



Patriarchate of Antioch and All the East

Economic Memorandum
Economy for the Future of Lebanon

Fourth Encyclical letter

By His Beatitude and Eminence

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Patriarch of Antioch and All the East

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Through the Grace of God
Patriarch of Antioch and All the East
And Cardinal of the Universal Church

**To Their Excellencies, our Esteemed Brothers, the Bishops,
The Sons and Daughters of our Maronite Church, the Priests, Deacons, Monks and
Nuns, All the Dear Faithful, and all people of Good Will**

Peace and Apostolic Blessing

Introduction

1. The "**National Memorandum**" that we issued on February 9, 2014 on the occasion of the Feast of Saint Maron drew attention to points relevant to the economic matters at that time¹. However, very difficult circumstances now compel us to issue an additional "**Economic Memorandum**" entitled

"Economy for the Future of Lebanon". This Memorandum will serve as an Encyclical Letter that I issue, regularly, on the anniversary of my election as Patriarch to the See of Antioch. Given that this subject has both a pastoral and a scientific aspect, we have cooperated with the **Maronite Center for Documentation and Research**, the Strategic Committee of the Center, the Economic Committees and with experts in the economic and financial affairs. We adopted **the official teaching of the Church** in the socioeconomic sector. We referenced the Maronite Patriarchal Synod in its twenty-first text: **"The Maronite Church and the Economy."**

¹ Refer to paragraphs 24, 25, 26, 27 and 30

We would like to remind you that the following circumstances have necessitated the issuance of this “Memorandum”: the unstable political situation, including the presidential vacancy, along with its concerning and dangerous consequences on varying national levels, the uncertain economic situation involving an ever-increasing public debt, the recent economic paralysis, a growing number of Syrian refugees now exceeding one-and-a-half million, the labor and union movements, and the way to address this issue, which has resulted in a sharp contrast between the demands of these groups and the ways the different economic sectors have been reacting to them, as well as the way the government has been involved.

2. We are well aware that the Church has “neither a technical solution nor an alternative economic system to present”², with respect to these issues. However, she favors technical solutions and an economic system that would provide a proper life for her people. Given the Church’s mission to help humankind along his/her path to salvation, this being the primary purpose for her existence, the Church finds that it is her right and duty³ to have her voice heard regarding such an essential sector of society as the economy, which affects the very life of the nation and those of each of its citizens.

In light of our country’s current economic woes, we find it necessary to search for effective and radical solutions and to invigorate the ongoing debate regarding the legitimate demands of the struggling for their God-given rights to the broader goal of attaining justice for all. Otherwise, we risk descending into a conflict between classes.

There is no justice without a developed economic and legal system. These achievements are not possible without determining the hidden deficiency in our economic structure, and without engaging in a serious and productive discussion to search for an economic principle capable of delivering the country from its current crisis and helping to attain the desired justice. Furthermore, the necessity of searching for radical solutions is all-the-more evident given the insufficiency of the alternatives. By now, it is clear that the politics of temporary compromises, partial technical solutions, and options certain to embroil Lebanon in future double-crises are unacceptable means of meeting the challenges posed by the economic changes we now experience on both the global and regional levels. Least of all can we resolve to rely on the “Miracle of the Lebanese Economy” in exchange for mere peace of mind.

² Vatican II, *The Church in the Modern World*, 40

³ *Compendium of the Social Doctrine of the Church*, 69

The **starting point** for getting out of this crisis is to take advantage of the crisis, itself, thinking deeply about the structure of our national economy, and the need to redefine it, guide it and rectify it. The matter is urgent due to the change that is happening on a universal level in our current era of globalization. These days, people are looking ahead to the post-globalization era, especially in light of the Great Recession of 2008, the consequences of which brought the issue of the market into the global consciousness, as well as the need to search for new ways to prevent catastrophic disruptions of entire national economies in the future. Thus, it is clear that we must somehow reconcile the existence of the market with the requirements of social justice. The last explicit appeal for such balancing of interests was that of the managing director of the International Monetary Fund (IMF) during an international symposium on “inclusive and non-exclusionary capitalism” in London on May 27, 2014⁴.

⁴ Refer to: <https://www.imf.org/external/np/speeches/2014/052714.htm>

“Economic Inclusion. One of the leading economic stories of our time is rising income inequality, and the dark shadow it casts across the global economy (. . .) Many would argue, however, that we should ultimately care about equality of opportunity, not equality of outcome. The problem is that opportunities are not equal (. . .) Fundamentally, excessive inequality makes capitalism less inclusive. It hinders people from participating fully and developing their potential. Disparity also brings division. The principles of solidarity and reciprocity that bind societies together are more likely to erode in excessively unequal societies. History also teaches us that democracy begins to fray at the edges once political battles separate the haves against the have-nots. A greater concentration of wealth could—if unchecked—even undermine the principles of meritocracy and democracy. It could undermine the principle of equal rights proclaimed in the 1948 Universal Declaration of Human Rights. Pope Francis recently put this in stark terms when he called increasing inequality “the root of social evil”. (. . .) What can be done about it? (. . .) transfers and income taxes have been able to reduce inequality by about a third, on average, among the advanced economies. But it is a complex issue and policy choices need to be made carefully (. . .) Some potentially beneficial options can include making income tax systems more progressive without being excessive; making greater use of property taxes; expanding access to education and health; and relying more on active labor market programs and in-work social benefits. But we must recognize that reducing inequality is not easy. Redistributive policies always produce winners and losers. Yet if we want capitalism to do its job—enabling as many people as possible to participate and benefit from the economy—then it needs to be more inclusive. That means addressing extreme income disparity (. . .) the second dimension of inclusive capitalism that I have chosen to address—integrity in the financial system (. . .) its real job is to benefit people, especially by financing investment and thus helping with the creation of jobs and growth. We also need more vigor across the rest of the reform agenda—better rules for nonbanks, better monitoring of shadow banks, and better safety and transparency over

Lebanon, which is part of this world, cannot remain outside this endeavor. That is why it is important to raise the subject at this time. Crises are perfect times to visualize solutions that are more compatible with reality, and more responsive to the challenges at hand. Therefore, we should seek an economic principle that enhances rather than slows the productivity of organizations, spurs economic growth, and expands the horizon of creativity.

This memorandum treats the subject of our economy in four parts: **the first** discusses the structure of the Lebanese economy; **the second** relates to the social dimension of the market economy; **the third** considers the fundamentals of the future economy, and **the fourth** proposes an overarching economic plan.

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derivatives, an area that is still today excessively obscure and complex.(. . .) As well as regulation, we need stronger supervision. Rules are only as good as their implementation. (. . .) the true purpose of finance. Its goal is to put resources to productive use, to transform maturity, thereby contributing to the good of economic stability and full employment—and ultimately, to the wellbeing of people. (. . .).”

Chapter I

The Structure of the Lebanese Economy

3. The Maronite Patriarchal Synod⁵ in the twenty-first text entitled "**The Maronite Church and the Economy**," discussed in depth the structure of the Lebanese economy and that which is preventing the Synod from responding to the requirements of justice. The Synod observed that "the modern trends of the Lebanese economy since the Independence" (Par.56) not only serve as the foundation of this economy, but they also explain its failure to accomplish social justice and why economic reform has yet to be realized. In other words, these shortcomings stem from an economic principle that has been in place since that time, despite attempts to address the social issue, where this economy was built on two basic functions: "**privacy of the Lebanese economy**," and "**personal initiative**," which is an absolute individual foundation, separate from any role of the State.

Mediation in Trade and Services

4. The **privacy of the Lebanese economy is built on** "making the economic job of Lebanon to specialize **in the role of mediator in trade and services** between Arab countries and the developed countries, in order to develop its two agricultural and industrial sectors, as long as the State does not interfere in the economy, and let the mechanisms of the market lead the economic and social situations" (Par.18).

This Privatization has been supported by the Phoenician history, through plagiarism of this history in "the business that has commercial nature, the love of immigrating, and the mediation in its different ways (19). The outcome was that **Lebanon has changed into a "Republic of commercial nature"** (Par.19).

The success of the individual Lebanese initiatives, the realization of major profits, and the growth of the banking and service sectors encouraged this privatization, as a result of four factors: The stability that Lebanon experienced over different time periods; the need of the Arab region for such an economy at a time when the Gulf countries did not know the development that they are witnessing today; the choice of our neighboring Arab nations to adhere to locally

⁵ Maronite Patriarchal Synod 2003 - 2006. It was signed and issued by Cardinal Patriarch Mar Nasrallah Boutros Sfeir on the tenth of May, 2006.

centralized economic systems and the money flowing from the diaspora into Lebanon as well as the foreign deposits into our banks.

5. However, **the aforementioned choice was not supported from a social perspective** – nor even from a moral one, because it failed to spread the results of the economic prosperity among the social strata. Despite the government efforts to reform the economy in the sixties⁶, it **failed** to crystallize the socio-economic vision necessary to build a steady future for Lebanon” (Par.25). Furthermore, the government, try as it would, could not succeed in evoking the spirit of social justice, nor could it redefine the fundamentals of the national economic structure. This was due to several factors, the most important being that the government decided from the beginning to stay outside this arena, by walking the path of seeking to benefit from this economic system. If the government intervened its intervention would be insufficient at sometimes and spontaneously improvised at other times. Perhaps the economic crisis that we are experiencing today is due to the predominance of this economic approach, an approach whose proponents’ involvement in the political structure of the nation has encouraged this crisis. Other factors contributing to our current economic crisis include the major recklessness toward the productive sector, the lack of balanced economic growth on a sectorial and regional level, and the lack of equal job opportunities among people of one nation” (Par.25).

Economic Surplus Strategy

6. The government’s **adoption of the current Economic Surplus Strategy** has increased the difficulty to reform the economic and financial policies.

The **Patriarchal Synod** pointed out the hidden deficiencies in these policies. A sample of these policies include the construction and reconstruction policies focused on “highly expensive infrastructure projects that were concentrated, again, in Beirut and in Mount Lebanon, and opened the door for chaotic compensation schemes for the displaced citizens, and the costly fiscal policy yoked to exorbitantly high interest rates in respect of the local currency. The purpose of this policy as Stated by the government is to support the exchange rate of the Lebanese Pound, in the context of establishing a stable monetary policy. This policy resulted in huge profits for the banking sector, which became the major holder of the national debt. It is worth noting that some political figures had direct vested interest in this scheme” (Par. 27).

⁶ The attempt during the era of President Fouad Chehab. View details in the Synod text, paragraph 23-25.

7. As for the subject of finances, the Synod indicated that in certain years the high interest rates reached usurious proportions, despite the reduction in inflation, and the improvement in the level of foreign currency reserves. This allowed some to amass enormous fortunes, hindered productive investment activities, and induced a huge debt structure on the treasury as well as the private sector” (Par.29). It is a giant debt “unprecedented in the world, whether in relation to the gross national product (190%) or to the size of Lebanon, its population, and the lack of natural resources. The increase in this accumulation of debt in just a few years from the launch of the reconstruction policies led to the quasi-total impediment of growth. An economic, social and financial crisis of multiple dimensions has worsened” (Par.30).

The **public debt** is situated to grow by 8% per year for lack of economic growth, which has decreased to below 2%. The public debt has increased from 139.5% of GDP in 2012 to 145% in 2014, and it is expected to reach 148% in 2015. This has led to a deficiency in the budget, which has not been set since 2006. The deficit approached the rate of 94%, 30% of the value of the full budget, due to the decrease in the nation’s revenue. Compounding this problem are expenditures related to the increase in the number of Syrian refugees, recurring expenditures resulting from decisions made during times of limited financial support from donors, and unintelligent investment in growth. The public budget deficit expanded from 9.17% of the GDP in 2012 to 9.36% of the GDP in 2013, to 10.5% in 2014. The government had to borrow money year after year to cover the deficit, the shortage of electricity, and the value of the interests on the public debt service, to end it practically with the absence of sources for financing of investments in growth, to stabilize it and to maintain it. In 2014, the government had to pay its matured financial obligations.

As a result, the total of Lebanon’s debt obligations will surpass \$14.6 billion and \$10 billion in 2015. In light of these considerations, the government should exchange its foreign debts, or look for new resources to raise the debt ceiling. If we fail to take these or other remedial measures, Lebanon can at best expect to see higher interest rates, and additional general economic recession, all the way to stagnation. At worst, and God forbid, we risk a full-on economic collapse.

8. The temptation to treat Lebanon like a free-trade zone has added to the danger. One of the features of this approach is to keep the State tax system weak by forcing it to rely on indirect

taxation through the framework of a subtle, neutral tax system. This would make it easy for many to avoid paying taxes or to pay only small amounts. This system prevents the government from attaining the resources it needs to provide adequate welfare to the people (Par. 42). As a result, the shortcomings of this system fall on the shoulders of “the labor force and overall productive sector, including workers, employers, the independent professions and industrialists; and this system does not cover those who derive their income from financial investments, or capital gains in stocks or in real State, except in a marginal way. This reality points to the hegemony of the powerful private interest group with large capital funds or real State holdings, over the Lebanese economy. Such a system impedes the economic growth of the country and the creation of sufficient employment opportunities” (Par. 42).

The Weakness of Solidarity and Unity

9. The result of all the aforementioned was a weak “**sense of solidarity and of unity**”, and a **diminishment of “the implementation of ethical principles in economic life”** (Par. 37). This, in turn, led to the inability of the government to achieve social justice and secure the kinds of services provided by every developed and modernized human society. The lack of these services has resulted in a widening gap between the rich who get richer and the poor who get poorer, and a government inept to intervene in order to establish social balance. We cannot ignore that this State of affairs has prompted the forces of civil society, especially following the war, to make great efforts to compensate for the failure of the government in different social sectors.

The dangerous consequences of this weakness were the loss of the security net otherwise preservative of our social stability, the diminishing of the middle class and its capacities, and the decrease in its proportional contribution to stimulating the economic cycle. The situation has become so severe that citizens struggle to send their children to private schools and colleges for proper education. Further, the cost of healthcare, including medical treatment, maternity care, and hospitalization, has greatly increased. In addition, to the inability of the governmental health institutions to properly fulfill its obligations. .

We add to all of the above **the decline in the purchasing power of the citizens**, which has adversely affected food quality and safety, as well as the national public health and its toll on the economy. We also note the high cost of electricity falling on the shoulders of citizens, along with the burden of finding expensive private alternatives to public transportation along the national map.

As for the matter of housing, it has become difficult and, in some cases, impossible. Despite the easy accessibility of loans, most find that they cannot ultimately afford the fortune required to purchase a house. At the same time, there are no general plans or suitable regulations aimed at providing adequate housing. It is no secret that the rise in rent prices does nothing to resolve these dilemmas.

The Constitution and the Necessity for Reform

10. Our current economic reality indicates **the necessity to undertake reform**. Therefore, it is mandatory that the constitutional authorities thoroughly review the national economic structure and reexamine the economic and financial policies in order to reform our economy and make it more equitable. In this way, the government can become more involved in developing clear legal frameworks for the market and its social consequences, and collaborate with the latter and with civil society more effectively, rather than keeping the social initiative an individual initiative, and keeping the economy's fate tied to the whims of the market. The realization of such a vision is in no way an impossible matter.

The Preamble to the Lebanese Constitution identifies principles that can help us move forward with this reform. The most important provision is paragraph (C), which States: "Lebanon is a parliamentary democratic republic based on respect of public liberties, (. . .) social justice, and equality of rights and duties among all citizens without discrimination." There is also paragraph (F): "The economic system is free and ensures private initiative and the right of private property." Lastly, paragraph (G) States, "The even development among regions on the educational, social and economic levels shall be a basic pillar of the unity of the State and the stability of the system."

It is obvious from the Preamble to the Constitution that the government adopted **an economic orientation** without determining a clear economic plan, or rather **an economic principle** that would render this orientation an economic structure to replace the present one, despite the success that such a structure offered to Lebanon in the past. Nevertheless, reform has become an urgent necessity for all the reasons we outlined above.

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Chapter II

The Social Dimension in the Economic Market

11. Lebanon, in accord with article (F) of the Preamble of the Constitution, adheres to a **free economic system**, with the intent that the government play a role in facilitating social justice. This is a free economic system with social dimensions that distinguish it from the more chaotic, liberal alternative. This economic paradigm requires an accompanying vision capable of enabling its real-life application. Though the Constitution stops short of prescribing a specific economic plan, its principles open the doors to negotiation on the matter.

As for **the Church**, which stands as “**the expert in humanity**”, and which does not operate private economic systems, has the right to give her moral judgment with respect to different life matters, including economic activity, which “should be practiced according to its own terms and criteria, within the limits of the moral system”⁷. From this perspective, the Church offers its moral evaluation in regard to **the free economy** known by the public as the “**market economy**.” She wants it to possess a social aspect that guarantees justice, solidarity, human dignity and rights⁸.

12. For the market economy to have a **social** aspect requires a civilized principle aimed at building a relationship between the freedom of the market and the values of justice, solidarity and reciprocity. This social aspect should be built on **four pillars**: **First**, there is the role of the free economic activity in creating social cohesion, and the necessity to link this to a legal framework. **Second**, there is the importance of the productivity of competing economic projects for purposes of administering reasonable tax policies that allow the State to reduce its debt, generate the revenue necessary to conduct its work and focus on the areas of its expertise, and to play a special role at the social level. This second requirement, in turn, depends on the setting of rules for the monetary sector, in general, as well as establishing regulatory and institutional policies. **Thirdly**, develop a social policy keen on solidarity and thereby conducive to social protection and shared justice with all those who are marginalized in society due to a lack of opportunities within the current economic system. Fourth, and finally, this socially just economy must be environmentally conscious.

⁷ Vatican II, **The Church in the Modern World**, 64

⁸ Refer to Compendium of the Social Doctrine of the Church , 335

The Market Economy and Human Dignity

13. The social aspect of the market economy is built on the balance between the principle of the free market economy, the means of the competitive economy, and the mechanisms of social justice. This balance nurtures moral choice built on civilized foundations. At its epicenter, there is a healthy look at the human being, and adherence not only to the principle of justice, but also to the morality of solidarity and reciprocity, because for every economic choice there are moral consequences⁹. One should not seek to build a healthy economy without regard for preserving human dignity, which belongs to all humans, equally. “Excessive economic and social disparity amongst members of the human family, or its constituent population groups, sows cynicism and militates against social justice, equity, and the dignity of the human person. Furthermore, such a State of affairs inhibits the realization of social and international peace”¹⁰.

These two tasks fall on the shoulders of the institutions that have been established specifically to protect, preserve and respect the dignity of the human being. Were it otherwise, these institutions would be straying from their original purpose to serve the common good. The Second Vatican Council defined this as “the sum of conditions which allow social groups and their individual members relatively thorough and ready access to their own fulfillment”¹¹. This same principle lead the Council to say that “the disposition of affairs is to be subordinate to the personal realm and not the reverse”¹². Such affairs include the economy, which should work inherently for the good of a person and serve to protect his or her dignity¹³. Otherwise, man becomes rapidly only a producer or consumer of goods, whereas the purpose of the human activity is to achieve self-actualization and to earn one’s living with dignity¹⁴.

The Freedom of the Market and the Principles of Justice, Solidarity and Integration

14. The issues of social justice, solidarity and integration are founded upon anthropologic fundamentals. This is because human dignity is not limited only to the framework of individual freedom and its protection, but also it extends to the framework of social relationships. This cannot be realized without justice, solidarity and collectivity between social groups and their

⁹ Refer to Pope Benedict XVI, *Caritas in Veritate*, 37

¹⁰ Vatican II, *The Church in the Modern World*, 29

¹¹ *Ibid.*, 26

¹² *Ibid.*, 26

¹³ *Compendium* 326

¹⁴ Pope John Paul II, *Centesimus Annus*, 39

individual members. One cannot doubt that **unity and solidarity are two major elements of the principle of justice**. One realizes this when taking into consideration that justice not only means to give each person his or her own rights, but also that we should be responsible for one another, even to put oneself in someone else's shoes. This is the reason we should not differentiate between justice, solidarity and collectivity. In light of the above, one can see that the concept of social justice finds its meaning not merely in rights and duties, but also in equality at the level of human dignity among all people. This means that solidarity and unity affect one's understanding of justice and its application, where each member benefits from the return to which he or she is entitled, on the one hand, and from a generous social presence, on the other. It is social justice, then, that remains at the heart of social life¹⁵.

The Role of the Government

15. In order to secure this connection between the market economy and the fundamentals of social justice, we must ensure the responsibility of the State in providing a system for social protection, as the market, alone, is incapable of developing acceptable solutions in this regard. This is what our Lebanese economic system is missing, in particular, given that the State shies away from this fundamental role, instead favoring the principle of **“laissez-faire, laissez-passer”**. This French expression¹⁶ counsels against government intervention in the economy, instead favoring a system in which the market operates freely, with little to no regulation. It is this approach to the Lebanese economy that has created a major gap between the market and social justice.

16. The government is an indispensable precondition to the creation of an organized city, and there is no way to contemplate real human development outside this paradigm. This necessity in human societies arose from the failure of individual and private efforts to achieve, on their own, solidarity, justice and unity among people. This requires that the State, represented by the political community and public authority, exercises its powers within the limits of the moral order and directs its efforts toward the common good¹⁷. In such cases, it is necessary for the market and the State to act in concert with one another, and to complement each other,

¹⁵ Refer to Pope John Paul XXIII, Mater Et Magistra; Vatican II, **The Church in the Modern World**, 25 - 29.

¹⁶ Laissez-faire, Laisser-passer

¹⁷ Vatican II, **The Church in the Modern World**, 74.

mutually¹⁸. This requires the State to establish equitable and clear rules for the economy, and to ensure that they are followed without affecting either the freedom of the individual initiative or that of the market. In addition, the State needs to partner with civil society, the private sectors and this kind of productivity in order to fulfill the different duties required of it for the provision of justice, solidarity and unity. However, such an effort will not be at the cost of weakening the State and its agents. This plan will succeed only within the framework of the State which respects the rule of law, i.e., under the establishment of what Pope Benedict XVI calls “the capital of confidence”¹⁹.

17. We must remove the conflict between the two principles of social solidarity and unity to realize the effective role of the State in this area, to solidify a genuine partnership between the State and civil society, as well as between the private and commercial sectors, and to achieve social justice, solidarity and unity. Whereas competition in the economy is a driving force, the social aspect is a goal leading the way to achieve justice²⁰. Therefore, rather than examining this competition in isolation, one should consider it along with its submission to governing economic policies, even if it remains subject to the logic of the market, as well.

Thus, those who structure the political framework of the economy should be cognizant of the true nature of the competition, and develop legal frameworks, accordingly, so as to prevent society from falling victim to monopolies or cartels. This means the government must intervene to adjust prices and put an end to both arbitrary and organized competition, which hinders genuine competition and its direct role in automatically adjusting prices²¹.

18. This delicate task that of striking a balance between the free market and the obligations of social justice within a legal framework, is a duty that falls squarely on the shoulders of **the State which respects the rule of law**. That is, "economic activity, and especially, the activity of a market economy, cannot be conducted in an institutional, juridical or political vacuum. On the contrary, it presupposes sure guarantees of individual freedoms and private property, as well as a stable currency and efficient public services. **Hence, the principle task of the State** is to guarantee this basic stability, so that those who work and produce can enjoy the fruits of their labors, and thus feel encouraged to work efficiently and honestly. The absence of stability, together with the corruption of public officials and the spread of improper sources of growing

¹⁸ Compendium, 353

¹⁹ Caritas in Veritate, 34.

²⁰ Refer to Compendium, 347

²¹ Refer to Compendium, 348-350

rich and of easy profits deriving from illegal or purely speculative activities, constitutes one of the chief obstacles to development and to the economic order. The State has the further right to intervene when particular monopolies create delays or obstacles to development”²².

19. In order to achieve this objective of making State intervention possible, **a careful review of the financial and the banking sectors** must be undertaken. This review must be well-organized due to its key role in providing social justice through analysis of wealth and growth, two factors which, in turn, are based on principles relating to the sizes of profits and goods²³. And those are two principles that, if separated from social considerations, will lead to a serious eclipsing of the social dimension, altogether. The economy, which serves only the interests of profitmaking, cannot serve as an effective element at the social level, as it disregards the principle that “earthly goods belong to everyone,” with the rights of the poor constituting the cornerstone of this concept²⁴. Pope Francis describes such an economy as an unequal aggressive economy and one that has essentially run amok²⁵.

20. The aforementioned review should include the financial and tax policies of the State, the duty of which is to provide a superior type of stability for the financial and economic sectors. The aim, therefore, would be to reduce the public and private debt, and thereby prevent any faltering of the social infrastructure that could have a domino effect on future generations. This must occur on the condition that no such measures are taken at the expense of the poor or otherwise disregard the principles of social justice.

Human Ecology is a Necessary Condition for a Healthy Economy

21. In addition to this **responsibility on the part of the State**, it seems urgent, today, that the various sectors of society realize their collective duty, as a whole, to act in solidarity, and in light of their shared interests, for the maintenance of **human ecology** (écologie humaine). Unless we rediscover the innate value and dignity of people stemming from natural law – which requires

²² John Paul II, **Centesimus Annus**, 48

²³ Refer to Pius XI, In the Fortieth Year (**QUADRAGESIMO ANNO**) , 89

²⁴ Refer to Vatican II, **The Church in the Modern World**, 69; John Paul II, **Human Work**, 14; and **Centesimus Annus**, 42.

²⁵ Refer to Pope Francis, **The Joy of the Gospel**, par. 202–206, speech during a visit to the Sisters of Mother Teresa of Calcutta, 5/21/2014.

that every person deal with his or her brethren responsibly – it will be impossible to build an economy "for the benefit of the human being." Thus, there must be cooperation between the State and the economic community, within the context of civil society, to create a healthy economic environment that works to provide a decent standard of living for people, not only in terms of consumption, but also in terms of preserving human dignity²⁶.

22. The market economy is incapable of achieving this endeavor on its own. To ensure the human dignity of each individual, the government must undertake social efforts aimed at guaranteeing a fulfilling and productive life for every citizen. In the case of **the elderly**, who due to age and/or disease, have lost their ability to participate in the job market, need people to care for them. Otherwise, such persons are at risk of becoming, as Pope Francis says, "ostracized" or easy to neglect due to their seemingly burdensome effect on the economy²⁷.

And there is **the situation of unemployment**, which in turn requires the intervention of the government through a dialog with the banking industry, as well as with both the public and private sectors. This effort would help the unemployed by supporting them on a social level, and thereby reduce the risk that such workers become downtrodden. This initiative would also create job opportunities to allow the reintegration of these individuals into the economy as active participants. Finally, this government intervention would focus on reforming current employment laws so that they adequately protect the rights of workers while meeting other necessary standards for purposes of the labor sector.

Cooperation between the Government, the Private Sector and Civil Society

23. All of this requires the creation of **a clear social policy** that allows the government to cooperate with the private sectors and civil society without dominating the market and thereby diminishing free enterprise²⁸.

In light of this, a great deal of attention must be given to the educational system, which acts as a gateway to a harmonious society based on strong economic values. Education gives younger generations the ability not only to identify clear paths to their professional goals, but also the ways in which to meet society's needs, as a whole. Further, education sheds light on available

²⁶ Refer to Benedict XVI, **Caritas in Veritate**, 12 & 36.

²⁷ Pope Francis, Speech to Members of The Diplomatic Corps accredited to the Holy See in 1/13/2014.

²⁸ Compendium, 336, 343.

job opportunities inside the country, and thereby reduces the likelihood that the youth will seek to emigrate and find work elsewhere²⁹.

Comprehensive Development

24. The social dimension of the market economy will not ripen without a comprehensive development in solidarity with the human person and the society in which he/she lives. Were development to be limited to the magnitude of accumulation of wealth and services, even if it were for the common good, it would not be enough to secure human happiness. To the contrary, it would lead to a consumerist society prone to accumulating wealth without sharing or investing it to the benefit of everyone³⁰. Pope Benedict XVI expounded on this dynamic in his Encyclical Letter, "**Love in Truth**" where he stated: " Today the subject of development is also closely related to the duties arising **from our relationship to the natural environment**. The environment is God's gift to everyone and, in our use of it, we have a responsibility towards the poor, towards future generations and towards humanity as a whole. When nature, including the human being, is viewed as the result of mere chance or evolutionary determinism, our sense of responsibility wanes. In nature, the believer recognizes the wonderful result of God's creative activity, which we may use responsibly to satisfy our legitimate needs, material or otherwise, while respecting the intrinsic balance of creation"³¹. In such a situation, the economy should be built on a vision that respects this natural balance. Otherwise, the human tendency to control will result in a chaos that harms the environment, and consequently, the relationships between human beings. The disorganized ways of construction in our country are the best evidence of this disparity between the environment and the economic theories. Thus, respect for a natural balance makes it necessary to re-examine the very nature of the principles of development in Lebanon.

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²⁹Refer to John Paul II, **Centesimus Annus**, 36.

³⁰ Compendium, 334.

³¹ **Caritas in Veritate**, 48.

Chapter III

Platforms for the Economy of the Future

25. The economic principle proposed by the Church today, makes significant headway in different areas. We have referred to one of these areas as “non-exclusionary capitalism”, which some term more practically, “**the integrated economy**”, reflecting its focus on the improvement of the human quality of life, the adoption of policies to mitigate social rivalries among citizens, and the preparation of a safety net to protect social stability and launch economic development.

Socioeconomic Vision

26. The Lebanese economy needs a **crystalized socioeconomic vision** to produce solutions, adopt active, dynamic and inclusive mechanism, represent all religious, denominations and political parties, overcome divisions and strengthen social solidarity. This model will accomplish the above by organizing a coalition responsible for the public sector, the private sector and civil society. This **vision** will help to achieve regular, ongoing development projects, adopt planning, integral policies, smart investment, prompt implementation and provide a method for oversight and effective inquiries. Finally, this **vision** will prohibit monopolization and launch organized, competitive investment initiatives on the basis of public interest rather than political expediencies that obliterate the common good.

The purpose of this vision is to initiate the **reforms** our national economy needs to become an economy of stability, effectiveness, production and economy of social justice.

Essential Reforms in the Structure of Our National Economy

27. These reforms include areas of legislation, guidance and administrative structure so that our national economy will have a socially productive dimension.

The door to **reform** in the State which respects the rule of law is, firstly, a **legislative plan** aimed at coping with the requirements of society and the development of the various sectors of public life. This reform has become important in Lebanon for purposes of maintaining the economy while achieving social justice, at the same time. This proposal consists of both the stimulation of domestic production as well as protection of the security of life for every citizen. Therefore, this approach will require a review of agreements signed with other countries that allow outside

producers to disrupt Lebanon's domestic market in a dangerously competitive way while neither abiding by the terms of such agreements, nor permitting reciprocal exports in return³².

28. But, perhaps the most important reform of all would be Lebanon's **transition from a revenue-generating economy to a productive one**³³. This transition will require changes in monetary and financial policies and the tax system, as well as the development of a new policy that promotes productive activity. This, in turn, requires, essentially, "the establishment of regional investment funds to contribute to capital earmarked for building new production facilities, as well as to offer reasonably accessible loans to local promoters of such projects in each region, establish industrial and service-oriented zones in every region, and provide all facilitators of production involving roads, electricity, and telecommunication, temporary, partial exemptions from certain fees and taxes"³⁴.

29. This reform extends to **the administrative structure of the government**, along with the increase of salaries in the public sector in order to thwart corruption and bribery. Moreover, decentralization should take place by transferring some of the government's responsibilities in the social and educational domains to municipalities (...) accompanied by the transfer of some of the employees of central Government organs to local bodies, and the training of employees in different administrations"³⁵.

Additional Required Components for Reform

30. There are **three essential and necessary** components to accomplishing economic reform.

- 1) **The relationship between the Government and the Private Sector:** this should be a relationship of collaboration and integration, based on a continuous dialogue aimed at achieving the sought-after productive renaissance, rather than having individuals from that sector and its institutions vie for special concessions and monopolies from the government to secure easy, sizeable profits at the expense of the Lebanese consumer and

³² Refer to the Maronite Church and the Economy

³³ Ibid. paragraph 50.

³⁴ Ibid. paragraph 51.

³⁵ Ibid. paragraph 55.

the principle of fair competition. In this regard, it should be noted that Lebanon, with its small size, ought not to tolerate the entanglement of private interests with public interests, as has been the case for years, where wealthy businessmen have taken over important political positions in both legislative and executive branches of government. If this continues, it will inevitably lead to the outbreak of corruption, bribery and a costly mingling of the personal interests of the politicians with those of the public"³⁶.

2) The Education System: Our education system needs reform³⁷. Education forms a citizen with a sense of the common good, who enjoys solidarity and reciprocity with society, and that has an awareness of its own role in the development and growth of that society. These aspects of education require a guiding system more in conformity with the capabilities of students, and a development of vocational schools with strong credentials, given their role in guiding students toward technical, industrial and manufacturing sectors, in general. Without this productivity, growth will not be possible.

All this requires the collaboration between the State, the general, technical, and higher education institutes, and the productive sector, in order to create an appropriate educational policy.

These changes also require the development of laws related to scientific research and application, the implementation of the National Council for Scientific Research, and the establishment of research and development centers in universities. Such academic centers will identify the needs of Lebanon in productive sectors, the degrees needed by those sectors, the opportunities to enter the global markets, as well as the creation of new job opportunities, the development of needed infrastructure, and the initiation of vital projects³⁸.

3) The Lebanese in the Countries of Expansion: Among the important reforms is strengthening Lebanon's relationship with its diaspora, not only in terms of encouraging them to invest, but also in terms of establishing national relations with them, in the first place. Thus, the diaspora will represent the strength of Lebanon in the world, and serve

³⁶ Ibid. paragraph 54.

³⁷ Ibid. paragraph 44.

³⁸ Refer to the Maronite Church and Education: On General and Technical Education, 27. The Maronite Church and the Higher Education, 22 and 43.

as regular partners in contributing to the development of Lebanon through their active involvement in the countries where they reside. In this way, Lebanese living abroad can infuse Lebanon with global talents proper for the seamless development of its socioeconomic infrastructure. Thus, our diaspora will constitute a powerhouse of socioeconomic support for the current Lebanon, while at the same time providing a promising start for its future.

* * *

Chapter IV

A PROPOSAL FOR A COMPREHENSIVE ECONOMIC PLAN

31. Given the current situation, the need to think of a **comprehensive and effective plan for socioeconomic development**, has become more demanding than ever before. This economic plan will aim to bring the Lebanese economy out of its predicament, and at the same time, it will help the State to play a more active role in achieving social justice for all of its citizens. Moreover, this economic and social development plan will have to bring forward an effective and applicable action plan that addresses a persistent need to urgently provide solutions for a more stable, fair and productive economy.

The fact is that **the Church does not have technical solutions in hand**; hence, as Pope Saint John Paul II wrote in his Encyclical Letter, titled “**Sollicitudo Rei Socialis, Social Concern of the Church**”. For the Church does not propose economic and political systems or programs, nor does she show preference for one or the other, provided that human dignity is properly respected and promoted, and provided that she herself is allowed the room she needs to exercise her ministry in the world. But the Church is an "expert in humanity, and this leads her necessarily to extend her religious mission to the various fields, where men and women expend their efforts in search of the always relative happiness which is possible in this world, in line with their dignity as persons”³⁹.

In view of the above, we have taken the liberty of consulting with economists and financial experts, whose valuable input and insights have helped us draft this proposal for an effective economic and social development plan:

Managing the Budget and the Public Debt

32. Most previous budgets had attempted to maintain a balance between the revenues and expenditures of the State, and to provide funding to cover the public debt, but without achieving concrete improvements in the infrastructure of the manufacturing and production sector. What made things even more difficult was the shortage in the electricity sector. Should a more systematic change be considered in the future, then budget planning should be an-ongoing and continuous process to be reviewed for improvement purposes year after year; it should also

³⁹ **Sollicitudo Rei Socialis, Social Concern of the Church**, 41

focus on developing policies that support and launch growth and production. Additionally, a plan needs to be developed to address adverse impact of declining growth and to re-launch smart investment in the production and service sectors through a public-private **partnership**, and to update tax laws.

Restructuring of Energy Production and Distribution of Electricity

33. It is widely known that the direct cost of electricity constitutes a large portion of the deficit. The situation could worsen if oil prices increase and the power transmission lines fall out of use if there is no restructuring. Hence, it is essential to establish an “Electricity Regulatory Commission” to oversee the implementation of developed plans, to monitor the bidding process, and to establish fully-equipped plants. Also, the Commission should control the distribution of electricity and the collection of fees.

Managing Transparent Contracts for Oil Drilling

34. It is imperative to speed up the process of contracting with specialized companies for oil drilling. The contracts and agreements should be managed in absolute transparency, away from politicization, cronyism and corruption. This should help reduce the public debt by reducing the total budget deficit as well as generating a basic surplus that can be utilized in minimizing the principal amounts of the debt.

Attracting Investments for Manufacturing Sectors

35. Manufacturing sectors, both **industrial and agricultural**, have great potential that needs to be fully developed, while strengthening the **banking, tourism and trade industries**. The production sectors do have potential, and with necessary conditions and adequate safeguards, their share of the Gross Domestic Product (GDP) can be increased from 11% to 20%, hence, achieving economic balance and stability. What is needed in this area is to provide an adequate environment to attract investment, primarily in the manufacturing sector. We list two of these sectors as follows:

A. Establishing New Model of Industrial Cities

36. The new model of industrial cities will allow for job opportunities following a decentralized master plan, where residential units are supported with a full-fledged urban environment where a regional workforce will be encouraged to work in an industrial-agricultural sector that is integrated into the natural environment. This kind of plan will eventually be reflected in the surrounding environment and will allow the worker to be well rooted in his/her own land and village, and will support rural people to remain on their land, and reduce the exodus towards urban cities and the abandoning of rural areas.

B. Developing the Agricultural Sector

37. Developing this sector requires that: farmlands be rehabilitated and protected from overpowering urban sprawl, a reduction in costs, an offering of job opportunities, a giving of incentives to encourage exporting, identification of suitable markets, the granting of soft loans, and a contribution to the development of seed. This will constitute an added value for farmers, allocating a portion of the production for food production and promoting agricultural cooperatives. Above all, it is important that we protect agricultural production against foreign competition due to incompatible conditions and to arrange for farmers to enroll in the Social Security for their well-being.

Developing Water Dams, Water Purification and Sewage Systems

38. Storage of **above-ground water** is strategically vital for **Lebanon**. It is essential to invest in water resources and thereby meet public needs for water as well as for agricultural, industrial and tourism purposes, and if possible sell the surplus for generating additional revenues. There is a pressing need for relevant plans for dams to be finalized and put out for implementation. Also, mountain lakes that comply with environmental standards should be supported, especially when major international financial institutions are providing support to related projects.

Perhaps the most significant and promising investment in this area is in groundwater, on land and in the sea, which far outweighs the importance of other forms of water investment and safeguards Lebanon against environmental destruction, not to mention such other crippling hurdles against investments.

It is time that a comprehensive master plan be laid out for the establishment of a **sewage plan** to extend nationwide across Lebanon, together with processing and purification plants and to be managed by competent public authorities in coordination with municipalities. These authorities should also establish clear directions for adopting appropriate financial investment policy to stimulate private sector partnership in this area.

Facilitating Transport, Trade and Business Activities

39. In order to strengthen the economic cycle that comprises trade and tourism inside and outside Lebanon and with the Arab and foreign countries, it is essential that the sea, air and land transport sector be adequately developed as described below:

A. Air Transport Sector

Over the last few years, experiences have shown how important it is to have an **air transport** sector that connects the different Lebanese provinces together, and that is able to meet economic and social demands in all areas for development and facilitating mobility and trade with each other. It is likewise important to establish an air bridge internally and externally, while at the same time establishing a **network** of small **military airports** to be distributed in between mountains in support of Lebanon's defense system.

B. Sea Transport Sector

The sea transport sector plays an essential role in supporting the economic cycle, trade, and tourism and in facilitating the movement of passengers and goods at home and abroad. This requires the development of all ports to the north, center and to the south, and to upgrade their competitive capabilities at low logistical costs.

C. Land Transport Sector

Land transport with a modern, improved and sophisticated public transport network is considered vital for social and other purposes, mainly for its significance in the mobility of workers and employees. Expressways and highways also need to be developed and to use a sustainable mechanism for their maintenance. This system can be well supported with separate,

fast-track junctures at the entrances to major coastal cities and by truck roads in between the rural areas and the capital.

The plan should also focus on developing **railways** for their importance in different areas. Historically, Lebanon has realized the need to use trains across the mountain in a time when such networks were popularly used in the East. It will certainly be an innovative move to run new train routes across the north-south regions and through the Bekaa Valley to the coast, given its impact on developing the rural economy and creating new jobs.

Modernizing a Diversified Tourism Sector

40. Lebanon needs to adopt a tourism sector development plan that transcends simple descriptions and conventional solutions. This vital sector requires a better focus on specialized sectors that sets Lebanon apart for its touristic attractions, notably in the areas of health, educational, religious and nature tourism, as well as history, archeology, recreation and aesthetics. This will ultimately reflect on Lebanon's paramount cultural beauty.

Reaching and Providing Innovative Solutions

41. A set of innovative solutions may be considered, including setting up a "**Sovereign Fund**" to help service the reduction of the principal and accumulated interest of the public debt. This fund will be financed by a specific number of strategic resources, such as oil, gas, and water resources. Another solution would be to set up a "**Generation Fund**" to which the revenues of the sovereign fund would be transferred after deducting a percentage to pay off our public debt. The Generation Fund will aim to help finance education, research, health care, pensions and old age and social protection plans, as well as to fight poverty, as is the case in several other countries.

Developing Comprehensive Social Protection Plans

42. Lebanon needs to activate social protection and integration plans by setting up safety nets to protect social stability by means of reforming the country's **National Fund for Social Security**, where healthcare protection would be provided for working citizens after retirement, together with a sophisticated retirement plan to provide coverage for pension, disability and

death, and the medical coverage for all Lebanese, as commitment to care for all Lebanese citizens. Hence, it is necessary to renew an interest in activating the "**Socio-Economic Council**", that will allow for an open and constructive dialogue to start building a comprehensive reform partnership between the public and private sectors.

43. Social protection plans should include **those with special needs**. They should also include those **who are not covered by medical coverage** through clear and applicable mechanisms, the use of health cards to safeguard against potential exploitation and waste, and as a joint partnership with the private sector.

44. Social protection plans should also address **housing issues**, which requires that a modern and fair lease law be developed, making housing loans available, setting up community-based residential projects that are not for mere commercial profit making and that adhere to a nation-wide development plan.

45. Social protection plans are also expected to support the individual's **purchasing power**, to set up more co-operatives, and establish modern popular markets in most areas. The plans should also protect consumers through consumer and food protection plans and the monitoring of price-fixing and illegal profiteering. Further, **at the healthcare level**, the plans will also help control over-priced prescriptions and promote generic, reduced-price medicines that have the exact same specifications and medicinal efficacy.

Galvanizing Public Education and the Role of the Private Educational Sector

46. The true natural wealth of Lebanon is its reservoir of learning and education, which should be both strengthened and galvanized at the school level in general and vocational education, as well as at the university level of teaching, both public and private. However, the need remains for the State to outline the country's strategic public policy for education that promotes the unity of character-building education and learning, based on the feature of diversity that is particular to the Lebanese national identity, as well as to emphasize respect for moral and

spiritual principles, and to nurture Lebanese culture. In this way, education will become the key components of good citizens. Therefore, to achieve this, **the following should be considered:**

- A. **The public school system must be modernized** and provide for the skill enhancement of its staff, on the one hand, and on the other hand, ensure the rehabilitation of school buildings and educational materials. Also, school vouchers should be implemented to promote freedom of choice, competition and effectiveness in teaching.

- B. The government must provide **support to the Lebanese University**, establish branches in all of the country's provinces, protect its financial, administrative and academic autonomy, and safeguard it from political interference.

- C. **The private education sector** needs to be strengthened in such a way that it preserves the particularity that society needs to preserve, as shown in the developed world, in terms of importance and facing cultural challenges. What this means is that, in effect it is not totally an independent sector from the general framework or from the State's oversight. It is necessary that the State support this sector, but without trespassing on its independence or its particularity, and to do so within the parameters of a fully comprehensive educational model that is aimed at harnessing the potential and pulsating energies of our nation.

* * *

Conclusion:

47. The Maronite Church, keen on securing the future of Lebanon, considers this Memorandum an invitation to all officials to take the bold decision to move toward an economy that is worthy of that future, that will be stable, productive and fair , and that will contribute to Lebanon’s development, promote the welfare of its citizens, and ensure its peace. Such an economy will be a social economy, so that the gap between different social classes will not increase, and the State is spared the role of playing a fireman that lacks the necessary tools to extinguish the fire. The risk is one that will place the State increasingly at the mercy of those who have at their disposal the leverage to either promote or thwart economic stability. And if Lebanon fails to engage in an active and radical economic reform, it will continue to be governed by a serious economic and complicated social threat and crises whose effects are starting to appear on the horizon. By that time, “the Lebanese ingenuity” will not be enough to mend a ragged garment.

48. The Church, which believes in Lebanon, its economic and humanitarian experience, and the ability of the Lebanese and their ingenuity, relies on these by calling everyone to seek an economic future in which Lebanon forms a part of the circle of world economies by making major reforms that nonetheless maintain the specialized sectors of the national economy. Lebanon, as described by the prophet Ezekiel, always has hope for the future: **“Behold, a cypress [cedar] in Lebanon, beautiful of branch, lofty of stature, amid the very clouds lifted its crest”** (eze. 31/3).

With my prayers, my love and my Apostolic Blessing.

**From our See in Bkerke, on the Feast of the Annunciation of the Blessed Virgin Mary,
March 25, 2015**

+ Cardinal Mar Bechara Boutros Rai

Patriarch of Antioch and All the East

(Signed and Sealed)

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