

Sapena Bolufer, Juan; Almenar, Vicent; Apetrei, Andreea; Escrivá, María; Gil, María

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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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ABSTRACT

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 economicist 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 anti-theoretical, 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 \(1991\)](#).

* Corresponding author.

E-mail address: juan.sapena@ucv.es (J. Sapena).

Other principal documents to be carefully studied are the Conciliar Constitution [Council Vatican Second \(1965\)](#), and, more recently [Benedictus XVI \(2009\)](#) and [Pope Francis \(2015\)](#).

Within the light of Catholic Social Teaching, human development and true progress cannot be reduced into constituent parts.

For Pope Francis, Business is a noble vocation, directed to producing 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, consumerism 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 undermining 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 spirituality proposes a growth marked by moderation and the capacity to be happy with little. Pope Francis also advocates for a true inclusion 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 societies 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 sometimes appear as contrafactual.

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 decisions 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 constitutes 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 exchange, for credit, payment on term, and any form of cooperation. 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 perspective, 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 others 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 products. In the same vein, for [Prahalad \(2010\)](#), low-income markets present a prodigious opportunity for the world’s wealthiest companies 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 eradication is strongly linked to the existence of inclusive institutions, and avoidance of extractive ones. Following [Acemoglu and Robinson \(2012\)](#), 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 loans [Acemoglu and Robinson \(2012\)](#). This inclusive market that helps in spreading equal opportunities. Diffused education and technological progress, fired by invention and patent rights, presuppose 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 institutions 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 evident 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 “Sermo 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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