

### **Homework Group**

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## **Framework for Action and Milestones of Transformation**

based on the criteria and framework to be established at the conference. In building alternatives, we as churches together with concerned financial, economic and political experts have to **identify the strategic tipping points**, where institutional or legal reforms within the present global economic system become crucial milestones for the transformation of the present system. At the same time as churches we have to strengthen bottom-up communitarian/democratic approaches and to support people's movements and initiatives.

### **1. Criteria and Framework**

#### ***1.1 Democratizing Financial Institutions***

The necessary changes go far beyond technological and technocratic reforms: The goal is a **new global social contract for a low-carbon, just and sustainable global economic system**. It is based on the central concept that individuals, civil societies, states and the global community of states, as well as the economy and science, carry the joint responsibility for the avoidance of dangerous climate change, and the aversion of other threats to humankind as part of the Earth system. The social contract consolidates a culture of justice (overcoming the growing gap between rich and poor globally as well as within Nations), a culture of attentiveness (born of a sense of ecological responsibility), a culture of participation (as a democratic responsibility), and a culture of obligation towards future generations (future responsibility).

#### ***1.2 Proactive State-Institutions***

Multilateral agreements with binding character, which on national, regional and global level, actively **set priorities for the transformation**, at the same time increasing the number of ways in which its citizens can participate, and offering the economy choices when it comes to acting with sustainability in mind. In accordance with the global social contract for justice and

sustainability, the **ultimate goal of a revised global governance architecture must be the creation of a new and equitable global system**. Its institutions must put the international community in a position that leaves them capable of appreciating the complex interdependencies of the global society within the scope determined by the limits imposed by our planet, as soon as within the first half of the 21st century, to allow for timely and adequate response.

## **2. Milestones of Transformation**

### ***2.1 The need for institutional transformation***

The necessary transformation requires a collective and consistent way for our world to tackle the enormous challenges ahead. For this the World Communion needs coherent global decision making institutions and decision making processes.

However, we are far from having an **effective global governance** to ensure a human-rights based sustainable development: The UN-System is fragmented, IMF and World Bank are acting almost autonomously, WTO is not at all embedded into the UN-System nor is it capable of discharging its role as shown by the blocked Doha-negotiations. Institutionalized multilateralism has become weakened. Bi-lateral and multi-lateral treaties of association and informal federations, for example, the G20, are gaining importance and power. The G20, however, has no democratic legitimation and is not representative as it excludes the poorer developing countries. Up to now, attempts of the UN to react on the challenges of neoliberal globalisation with proposals for ambitious institutional reforms of the current financial and economic architecture have failed, because member states of the G8 and the G20 did not support and did block these attempts.

### ***2.2 Institutional Milestones of Transformation***

#### **Proposal 1: UN Economic, Social and Ecological Security Council (UNESESC)**

A potential instrument for effective and coherent global governance could be the establishment of a **UN Economic, Social and Ecological Security Council (UNESESC)**. For years, such a UNESESC has been called for many times by civil society. The 2008 report of the Stiglitz Commission also echoed this demand.<sup>1</sup> The task of the UNESESC would be to represent all regions of the world at the highest possible level, to secure the participation of the various global institutions (World Bank, IMF, ILO, UNCTAD etc.) and to cooperate closely with civil society to promulgate protection of the economic, social and ecological rights of nations or communities.

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<sup>1</sup> Cf. Stiglitz Commission (2008): "Report of the Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System", New York: United Nations

## **Proposal 2: Replacing the IMF – A new International Monetary Council (IMC)**

The normative considerations (ie. the ethical, social, ecological, cultural or political dimensions) are systematically neglected by the institutions of the global financial markets. They are dominated by policies of interest groups. For the service of life, the anachronistic IMF structure has to be replaced to enable change. The IMC shall orientate its political influence towards the creation of an economy in the service of life and tame the liberalised financial markets that have lost their function in serving humanity. Instruments of financial policy should reappear that have been forgotten in the realm of neo-liberal ideologies. The needed **governance mechanisms** include determinations of capital trade, control of capital drain, taxes on capital inflow, where necessary re-establishing fixed currency exchange rates. These governance mechanisms would enable countries in transition to regain their autonomy of fiscal and monetary policy. This reorientation would include instruments like a tax on foreign currency trade (Tobin-Tax), limiting capital speculation, the *bailin* of private creditors into the responsibilities of impacts of any financial crisis, limiting credits to foreign creditors, increased cooperation in financial market controls, guidelines for risk management, closing offshore markets, etc.

Under the current financial institutions, the democratic principle is hardly anchored. Market principles need a **countervailing power**. It must balance criteria of vital policy and market mechanisms. Supranational institutions of vital policy like an International Monetary Council (IMC) **stands above** the efficiency of market and competition in order to re-orientate them to their serving role. The instruments mentioned above would serve this role. Many countries have been affected by the volatility of leading currencies, financial markets and attacks of resulting speculation. A basic change of the financial system would include abstaining from liberal currency exchange, as well as from other basic categories of the free market like unlimited economic growth, deregulation or privatization.

## **Proposals 3: Justice, Sustainability and Autonomy by Economic Policy Instruments**

For churches' engagement in international economic issues it is helpful to formulate **criteria** of sustainability, justice or freedom that can serve as an ethical orientation for economic policy. This is helpful, but **not fulfilling**. A necessary step is to identify **crucial instruments of economic policy** that correspond strategically to those criteria. For example:

- *Replacing GDP-Indicators*: Human Development Index – Contextualising Economics
- *Redirecting Investment Programs* to Sustainable Debt Relief – Replacing Expensive Fossil by *Regenerative Resources*,
- *Directing Markets and Redefining Public Goods*: Energy, Health, Education - The Active Role of Government and the State
- *Making Human Resource Investment* more Attractive – Efficiency Surplus, Internationally *Pursuing Violations of Social Human Rights* (Nutrition, Health or Housing),
- Transnational Corporations Contributing to Common Good through *Compulsory CG-Reports*.

A selection of the proposals mentioned shall be the basis for an action plan.