
of rights, in consequence, grants equal and easy access to finance
and loan Acemoglu and Robinson (2012). This inclusive market
that helps in spreading equal opportunities. Diffused education and
technological progress, fired by invention and patent rights, pre-
suppose inclusive institutions. Without them a society stagnates,
and cannot afford widespread education. However, before there can
be inclusive economic institutions there must be inclusive political
ones.

Political institutions are inclusive when, on the one hand, they
centralize power sufficiently to enforce law, and on the other hand
limit power effectively through the rule of law and a system of
checks and balances in which no one power can dominate over
the others. If one of these elements is missing political institutions
become extractive, and, in consequence, the economic institu-
tions become extractive too. Extractive economic institutions are
designed to extract incomes and wealth from one subset of society
to benefit a different subset. They hinder the creation of wealth
and its spread throughout society, reserving it for an elite that lives of
the rest of the population.

Many people in less-developed countries have experienced
extractive institutions in which political power and economic
wealth are tied together in a zero-sum-game. There is no growth;
what little income there is, is siphoned off to the cronies.

Both for nations and for individual men, avarice is the most evi-
dent form of moral underdevelopment. Less human conditions: the
lack of material necessities for those who are without the minimum
essential for life, the moral deficiencies of those who are mutilated
by selfishness.

1 See “Sermon 43,” in Bernardini (1941).
Conclusions

The elimination of poverty, creation of employment opportunities and lessening income inequalities constitute the necessary conditions for development.

Development, therefore, is about the sustained elevation of an entire society and social system toward a better life.

Economic growth does not automatically translate to human development progress. Pro-poor policies and significant investments in peoples capabilities-through a detailed focus on education, nutrition and health, and employment skills-can expand access to decent work and provide for sustained progress.

Thus, poverty has been considered as the oldest and the most resistant virus that brings about a devastating disease in the third world called under development. Its rate of killing cannot be compared to any disease from the genesis of mankind. It is worse than malaria and HIV/AIDS which are claimed to be the highest killer diseases.

An economic vision geared solely toward profit and material well-being has led to an economy of exclusion and inequality that has increased poverty and the number of people discarded “as unproductive and useless,” Pope Francis said.

“The fight against poverty is not merely a technical economic problem, but above all a moral one, calling for global solidarity and the development of more equitable approaches to the concrete needs and aspirations of individuals and peoples worldwide,” he said.

The pope encouraged Catholic business leaders to generate new models of economic progress geared toward the universal common good “in accordance with the values of God’s kingdom.” G.K. Chesterton famously wrote that what was wrong in the world was that we did not ask what was right.

The roots of the so-called “poverty trap” can be found not only in the impossibility to finance investments due to lack of income, but also derive from institutional aspects as “bad government”.

Foreign aid should take into account not only the amount of capital dedicated to counteract poverty, but also institutional aspects, and moreover, forward looking aspects, concerned to sustainable development.

Catholic Social Teaching contributions can be extremely useful when defining the values to inspire a sustained growth to eradicate poverty.

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