



Economia de Comunió: una resposta als reptes de l'economia actual

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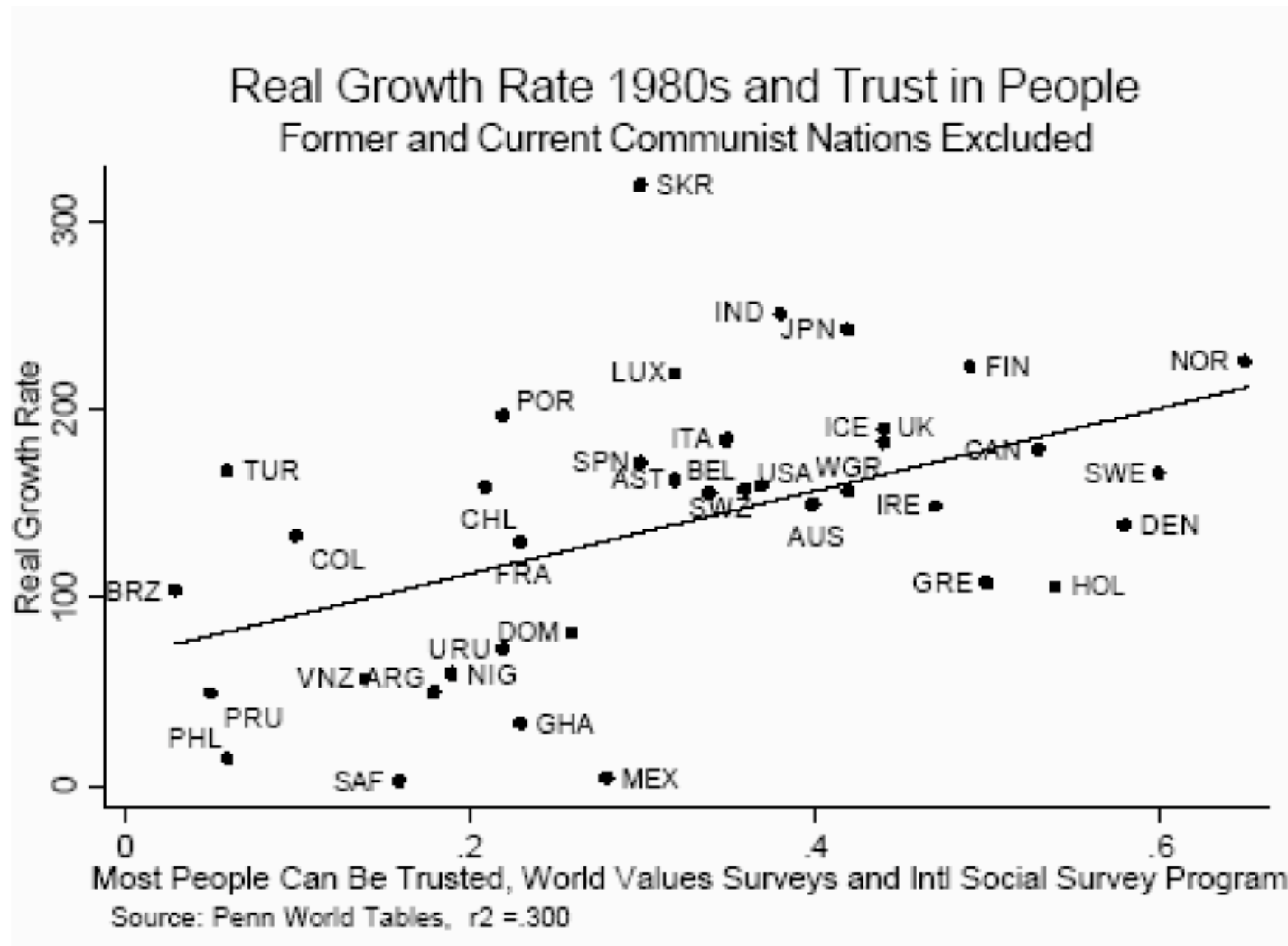
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(Centre fo North-South Economic Research)

Setting the context

- What the Global Markets want?
 - **Profits**
- What the Global Markets look for?
 - New **Ideas** and **Money**
- What the Global Investors and Inventors need?
 - **Trust**

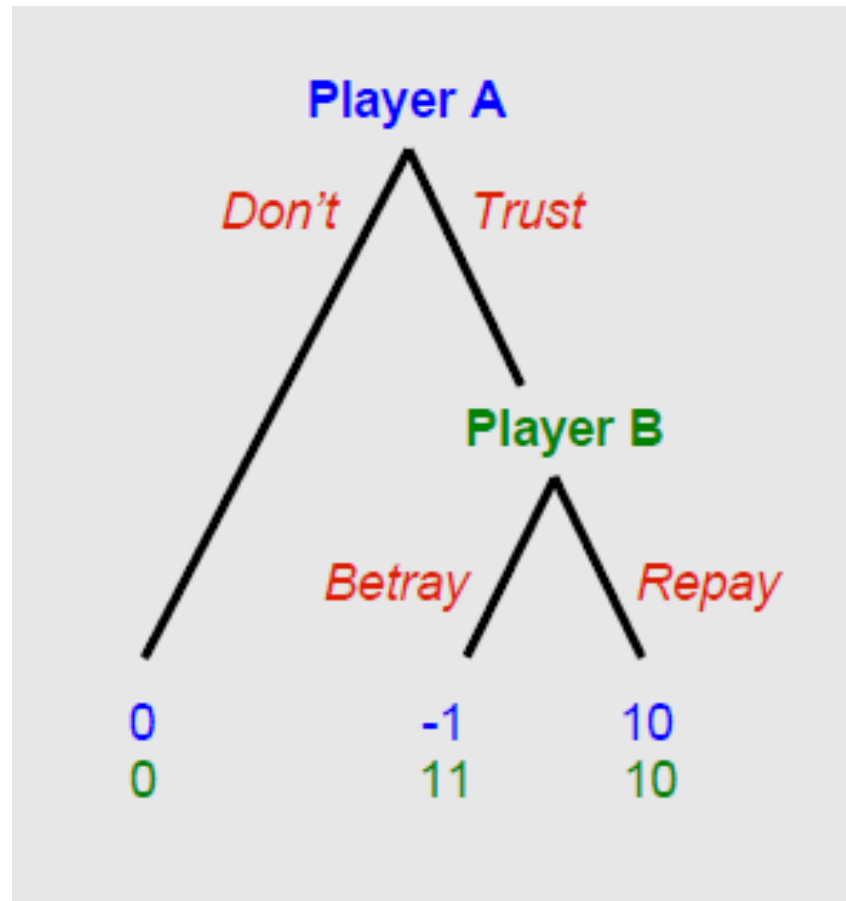
Trust and Growth



EdC: a bit of history

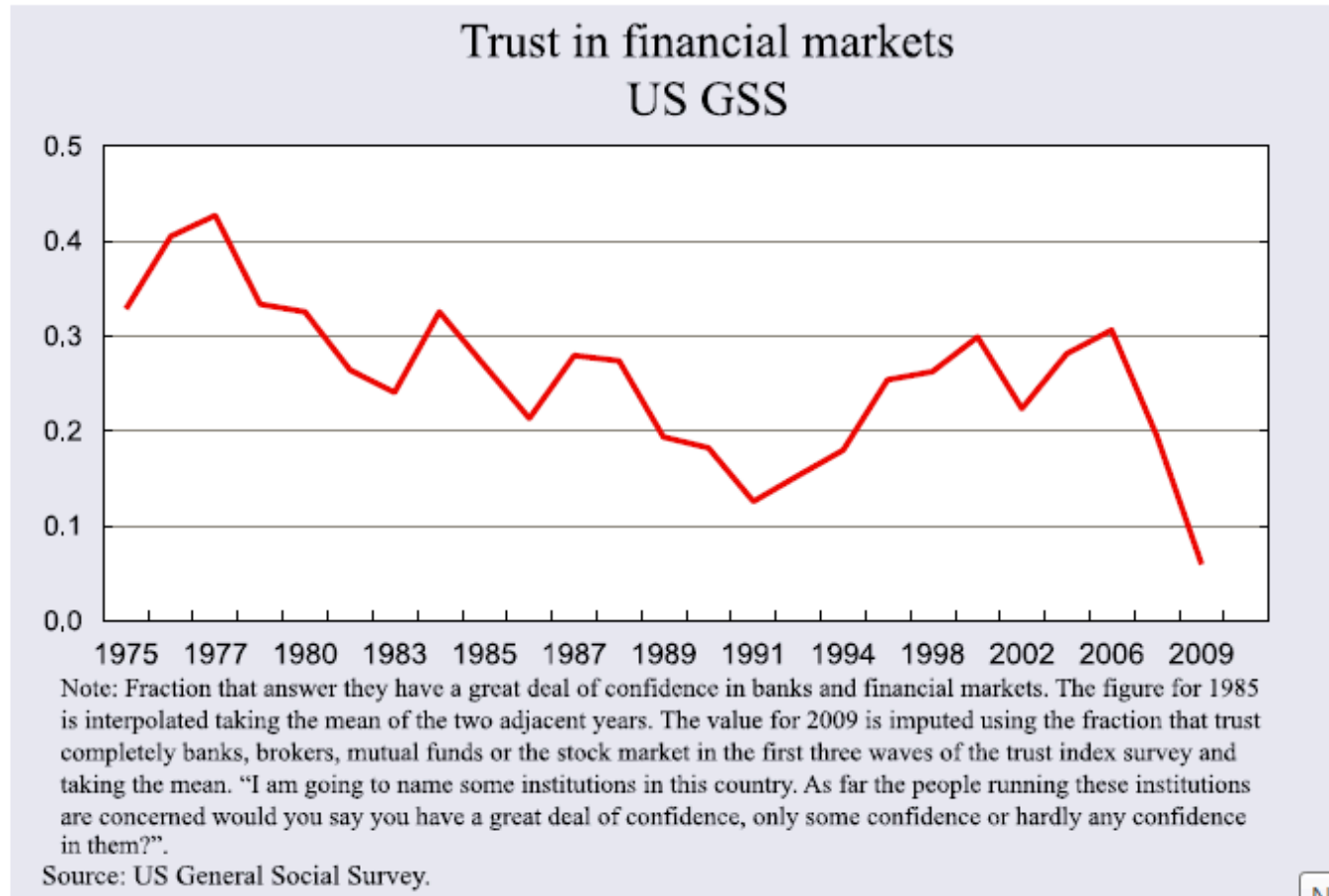
- “Trust is the lubricant of the social system (...) much of the **economic backwardness** in the world can be explained by a lack of mutual confidence” (Arrow, 1972).
- Trust matters for others measurable economic variables: higher and more equal **incomes**, just **institutions**, better-educated and ethnically homogeneous **populations** (Knack & Keefer, 1997);
- Trust has positive effects on foreign **trade** (Guiso, Sapienza & Zingales, 2004, 2005) and individual **well-being** (Helliwel, 2002)

A trust-game



A trust-driven financial crisis

Figure 1. The collapse of trust

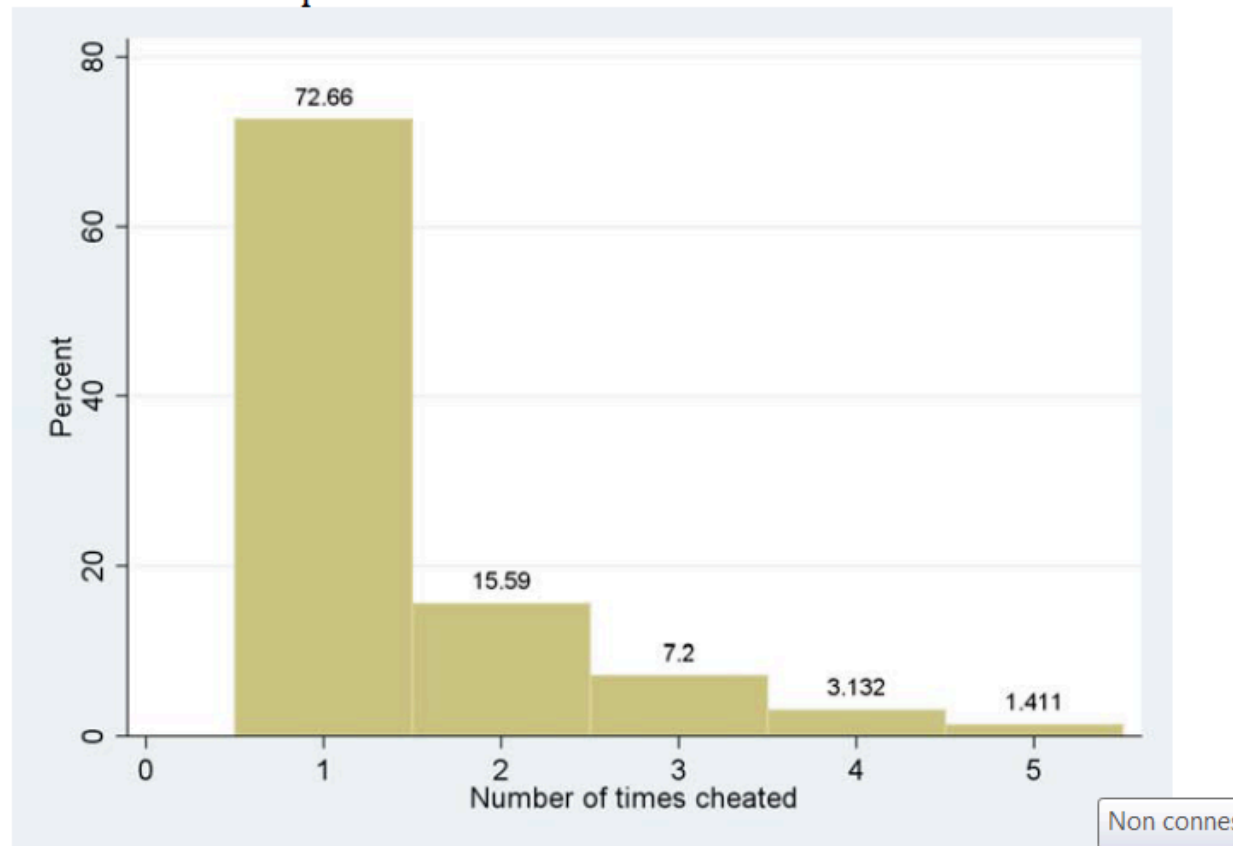


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A trust-driven financial crisis

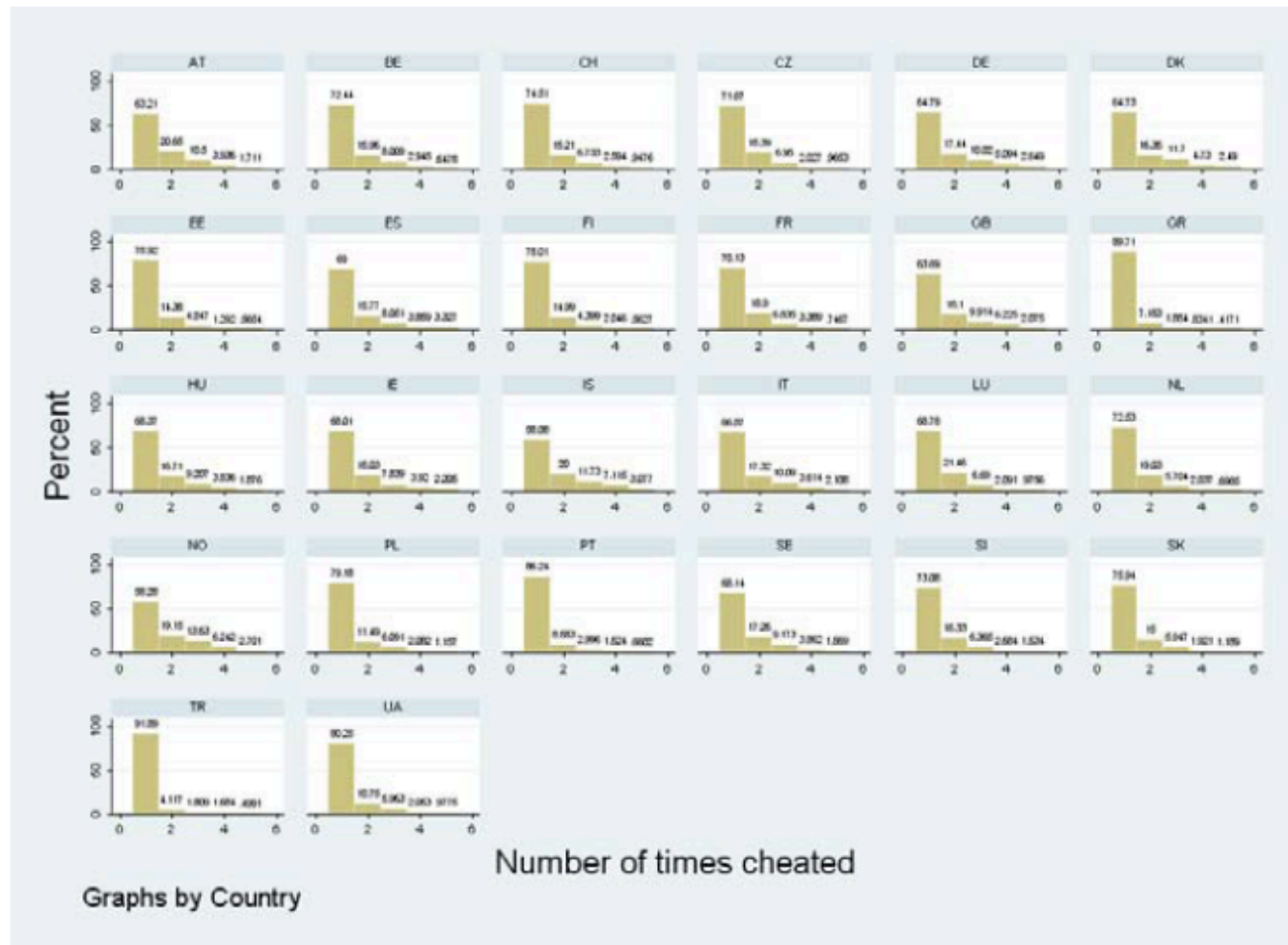
Figure 2. Cheating in financial markets

A. Pooled sample



A trust-driven financial crisis

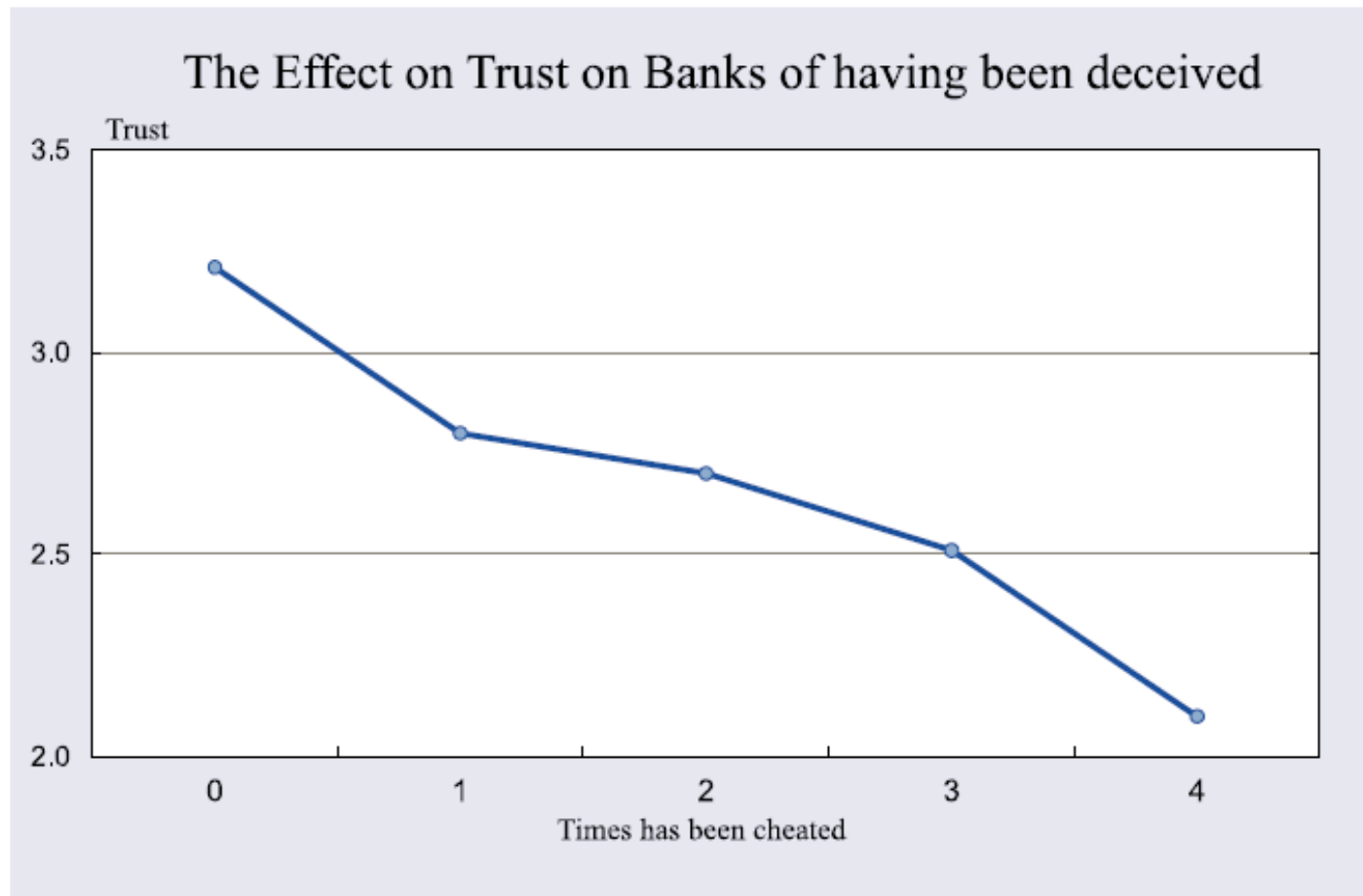
B. By country



Source: Guiso 2010

A trust-driven financial crisis

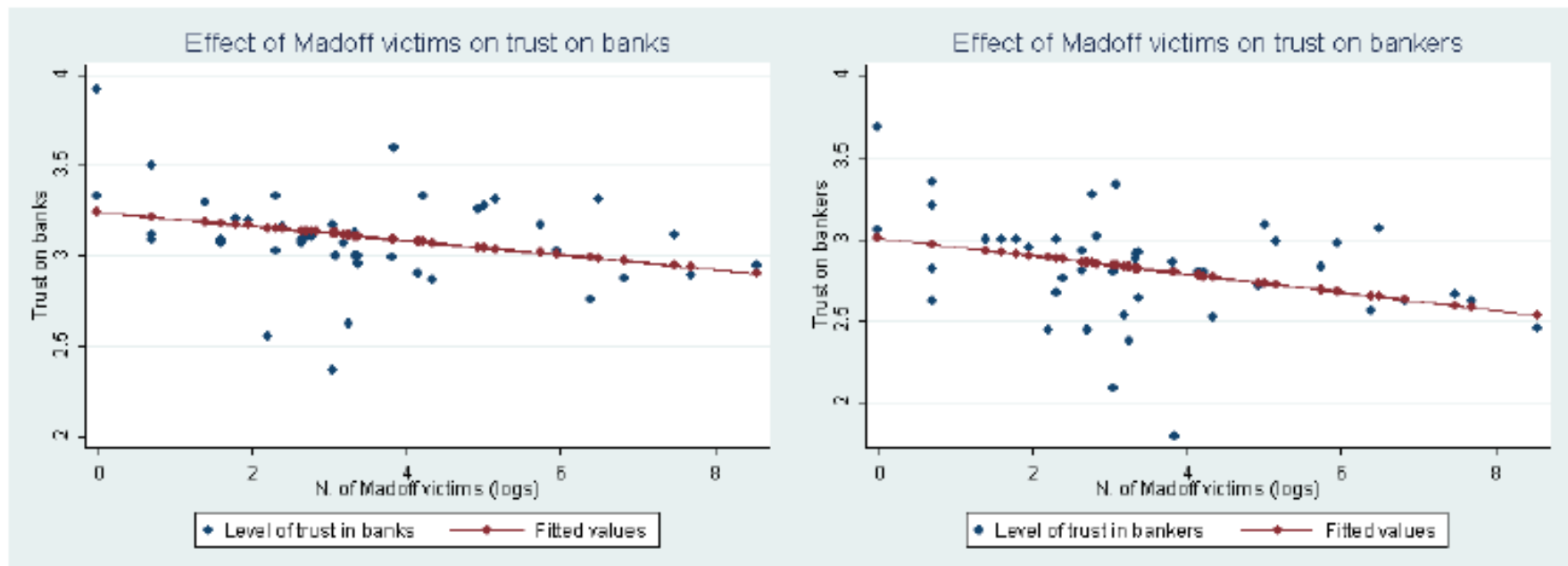
Figure 3. Deception and trust



Source: Guiso 2010

A trust-driven financial crisis

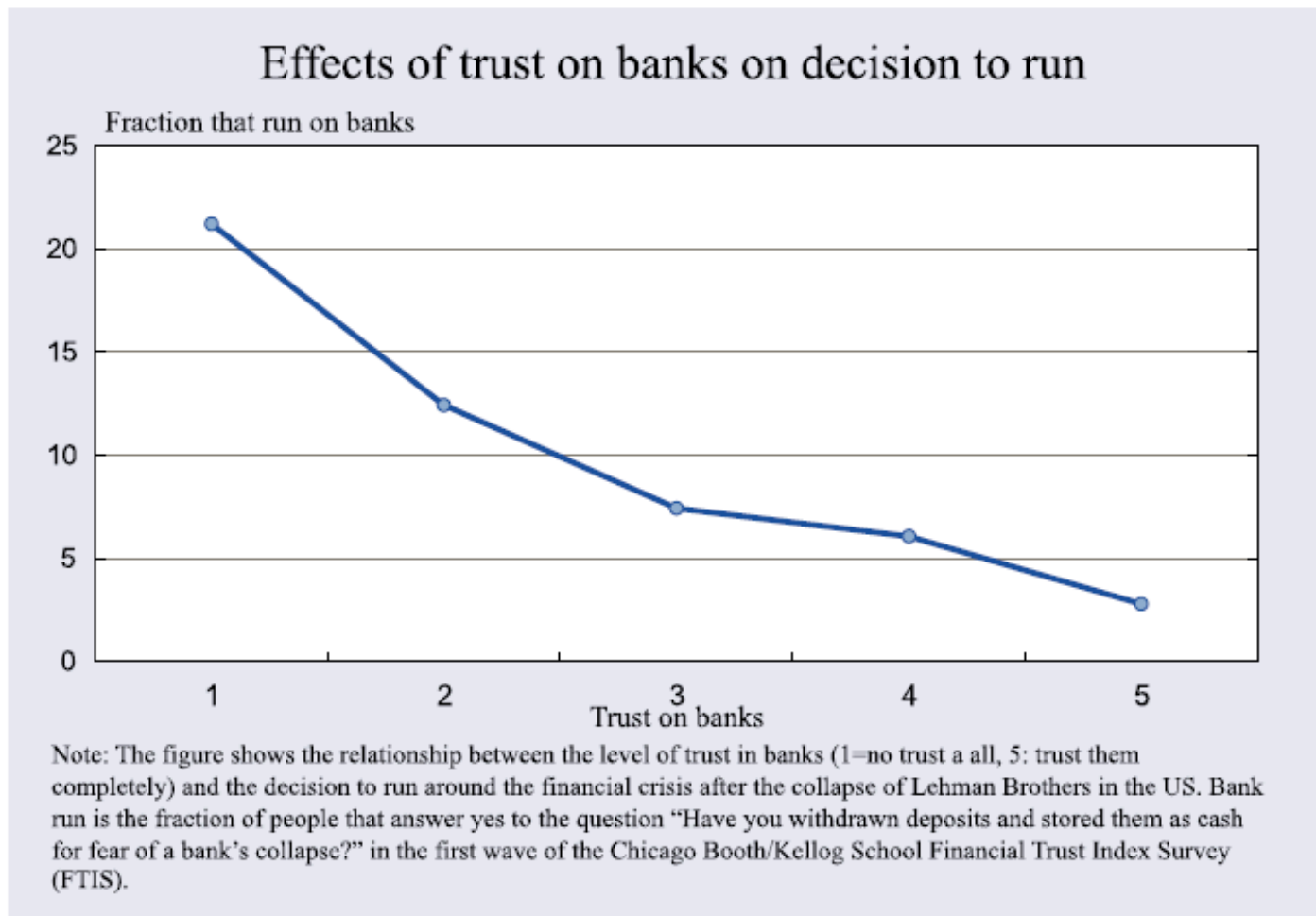
Figure 5. Madoff's victims and trust



Source: Guiso 2010

A trust-driven financial crisis

Figure 6. Trust and bank run



A trust-driven financial crisis

Table 1. Relative trust levels over time

	Wave I	Wave II	Wave III
Banks	0.99	0.94	1.00
Bankers	0.88	0.84	0.92
Brokers	0.71	0.69	0.72
Mutual funds	0.86	0.87	0.88
Stock market	0.70	0.71	0.71
Government	0.77	0.78	0.83
Large corporations	0.71	0.67	0.73
The Fed	0.77	0.78	0.84

The table shows the level of trust towards the specified entity relatively to the level of trust towards people on general.

Source : elaborations on the FTIS

Source: Guiso 2010

A trust-driven financial crisis

- The negative effects of the loss of trust, spill-over to the whole economy.
- A lack of trust produces a decrease of the GDP growth rate
- Trust is a crucial resource (vinculum societatis) that has been **over-exploited**

EoC: a bit of history

- 1991, Brasil
- Chiara Lubich and the Focolare Movement
- Simple Idea: three thirds: poor, culture, firm
- Effects:
 - **global** redistribution of wealth
 - caring **relationships**
 - cultural **change**
 - setting a new **frame**

EoC: a bit of history

- Wealth redistribution
 - Why not just philanthropy?
- Cultural change
 - why not just schools and press?

Traditional vs EoC

	<u>Economic</u>	<u>Social</u>
Traditional	aim	constraint
EoC	constraint	aim

The effect of context and culture

	Respect	Don't Respect
Respect	2 2	1 3
Don't Respect	3 1	0 0

	<u>Respect</u>	<u>Don't Respect</u>
Wall Street	35%	65%
Solidarity	60%	40%

The effect of context and culture

T. Burnham et al. / J. of Economic Behavior & Org. 43 (2000) 57–73

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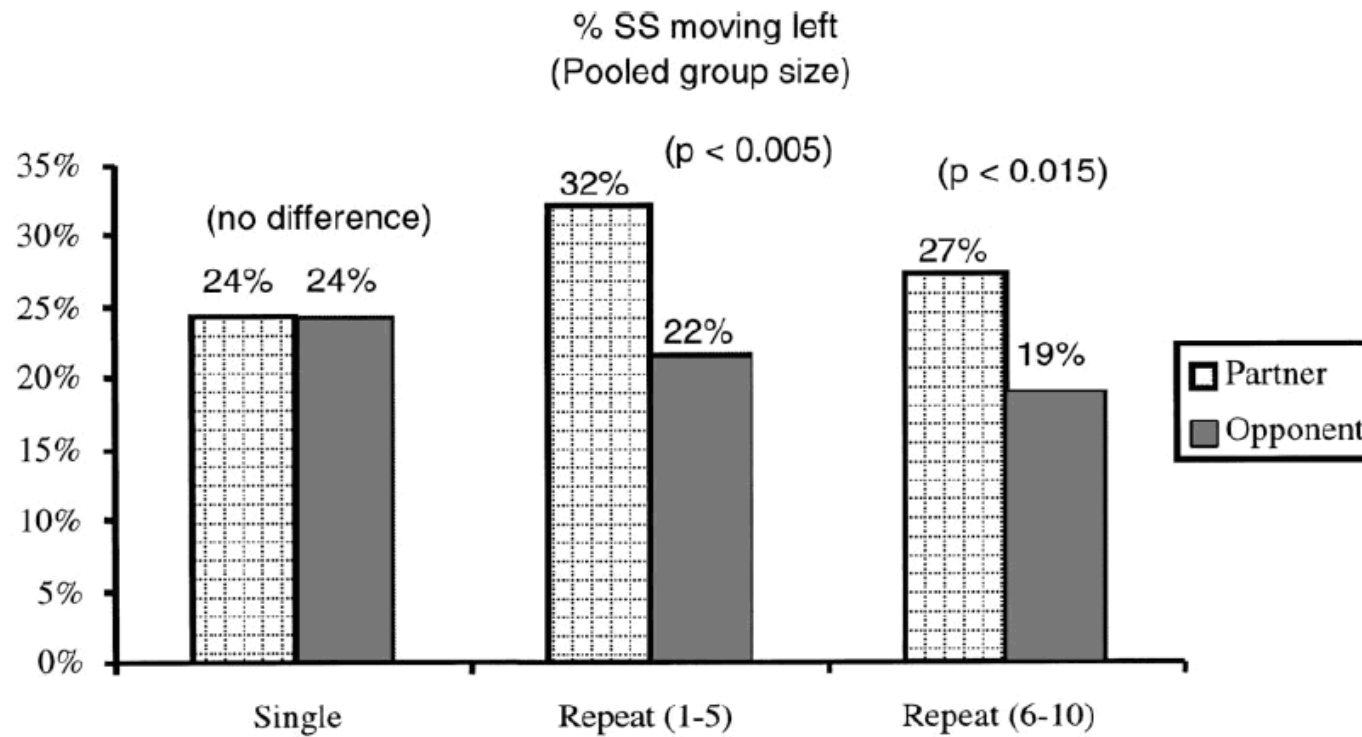
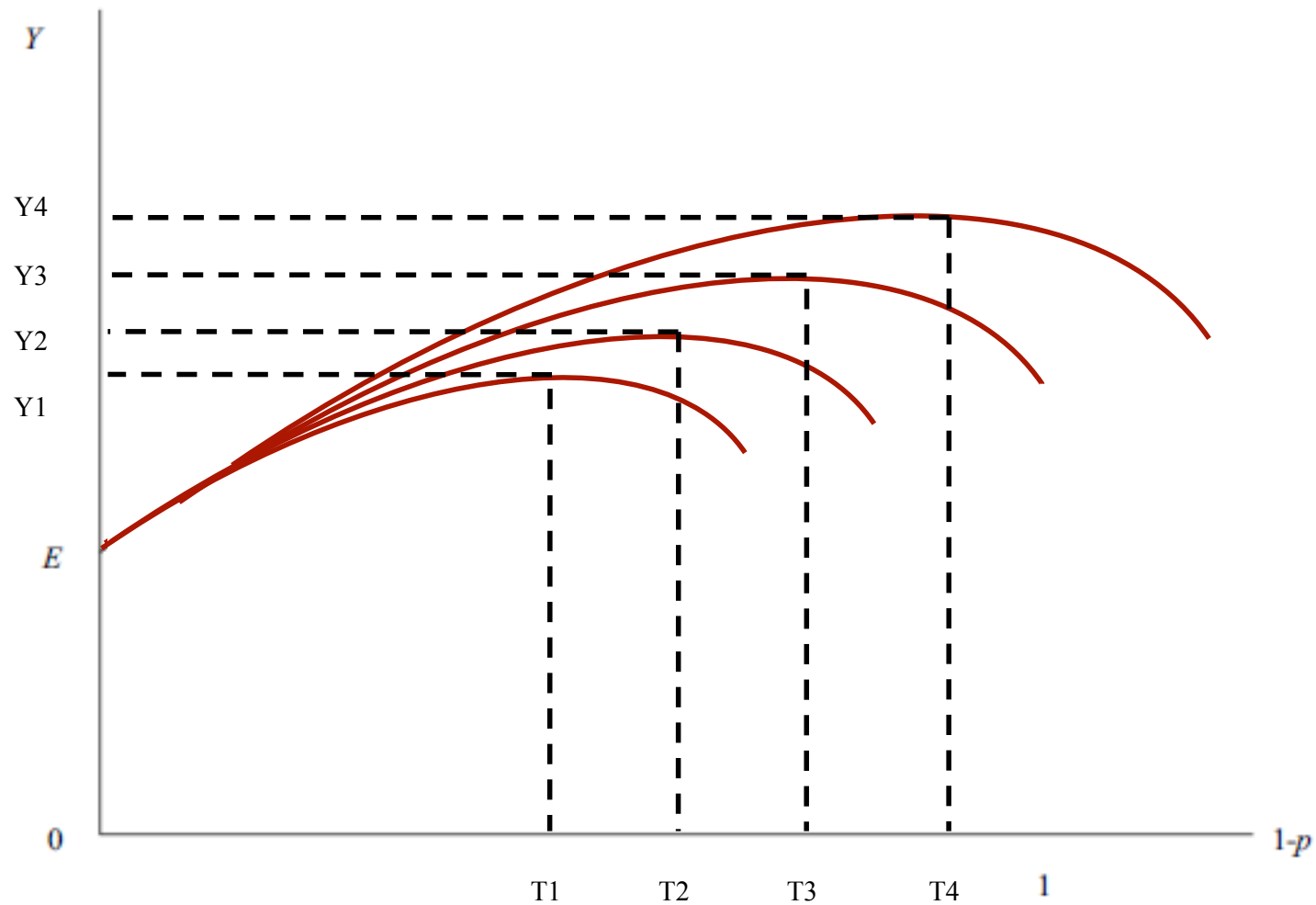


Fig. 4. Trust.

Cultural change in trust beliefs

The Trust-Income Relation



Summarizing

- Simple idea
- Focus on relationships
- Cultural change
- Fostering Trust and Reciprocity
- Culture of giving
- No difference among for-profit and no-profit
- Inclusive markets

Summarizing

Thanks !

Documentation

www.edc-online.org