

# ROME INVESTMENT FORUM 2018

RE-BUILDING THE SOCIAL CONTRACT AND REPAIRING SOCIAL INFRASTRUCTURES

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EMPIRICAL ANALYSIS SUGGESTS THAT DIFFERENCES IN CAPITAL ACCUMULATION, PRODUCTIVITY, AND THEREFORE OUTPUT PER WORKER ARE FUNDAMENTALLY RELATED TO DIFFERENCES IN SOCIAL INFRASTRUCTURES ACROSS COUNTRIES

Measure of investments impact on GDP:

A) ...«investment in social infrastructures results in a *more persistent* increase in public debt as a fraction of GDP than economic infrastructures, posing more prolonged risks to debt sustainability

[...*investment in economic infrastructures increases the debt burden for a period of 15/30 years, while investment in social infrastructures leads to an increase in public debt that lasts one and a half to double the time for economic infrastructures*]

“Investing in Public Infrastructure: Roads or Schools?”  
by Manoj Atolia, Bin Grace Li, Ricardo Marto, and Giovanni Melina  
IMF Working Papers WP/17/105, 2017

B) For the first 13 years, the economy enjoys faster growth rates (over and above the exogenous growth rate) when the public investment is made in economic infrastructures rather than in social ones.

In fact, growth dips even below its trend for about 9 years with investment in social infrastructures, whereas it stays above trend if the investment is made in economic infrastructures ....

C) .....**However** «Investment in **social infrastructures** results in a long-run increase in output (above the underlying trend) of **24%** compared to a much smaller increase of **5%** obtained with an exclusive investment in economic infrastructures»

D) Social infrastructures in addition encourage a much faster and higher degree of social inclusion than just economic infrastructures

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## THE CASE OF CHINA

Existing empirical studies focused on the effects of railways or highways on GDP or population growth have found **mixed results**.

Aggregate TFP growth resulting from reduced transportation costs is attributable primarily to firm entry and resource reallocation.

Cities with large market access have up to now specialized in industries that have low unit cost, higher capital intensity, and low product differentiation.

An extension would be to find out also for China the dynamic of **social inclusion indicators over time**

by nature of the investments made

(social as opposed to economic; also the combination of the two according to various degrees)

IMF Working Papers WP/18/276  
Transport Infrastructure, City Productivity Growth and  
Sectoral Reallocation: Evidence from China  
Yang Yang

The lowest  
the ratio  
among:

GDP per head  
of population  
/  
GDP per  
person  
employed

the less  
inclusive is  
probably the  
society

e.g.  
Sweden 0.49  
Italy 0.41

Difference can  
in good part be  
explained by  
differing past  
investments in  
social  
infrastructures

INDICATORS OF INCLUSIVENESS					
Time		2016			
Subject		<u>GDP per head of population</u>		<u>GDP per hour worked</u>	<u>GDP per person employed</u>
Measure		USD, current prices, current PPPs			
Unit		US Dollar		US Dollar	US Dollar
<b>Country</b>				<b>i</b>	<b>i</b>
Austria		50,923.7		63.4	102,525.5
Belgium		46,785.0		73.3	113,410.5
Canada		44,562.3		51.3	87,457.6
France		41,357.8		65.7	100,235.1
<u>Germany</u>		49,187.3		68.1	92,812.6
Greece		27,116.6		35.3	71,566.5
Ireland		70,880.0		93.5	162,045.4
Italy		38,581.1		54.7	94,220.6
Japan		42,292.7		46.9	80,318.9
Netherlands		50,961.2		67.8	97,435.8
Spain		36,339.0		52.1	88,719.7
Sweden		48,690.1		60.8	98,674.0
Switzerland		64,025.9		67.9	108,012.0
United Kingdom		42,757.0		52.9	88,475.3
United States		57,797.5		69.9	121,802.7
Euro area (19 countries)		42,277.4		59.6	93,723.4
European Union (28 countries)		39,734.5		53.4	87,490.5
OECD - Total		42,256.6		52.0	91,110.4
<u>China PR</u>		15,478.0		..	27,578.3

Source: OECD

# NOT SIMPLY A MATTER OF NUMBER OF HOURS WORKED

**Dataset: Labour productivity levels in the total economy**

Source: OECD

Time	2012							
Variable	Gross Domestic Product, current prices, national currency millions	Purchasing Power Parities for total GDP, national currency per USD	Gross Domestic Product, current prices, USD millions	Average hours worked per person	Total employment (number of persons engaged)	Hours worked for total employment	GDP per hour worked, current prices, USD	GDP per hour worked as % of USA (USA=100)
<b>Country</b>								
France	2032297	0.86	2371906	1479	26956	39873	59.5	92.8
Germany	2666400	0.79	3377541	1393	41608	57973	58.3	90.9
Greece	193749	0.68	285740	2034	4076	8291	34.5	53.7
Ireland	163595	0.82	200034	1529	1839	2811	71.2	111
Italy	1565916	0.78	2017023	1752	24661	43212	46.7	72.8
Japan	475868000	105.97	4490501	1745	64161	111974	40.1	62.5
Korea	1272459500	826.19	1540151	2163	24681	53375	28.9	45
Netherlands	599338	0.83	722773	1384	8682	12015	60.2	93.8
Norway	2906814	8.82	329438	1418	2682	3804	86.6	135.1
Spain	1029002	0.69	1480941	1666	17778	29623	50	78
Sweden	3561903	8.67	410929	1621	4635	7512	54.7	85.3
Switzerland	591851	1.39	426092	1619	4779	7738	55.1	85.9
Turkey	1415786	1.04	1356741	1855	25337	47002	28.9	45
United Kingdom	1564639	0.66	2368261	1654	29519	48815	48.5	75.7
United States	16244600	1	16244600	1790	141529	253326	64.1	100
Russian Federation	62599057	18.56	3373163	1982	70944	140611	24	37.4
Euro area	..	..	12014962	1557	145828	227043	52.9	82.5
OECD Total	..	..	46052707	1769	556956	985344	46.7	72.9

Data extracted on 15 Oct 2018 17:04 UTC (GMT) from OECD.Stat

PPPs are the rates of currency conversion that equalize the purchasing power of different currencies by eliminating the differences in price levels between countries. In their simplest form, PPPs are simply price relatives that show the ratio of the prices in national currencies of the same good or service in different countries. PPPs are also calculated for product groups and for each of the various levels of aggregation up to and including GDP.

# WHY INCLUSION AND WHY INTEGRAL ECOLOGY ?

## Υβρις

Hubris, Greek hybris, in ancient Athens, was the intentional use of violence to humiliate or degrade.

Hubris came to be defined as overweening attitude that leads a person to disregard the divinely fixed limits on human action in an ordered cosmos

In Homer is the disrespect for the environment and the manumission of the equilibrium of the *nature*.

In Catholic teaching *nature* has a broader significance enshrining the concepts of **integration and *indivisibility*** of the three dimensions leading to **sustainable development:**

1) **economic** 2) **social** 3) **environmental**

*«Preference for the protection of the environment or economic growth, without first considering the **dignity of the human person and the common good of society as a whole** would be contrary to the very nature of the **SDGs**»*

Holy See Mission to the UN, General Statement on the  
Final Draft, Post-2015 Development Agenda  
New York, 20 July 2015

Regarding instruments appropriate to SDGs and to their targets  
« must be encouraged the mobilization through all channels of both:  
**financial and non-financial resources**  
**to fund social infrastructures**  
*based on or complemented by :*

a) capacity building b) science c) technology d) innovation assistance

especially for Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs), Small Island Development States (SIDS), countries in conflict and post-conflict situations and all countries in special situations »

Intervention of the Holy See during Intergovernmental Negotiations on the Post-2015 Development Agenda  
General Statement on the Final Draft, Post-2015 Development Agenda New York, 20 July 2015





**Social sustainability  
is either rooted in human dignity respect  
and pursuit of Common Good or risks failure.**

**A policymaking approach not grounded on ethical principles  
governing economy and society at large  
and not based on personal commitment  
is heading to disruption of the society**

Sound policymaking is often crowded out by vested interests,  
powerful lobbies and the inertia of established institutions  
loathe to share or relinquish power

**Economics for the Common Good. Jean Tirole (trans. by Stephen Randall). Princeton University  
Press. 2017**

**SDGs are set to prevent implosion of the society**  
**However to achieve the targets set by SDGs goals we have sometime to think**  
**counterintuitively**

**The unexamined life is not worth living. Wisdom begins in wonder**  
**(Socrates)**

**Thank you**

