

Abstract

INTEGRAL ECONOMY STUDY:

# THE ECONOMIES OF FRANCIS IN LATIN AMERICA AND THE CARIBBEAN



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# PROLOGUE

*“Only when our economic and social system no longer produces even a single victim, a single person cast aside, will we be able to celebrate the feast of universal fraternity.”*

Pope Francis, May 1<sup>st</sup>, 2019

When Pope Francis invited economists from all parts of the world, especially young people, to meet in Assisi in March 2020 for “an event that will help us to be together and get to know each other, that will lead us to make a ‘pact’ to change the current economy and give a soul to the economy of tomorrow,” nobody imagined that such meeting would have to be called off. Unfortunately, the pandemic aggravated the injustices, deprivations and tragedies that led the Pope to make that call, making the need to change the economy even more urgent; and the name that such event would have had began to refer to a style of thinking and acting in the economy: the Economy of Francis.

These realities, which are of deep concern to the Catholic Church, appear especially harshly in Latin America. As part of the actions carried out to effectively address the challenges posed by the prevailing system, the University of San Isidro, together with the Socio-Anthropological Pastoral Observatory of the CELAM Knowledge Management Center, conducted a program called “Integral Economy Study: The Economies of Francis in Latin America and the Caribbean”.

In fact, it has been assumed that economics is a science that necessarily must take into account the desires, needs, joys and hopes of human beings, so the result is a study that goes beyond the limits of a narrow economism or of a mere analysis of academic cabinet. Special care has been taken to follow the teaching of the Magisterium, reminding us that the economy must serve the common good, which is the mission and purpose of politics. As Pope Francis insists on stating in his encyclicals, “politics must not be subject to the economy, nor should the economy be subject to the dictates of an efficiency-driven paradigm of technocracy” (Fratelli Tutti 177), assuming that “much needs

to change, through fundamental reform and major renewal. Only a healthy politics, involving the most diverse sectors and skills, is capable of overseeing this process.” (FT 179)

As I read the report, the parable of the Good Samaritan that inspires this encyclical began to grow in my heart, and I thought that, ultimately, the essence of any political and economic action program is found there, since “the decision to include or exclude those lying wounded along the roadside can serve as a criterion for judging every economic, political, social and religious project.” (FT 69)

*Mons. Jorge Eduardo Lozano*

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# INTRODUCTION

This Work Paper is the result of the activity of the technical team of studies on “Economies and Finances of the Common” of the University of San Isidro, especially prepared for the CELAM (Latin American Episcopal Council) in response to a timely request made by such entity, with the purpose of contributing to the sensitization, awareness and implementation of the proposals of “the Economies of Francis of Assisi”, inside and outside the Church, in terms of an integral and solidarity-based human development, aimed at the good coexistence of the peoples.

This document attempts to provide a schematic account of a wide variety of practices and thoughts in an effort to develop a type of economy that allows each person to fully and freely deploy their capacities within a framework of respectful care for the common home. The topics addressed range from specific experiences in slums to the questioning of tax havens or the heavy burden of foreign debts of dubious legitimacy; from theoretical proposals that emphasize the State as the main actor to others that almost completely disregard it, all connected by a common factor: the awareness that “this system can no longer be sustained,” as Pope Francis accurately claims.

For this purpose, three results of the activities are discussed:

1. *Report on the state of the art:* It describes and analyzes the different perspectives, as well as the conceptual and methodological frameworks that are currently included, each in its own way, within what has been proposed to be called “the Economies of Francis”. For this purpose, a sort of cartography or map of the different economic trends related to the proposals made in this regard by Pope Francis has been drawn up. The document specifically considers the common aspects or agreements that may exist among the different views, as well as the various discussions that have been raised among them.
2. *Directory of representatives of social actors, projects and movements:* It is the result of a detailed survey - including direct contact data - of collective and/or

emerging actors in Latin America that are directly and indirectly connected with the “Economy of Francis”, and represents the start of an element of permanent consultation of the People of God by means of an appropriate methodology.

3. *Meeting workshops:* As a result of four workshops that brought together representatives of social, business, trade union, academic and political movements, a very valuable repository has been compiled, which contains the recordings of these meetings as well as the electronic link to their audiovisual support.

Finally, it is worth mentioning that in order to achieve each result, we have worked in a permanent dialogue, since, as it clearly appears when reading this report, a constant feedback was necessary among the information presented in the workshops, the statements of the representatives interviewed to become part of the directory, and the mapping of the state of the art.

We hope that this document will prove useful to continue working with joy, as our Pope Francis teaches us, “to protect all life, to prepare for a better future, for the coming of His Kingdom of justice, peace, love and beauty”.



# REPORT SUMMARY

## A characterization of the Economies of Francis

The report that we are hereby summarizing has been developed on the basis of multiple questions: can the *Economy of Francis* be considered in the same way in highly developed countries as in countries of medium or low development?, then, could it be possible to refer to “*The Economies of Francis*” instead of the *Economy of Francis*, in order to convey the multiplicity of possible situations? Regarding Latin America, what connections could be established between “*The Economies of Francis*” and the different currents of thought embodied, for example, in the “*Social Economy*”, the “*Popular Economy*”, the “*Solidarity Economy*” or the “*Economy of Communion*”, among others?

This work leaves many of these questions open to discussion and to the different possible approaches, but at the same time it provides a first glimpse of a minimum common denominator of such specific theoretical and practical currents.

## A starting point: the social and productive integration

It is well known that in Latin America millions of women and men suffer from serious shortages that lay the foundations for inequalities that, in some places, appear to be extreme.

There are numerous dimensions that make up this scenario; the problems arise in the labor world, through an increasing process of precarization; in the productive context, with increasingly adverse conditions that often demand smaller amounts of labor force; in the scope and quality of education; in the deficiencies of the health systems, both in terms of coverage, quality and, in many cases, in terms of cost. We can also observe that the problems are evidenced in the increasing levels of addictions, in the use of weapons and in the violence occurring within the community; as well as in the outrageous levels of poverty and homelessness; in the problems of housing, both

in terms of having or not having a house and in the quality of that house and of the neighborhood environment. Obviously, this list could be extended to include more factors; in no way do we limit them to the above; we simply want to highlight the fact that all these issues are closely interrelated.

We believe that this way of reflecting on current problems is in line with the approach of Pope Francis, for example, when in *Laudato Si* he remarks:

*“...the intimate relationship between the poor and the fragility of the planet, the conviction that everything in the world is connected, the critique of new paradigms and forms of power derived from technology, the call to seek other ways of understanding the economy and progress, the value proper to each creature, the human meaning of ecology... and the proposal of a new lifestyle.”* (p. 15)

This reflects the systemic nature of the perspective and the critique; the papal approach can be understood as appealing to the concept of ecology in two different senses: on the one hand, to refer to the environment, to nature in its multiple forms, and, on the other hand, ecology appears as an epistemological and methodological resource, in terms of the proposal to think and engage through what is known as an ecological model or approach.

*“...today we have to realize that a true ecological approach always becomes a social approach; it must integrate questions of justice in debates on the environment, so as to hear both the cry of the earth and the cry of the poor...”* (Laudato Si, p. 49)

Taking into account this integration, this interconnection of the different dimensions of our society and of the problems that affect us today, a possible path would be to directly criticize the capitalist system as the one generally responsible for this situation. But, regardless of the unavoidable certainty of this statement, no matter how well a proposal is developed, it will remain as a mere theoretical speculation with no major possibilities of generating an effective change of the current situation. For this reason, we have limited our analysis to an interdisciplinary approach, with special emphasis on the contributions of sociology and economics, while being as concrete and specific as possible.

From the multiple dimensions mentioned above, we have chosen to focus on the methods of integration within the socio-productive structure of individuals. By addressing this topic, we are also referring to the labor sector, to the quality of employment and, through these two aspects, we will move into the sphere of the economy, since the economy still largely depends on the production and reproduction of daily life. In general, much of what happens in the productive structure subsequently affects the labor sector and then impacts on many of the dimensions mentioned above. We also chose this starting point because we believe that the sign of these times is the social and productive diversity in each of the Latin American countries.

Adopting this perspective is a choice that has some advantages. In the first place, it is an approach that focuses on the problems of socio-productive integration affecting a large portion of the economically active population in Latin America. In the second place, no axiological precondition is necessary to carry out this analysis. There is no need to analyze aspects that have to do, for example, with the level of solidarity of the people, with their ethics, with their tendency to associate or to get organized, among others. Finally, it is a perspective that provides a series of indicators that allow for a clear definition of the subject matter of the study and make it possible to clearly establish the aspects that must be fulfilled to become the beneficiary of certain public policies, and, on the other hand, it would make it possible to estimate the extent of the problem with certain accuracy.

## The “Economies of Francis”

It is possible to clearly define what a business/private economy implies, which would be the traditional economy that has been developing through the consolidation of industrial and financial capitalism, from the mid-19th century onwards. On the other hand, it is also well defined that the public sector comprises another subsystem in itself, which could be called the public economy. The latter involves public agencies, companies that are fully or partially state-owned, entities such as public universities, etc. Of course, there may be an area of convergence between the two economies (public and private) through, for example, mixed-capital companies.

However, with the introduction of the concept of Social Economy, the scenario becomes more complex, since there is not a common opinion as to what this economy involves. According to the Canadian Social Economy Hub:

“Social Economy is distinct from the private sector and the public sector and includes cooperatives, foundations, savings and credit co-operatives, mutuals, non-governmental organizations, the voluntary sector, charities and social enterprises.”

For some authors, such as José Luis Coraggio, this definition poses certain problems, such as the inclusion or not of organizations or collective groups like trade unions or ethnic communities within this concept; in addition, certain state activities, such as the exercise of participative budgeting or redistribution policies, should be included within the social economy. Of course, these inclusions have more to do with the term “solidarity” and certain types of practices aimed at “solidarity”, thus this approach tends to combine both aspects in an inseparable way, calling it directly “social and solidarity economy”.

Other proposals, following the more traditional definitions of the social economy, state that its distinctive feature is that the profit purpose is not its main goal, that it is not dependent on the State, and that its organizational form is necessarily institutionalized as collective or associative.

Meanwhile, Popular Economy should be presented as something different from all of the above, separating it from the positions that provide it some identity with the social economy. A key characteristic of Popular Economy is that its operating rationale is focused on the satisfaction of needs, many of them basic ones, and thus, its constitution does not include a profit or gain rate; not because they do not want to “earn” but because the prevailing premise is that of subsistence at different levels and types through the satisfaction of certain unfilled needs. In general, the activities within the Popular Economy are carried out individually or, at most, with someone from the family involved. Also, there is a predominance of self-employment: a large number of people work independently.

In relation to that, apart from the differences in terms of the legal formalities involved in the collective creation of the legal entity, there is another difference that could be drawn between most of the Social Economy and the Popular Economy, which is of a socio-productive nature. In Popular Economy there is a clear lack of economic and human “capitals” at the moment of developing an activity compared to, for example, most of the cooperatives of the social economy, since they are often very different productive units, because they operate with a higher level of formality.

Therefore, it is necessary to reflect on why workers in the popular economy self-generate an occupation; they do so basically out of necessity; people in the popular economy create some work activity because they need it immediately and for this purpose they seek to engage in activities with very low access barriers, and they do so because, in principle, they are not required by the social and productive structure to take up other jobs.

At this point, we should introduce the concept of Solidarity Economy. This economy is found in an area of intersection between the Social Economy and the Popular Economy. As Razeto states: “...not every popular economy is a solidarity economy but, in general, every solidarity economy is popular”. That is, in general, the Solidarity Economy gradually develops on the basis of certain practices that are established within the Popular Economy. This characteristic of “solidarity” implies the acceptance of a collective character, of an associative attitude in relation to the change of certain productive and reproductive practices and processes.

Solidarity Economy differs from Social Economy in that it does not usually have a formalized, collective type of organization like a cooperative or a mutual, for example; it is probably a de-facto solidarity. Another distinctive feature is that the concept of solidarity is not exhausted within the productive or reproductive unit (as it usually happens within Social Economy) but it is about spreading this concept of solidarity to other areas, it is about “persuading” or irradiating the need for such “solidarity” to the business or market economy as well as to the Public Economy. In other words, while in the cooperatives, mutuals and associations of the Social Economy, the concept of solidarity is thought within the organizations, highly focused on the group of people

that make up each organization, in the Solidarity Economy there is a kind of “activism” of the solidarity as a tool for change in other sectors (economies).

It is worth noting that the solidarity economy is not stated in opposition to the market economy or in opposition to other options; there is no antagonistic approach, but the solidarity economy aims at showing that there is another way of doing things. On this point, we disagree with Coraggio’s view, where he presents solidarity in tension and opposition to the logics of other economies, where one thing must prevail over the other, in such a way that what is not solidary of the business economy or the public economy attempts to invalidate what is solidary and vice versa.

Our approach is in line with the considerations of Razeto or Ortíz Roca, which are somewhat more complex on the issue of solidarity, where this aspect of solidarity is not even restricted to Solidarity Economy itself but, as Razeto indicates, even within Business Economics, the dynamics of solidarity can be found in action.

Finally, it is necessary to outline the perspective of the Economy of Communion, which is closely related to the proposal of Pope Francis. To do that, we can refer to the work of Stefano Zamagni “*The Economy of Communion Project as a Challenge to Standard Economic Theory*”. In the first place, the Economy of Communion should not be directly identified with what has been described here as Solidarity and Popular Economy, in its Latin American version; it is actually an approach that is based on the behavior of the traditional Business Economy, proposing another way of operating that implies assuming another ethical position.

Zamagni proposes three general principles on which the Economy of Communion project is based: the principle of generativity, the principle of reciprocity, and the principle of gift as gratuitousness. Generativity means the capacity to generate new forms of doing business, new modes of organizing the productive process, new ways of realizing the specific role of entrepreneurship. The principle of reciprocity is closely linked to the notion of community, in that the community spirit could not be maintained for long without the reciprocity among its members. However, we must bear in mind that reciprocity is not the same as the exchange of things that are equivalent, even

though the economic mainstream often considers both things to be similar. Regarding the last principle, “gift as munus” should not be confused with “gift as gratuitousness”; *munus* is what you give to somebody else free of any charge, whereas the content of gift as gratuitousness is the specific interpersonal relation that goes to be established between the donor and the donee. (Zamagni, 2014, p. 46)

At the same time, it is very important to pay attention to the following paragraph, in which Zamagni points out, as typical of the economy of communion, the ability to organize the internal governance of the firm in such a way that all the three principles operate jointly. Now, all this takes place within the institutional framework of the market, although it is necessary to emphasize that it is far from both the extremely liberal visions, where everything or almost everything can be traded, and the more state-centered visions where, according to Zamagni, everything or almost everything is driven by duty and (we would add) where subjectivity is lost.

On the other hand, what was stated at the beginning as the advantages of the structural perspective, linked to the structural concept of informality, can be grouped into three main reasons. The first one is methodological and has to do with the availability of a set of indicators that allow for the measurement of small productive units and self-employment, indicators that are being used and have been tested, offering acceptable levels of validity and reliability in the measurement and diagnosis processes. The second reason is theoretical and epistemological. On the one hand, it considers the characteristics of the social and productive structure of a place as a decisive factor in explaining what happens in the labor markets. This fact, in epistemological terms, avoids the idea of explaining what happens in the labor market based on the characteristics of the workers; therefore, indicators (or “proxies”) related to the productive units are used. Finally, axiological considerations are not necessary for the establishment of a diagnosis, neither for thinking about intervention policies on these problems. Thus, in our opinion, the idea that segmentation should be based on a dimension such as solidarity is not a good approach, because it is a criterion that is very difficult to adopt if we want to make progress in the accuracy of diagnoses, especially in relation to whom we would be referring to.



Thus, this structural perspective aims at answering the question of what is common to the different economies that we have discussed so far. What would be common, which serve as a criterion for the characterization and segmentation, could be the relationship of the capitals involved in the small or micro productive and reproductive units. And following this proposal, what would be common in the Popular and Solidarity Economy and in a significant portion of the Social Economy, is a very low relationship between these capitals and the workers involved in the productive and reproductive units.

In this context, what should be understood by the concept of capital? Not only the available money and technology, but also the type of cultural capital associated with workers, embodied in their educational background, both formal and informal; and we should also include what we call social capital, which refers to small value chains, chains of integration and relationships, among others.

As it can be noted, the “Economies of Francis” approach, as it has been proposed so far, is a systemic, generalist and comprehensive view of the major problems of inequality. Nevertheless, in an analysis focused on the Latin American reality, it should be admitted that its center of gravity or starting point ought to be considered from the perspective of the Popular and Solidarity Economy. Moreover, based on a structural view of the problems, we can develop different specifications and empirical criteria of the “Economies of Francis” that would allow us to use them for diagnoses and public policy planning.



# A THEOLOGICAL OVERVIEW BY WAY OF INTRODUCTION

## Acknowledging the existence of problems is the beginning of their solution

Writing a prologue to a work of this nature is a challenging task, first of all because the logos in which we must introduce the reader is complex and, in the words of Pope Francis, multifaceted, with conflicting issues and new and ambitious attempts to answer them; that is, the economy, or rather the global economic system, is a structure that is becoming smaller and smaller for the world; there are numerous actors on the global scene that are left out of the picture in the current approach offered by the capitalist and post-capitalist economy. It is sufficient to simply observe some figures, which do not require a very deep analysis to understand that history demands a new direction, new and courageous ideas in response to a system that excludes, segregates and kills.

The following are some of these figures from the World Bank's October 2021 poverty survey, which show how complex and clearly obsolete the current economic system has become.

- Half of the poor are children. Women represent the majority of the poor in most regions and in some age groups. About 70% of the world's poor population aged 15 and over have no or only basic education.
- Nearly half of the poor in Africa to the south of the Sahara live in just five countries: Nigeria, the Democratic Republic of Congo, Tanzania, Ethiopia and Madagascar.
- More than 40% of the world's poor live in economies affected by fragility, conflict and violence, and that figure is expected to rise to 67% in the next decade. These economies account for 10% of the world's population.

- Approximately 123 million poor people in the world live in areas at high risk of flooding.<sup>1</sup>

To these structural conflicts, we must add the effect and the impact of the SARS VOC 2 pandemic in the world, which has left a reality of even greater vulnerability and disruption of the social network, especially in developing countries.

Within this context and considering this scenario, Pope Francis, in his Pontifical Magisterium, suggests the need for an ethics of care, focusing on the care of people and also on the care of the environment as a key economic factor. In order to achieve a fairer, more dignified and humane system, it is imperative to focus on the care of the common home where we must all coexist harmoniously and in peace.

## The table of peers

The expression given as the title of this point of our prologue finds inspiration in a practice that seeks to balance in some way, at least analogously, the correlation of forces between the workers and the owners of the means of production, i.e., the bargaining negotiations, where both parties sit at the same table as peers to negotiate labor and wage conditions in search of an agreement that arises from the mutual listening of unsatisfied demands and the common effort to fulfill them from one side or the other. This practice now serves as an analogy for the proposal of the economies of Francis; it is necessary that all actors sit at the table, that all voices are heard, and that especially those who are silenced and ignored, at least from the economic point of view in the current situation of forces, are given the opportunity to have a public voice and to have an impact on history.

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1 Cfr. <https://www.bancomundial.org/es/topic/poverty/overview#1> (Consulted on 3/3/2022)

## The power of the peoples and the power of the popular

When we refer to the people from the sociological point of view, we can find entire libraries that attempt to define and delimit this category. From the perspective of the liberation theology and, more specifically, from the theology of the people, the people is the poor and oppressed people, and thus the idea of this collective subject as a subject of liberation, a subject that actively awaits liberation, arises. The concept of people on which we are based is not a socio-economic notion identifying the people as the urban/rural proletariat, but rather a cultural-historical concept, i.e., the people as a symbolic category, as is the wisdom and popular culture that refers to all those who - regardless of their place in the productive process - share the same historical project of liberation. The theology of the people considers it as a historical category, since only in real history can one define what a “people” is, in relation to a common memory, praxis and historical destiny, and it also includes a cultural ethos that defines a common way of living, an own way of life. Three elements can be identified in the category of people: a way of life that is a popular praxis, a history that is a collective memory, and a common destiny. This category presents the defense, the trajectory, the path taken by a community in search of the liberation of this specific cultural ethos.

This people, as defined and delimited in such a way, is both a political subject and a believing subject, combining faith and politics in the historical search for its own liberation from the structures of evil deeply established in its life and in the historical evolution; the people walks through the organization of the community with liberation as its horizon. Now, with the certainty that the People constantly seeks to be accountable for its history in order to improve its destiny, it is this poor, excluded and working People that demands to have a place at the table when it comes to the future. This is the core of the work we are pleased to prologue; the voices of the “end of the world” must be brought to center stage so that we all seek a structural solution to long-standing conflicts, so that together, the young and the old, the powerful and the deprived, we can find common answers to create what is necessary for a fuller, more dignified and more humane life.

This work is intended as a contribution to shed some light on the often painful realities experienced by many people. By the hand of the social magisterium of Pope Francis, the aim has been to develop a systematic thought that generates practical proposals, making the reader notice that he/she himself is part of the proposal and of the solution. The door is always open; the time has come for us to commit ourselves to the creation of a fairer, freer and more humane world, a world like the one the Gospel proclaims.

