

**AN ECONOMY OF LIFE FOR ALL NOW:
AN ECUMENICAL ACTION PLAN FOR A
NEW INTERNATIONAL FINANCIAL AND ECONOMIC ARCHITECTURE**

FOREWORD

The Global Ecumenical Conference on a New International Financial and Economic Architecture was organized by the World Communion of Reformed Churches (WCRC), World Council of Churches (WCC) and Council for World Mission (CWM) from 29 September 2012 to 05 October 2012 in São Paulo, Brazil. It was initiated by the WCRC as a response to living out the Accra Confession and its work in covenanting for justice in the economy and the Earth. This initiative found resonance in the Poverty, Wealth and Ecology and the Alternative Globalization Addressing People and Earth (AGAPE) processes of the WCC, the theological statement on "Mission in the Context of Empire" of the CWM and the long experience in public witness and advocacy of the Lutheran World Federation (LWF). Together the four organizations made a new commitment to stimulate transformation in the economy that will bring humanity and creation closer to fullness of life.

The São Paulo Statement, "**International Financial Transformation for an Economy of Life,**" arising from the Global Ecumenical Conference called for *"a global ecumenically instituted commission...to carry forward the valuable work of the Stiglitz Commission,¹ linking with other faith communities, civil society organizations, interested governments, institutions and other relevant stakeholders to develop a concrete proposal for the governance of a new world economic and financial architecture."*

Based on this mandate, we were convened as a Global Ecumenical Panel on a New International Financial and Economic Architecture to give "legs" to the São Paulo Statement and to recommend areas of action to the WCC, WCRC, CWM and LWF. Following two meetings held in Bossey, Switzerland in August 2013 and January 2014, we have worked together to produce the document entitled "**Economy of Life for All Now: An Ecumenical Action Plan for a New International Financial and Economic Architecture.**"

The "plan" calls on the WCC, WCRC, LWF and CWM to live out the São Paulo Statement for transformative engagement of churches and other likeminded civil society and public and civil partners. It is rooted in a preamble that spells out theological and historical undergirdings and focuses on three areas, namely: Financial Sector, Public Finance and Debt, and Global Economic Governance. It states out in each of these areas, principles for an Economy of Life, required changes in policies and structures and proposals for joint ecumenical action.

In particular we recommend under the preamble section, six priority areas of action.

We would like to thank the four aforementioned ecumenical organizations that have initiated this important process and have brought us to this place. It is our hope that they will take this

¹See: United Nations, *Report of the Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System*, 21 September 2009.

“plan” as a matter of highest priority and agency in light of the continuing and intertwined financial, economic and ecological crises ravaging our world today.

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PART I: PREAMBLE

In October of 2012, the World Communion of Reformed Churches, the World Council of Churches and the Council for World Mission organized the Global Ecumenical Conference on a New International Financial and Economic Architecture where they committed themselves to develop a coherent strategy of action for a financial and economic architecture that is ethical, just and ecologically sustainable. This commitment was articulated in the São Paulo Statement, “International Financial Transformation for an Economy of Life.” An international ecumenical commission was convened by the aforementioned organizations together with the Lutheran World Federation to create a plan for enacting this commitment. The purpose of this document is to translate the São Paulo Statement into a plan of action that will guide the four ecumenical bodies in implementing the Statement. This Action plan will “give the São Paulo Statement legs.”

This document begins with a Preamble followed by three sections addressing the financial sector, public finance and debt, and global economic governance. The Preamble summarizes the theological and historical roots of the São Paulo Statement and this “plan” for implementing it; as well as identifies highly influential contextual factors and guidelines emerging from these factors. These guidelines serve as standards both for developing this “plan” and for implementing it.

Theological and historical roots

God loves this good Earth and all people with a love that will never cease. That life-saving love intends fullness of life for all now and, therefore, seeks to free all human beings and the rest of creation from the exploitation, oppression, and marginalization that violate God’s gift of life abundant – be those violations direct or be they through the financial and economic systems that shape human relationships and Earth-human relationships. God’s love seeks to free both those who are violated by injustice and the perpetrators of it.

The church of Christ affirms that this God – the creating, liberating, healing, sustaining Source of all that is – is present within, among and beyond us, and is calling human creatures to receive God’s Love, trust it, and then embody it in the world. We are called to “love your neighbour as yourself,” to “love as God loves” (Matt. 22:39). We are beckoned to join with God’s Spirit of justice-making Earth-relishing Love in its steadfast commitment to transform injustice into ways of living – including social structures – that nourish dignity, freedom *from* oppression, and freedom *for* justice. The São Paulo Statement and this strategic “plan” for enacting it by seeking urgent transformative liberation from unjust financial and economic structures are a direct response, then, to a call from God to join in God’s freeing, healing, creating, sustaining activity in the world.

The São Paulo Statement and this “plan” are fruit of a rich theological history and history of engagement in issues of social and ecological justice. Jesus stands in the historical trajectory of the Hebrew prophets, upon whom he often drew in his teaching. These prophets were some of human history’s sharpest critics of economic injustice perpetrated by those in positions of

privilege and power. Jesus' ministry overturned the norms of exclusion, privilege, and domination in his day. Called to follow him, the church throughout the ages has decried the usurpation of the Earth's goods by a few at the expense of the many or of the vulnerable. In these footsteps, the global ecumenical community – led by the four ecumenical organizations developing this “plan” – has for four decades called its member churches and the world community to embody a practical ethic of justice-making neighbour-love by challenging and seeking to transform economic and financial power structures that accumulate wealth in the hands of a few at the expense of the most vulnerable.

The Sao Paulo Statement follows in this trajectory. In classic theological tradition of denunciation and annunciation, the Statement calls upon followers of Jesus Christ to reject economic and financial structures and practices that betray God's justice-making love and thwart God's gift of abundant life for all; confess and lament where we – as individuals, churches, and societies – have complied with exploitative economic worldviews and structures; and affirm and witness to the inbreaking reign of God by challenging them and rebuilding more socially just and ecologically life-giving alternatives.

The theological and biblical grounding for these faith claims and for this work is articulated clearly and prophetically in many statements constructed by the four ecumenical organizations' members from Africa, Asia, Europe, the Pacific, Latin America, and North America. They have voiced diverse perspectives and a shared *commitment* – grounded in faith – to construct global financial systems oriented toward satisfying people's needs; regenerating Earth's life-systems; and realizing economic, social, and cultural rights and human dignity.² This commitment, while theologically and biblically rooted, is consistent with common values affirmed by other great moral traditions. Thus this “plan” for enacting the São Paulo Statement can guide the church ecumenical while also enabling its keen collaboration with other like-valued members of the world community, and contributing theologically to the interfaith and pan-human movement for a more just, democratic, and ecologically restorative financial and economic arrangement.

The time has now come to move to more strategic, coordinated and concerted practical efforts to enact the visions and calls in the São Paulo Statement and its predecessor documents. Theological and moral calls to justice are fully meaningful only as lived out. Articulating what they actually mean in the life of the church and its sister movements is the task of this “plan.” Here in its preamble, we note determining contextual factors that – if unacknowledged and unaccounted for – would undermine the faithfulness and fruitfulness of this “plan.” From there, we lift up overarching guidelines for accomplishing the São Paulo objectives. These guidelines

² See, for instance, the WCC's Bogor Statement, “Economy of Life, Justice and Peace for All: A Call to Action” (http://www.oikoumene.org/en/resources/documents/wcc-programmemes/public-witness-addressing-power-affirming-peace/poverty-wealth-and-ecology/neoliberal-paradigm/agape-call-for-action-2012/economy-of-life-justice-and-peace-for-all?set_language=en), the WCRC's Accra Confession (<http://wrc.ch/accra-confession/>), the CWM's “Mission in the Context of Empire” (<http://wrc.ch/accra-confession/>), and the LWF's “Transforming Economic Globalization” (<http://lwf-assembly2003.org/lwf-assembly/htdocs/lwfimages/Studybook-Part3-09.pdf>).

cohere with the theological and historical roots noted above, and account for the aforementioned contextual factors.

Contextual factors and guideposts stemming from them

The church is called to be “wise as serpents and innocent as doves” (Matt. 10:16). Wisdom calls for identifying key contextual factors that will influence the enactment of this “plan” and that – if unacknowledged or unaccounted for – could undermine its fruitfulness and its faithfulness. In developing and enacting this “plan,” the following contextual factors must be considered.

1. The church is composed of the colonized and the colonizers, the oppressor and the oppressed both in the Global South and the Global North. Many of “us” inhabit the camps of both oppressor and oppressed, the margins of power and its centers. This complexity complicates the quest for justice, yet also is of infinite worth. The God of biblical faith – since calling the Hebrew people – has worked and spoken through those on the margins of power and privilege.
 - We will prioritize the plight of the most vulnerable and wronged people in our societies, those who are affected most negatively by current international economic and financial arrangements, institutions, policies and practices. This means standing with marginalised sectors unequivocally (including by supporting their movements and campaigns).
 - Therefore, in both developing and enacting this “plan,” those of us who are historical beneficiaries of the reigning global financial architecture seek to honour the epistemological privilege of the “underside,” and to be guided by the wisdom of social solidarity as expressed in various contexts and cultures, e.g. Ubuntu of Africa, Sansaeng of Korea, and Sumak Kawsay of Quichua cultures.³
 - We will listen to and learn from narratives from the margins and employ them to unpack abstract concepts of finance and to connect the international financial architecture to the everyday lives of people.
2. The global financial architecture impacts nearly every aspect of daily life. This means that many who long for change also cling – consciously or not – to “the way things are.” Moreover, radical transformation often appears to be beyond the realm of the possible. Yet, the God of biblical faith has empowered people and peoples to revolutionary transformation beyond what they would have thought possible.
 - Thus, this “plan” gives social form to God’s promise that nothing can separate this good creation from the love of God made known in Christ Jesus (Rom. 8:38-9), and that God’s will for life abundant on this earth ultimately will prevail despite any evidence to the contrary.

³ The “African concept of personhood in which the identity of the self is understood to be formed interdependently through community” (Michael Battle, *Ubuntu: I in You and You in Me*, Seabury Books, New York, 2009, 1.); the Korean concept of “life together” (*International Review of Mission*, April 2012, 15); and the Quichua notion of “good living” or “good life” respectively.

3. The ecological crisis and the economic crisis are inseparably intertwined. The neo-liberal financial and economic order has magnified the consumption of fossil fuels and production of greenhouse gasses. And the resulting climate change renders more and more people vulnerable to the vicissitudes of the “free” global market. Scripture teaches that the wellbeing of human societies and the larger eco-systems are inseparably intertwined.
 - Therefore, in developing and enacting this “plan,” we consistently will highlight the ecological dimensions of economic reality and the economic dimensions of ecological matters.
4. Knowledge regarding what strategies best meet the *ends* of justice while also being *means* of justice is not always clear. Nor is any single arena of knowledge sufficient for producing wise action. Theological knowledge is made fuller in its interaction with other fields of human endeavour.
 - Therefore, our approach is intra-disciplinary, i.e. we drink from the insights of all theological disciplines. It is inter-disciplinary, i.e. we drink from the insights of other disciplines like political science, economics, critical theory, postcolonial studies, gender studies, etc. Our approach is also trans-disciplinary, which means that the insights of academic research and the subjugated knowledges of practitioners and academics together inform our quests. And it is inter-religious and trans-sector. We build coalitions with like-minded groups from other religious traditions and from outside of religion.
 - We will acknowledge and seek to more fully understand the race, class, and gender based oppressions that go largely unrecognized by people who do not directly experience them, and will apply gender, class, race lenses to more fully support marginalised groups in all actions.
5. The suffering imposed by unjust economic and financial structures is beyond measure and is escalating with the cumulative effects of decades under neo-liberalism and the rapid escalation of climate change; the crisis is both urgent and enormous, and the changes required are dramatic.
 - Therefore this “plan” and its enactment hold in tension the necessity of radical vision for a just and ecologically restorative global financial order on the one hand, and the requisite small steady steps toward it on the other.
6. Even as the reigning global financial and economic architecture rages on, alternatives are emerging especially from the margins. The God of the oppressed calls all people to see structural injustice for what it is while also cultivating an alternative imagination that clings firmly to a vision of what could and should be.
 - Therefore, we hold together the work of exposing and undoing unjust financial and economic structures on the one hand and building life-giving alternatives on the other.
7. The churches are called to offer to the world their distinctive gifts and resources.

- We will build on churches' distinctive roles and strengths (e.g. theological reflection and moral voice, capacity to bring stories from the margins, ability to work across borders, etc.).
 - Believing in a God of infinite grace, we will confess our complicity (to varying degrees) as churches and individuals in the systems that we seek to transform, will repent, and will emphasise our common vulnerability.
 - This "plan" will provide strategies both for engaging international institutions, and for guiding churches on grassroots levels to liberating action.
 - This "plan" will call for and guide the church's leadership in various modes of action for change: economic advocacy, public opinion-formation, policymaking and policy-implementation processes, life-style changes, worship and prayer, protest and other prophetic forms of witness, specific campaigns, supporting economic and financial alternatives, and more.
8. The churches work for justice and ecological sustainability is inherently stronger in partnership with other like-minded people.
- We will influence existing power through building alliances with likeminded people/groups working within powerful mainstream institutions.
 - We will build countervailing power through establishing coalitions with likeminded actors in other faith communities, civil society and social movements, e.g. through people's assemblies.
 - This "plan" will enable the engagement of different audiences including churches, other religious institutions, local and global civil society institutions, the media, business, politics, and especially international political, economic and financial institutions.

Scope

The overarching objective of the São Paulo Statement is to transform the global financial and economic architecture. We recognize that this entails change on at least three levels of social being:

1. The structures themselves;
2. The human behaviours that are shaped by and shape these structures; and
3. The worldviews, value systems, and thought processes which embed and sustain these behaviours and structures.

This "plan" for enacting the São Paulo Statement is dedicated primarily to the first of these. Important as it is, change in the structures cannot be achieved without complementary change at the other two levels. Therefore we recommend that, in implementing this plan, the WCC, LWF, WCRC, and CWM intentionally design a process for considering the two other integrally related levels of social being. These processes would ask:

1. For people of the church and others who are dedicated to replacing the reigning global financial and economic architecture with more just and ecologically sound alternatives, what will this mean for our daily ways of living – that is for how we eat, transport, cloth,

shelter, and refresh ourselves? What will enable the moral power and wisdom to make these changes?

2. What moves in theology, worship, prayer, biblical reflection, education, mission, and other aspects of church life will facilitate the changes in worldviews, consciousness, and values necessary to move humankind from relations of economic and ecological violence to relations of economic justice and Earth care?

Outline

In the next sections of this document three specific themes will be dealt with, namely the Financial Sector, Public Finance and Debt, and Global Economic Governance. The contents of each section will be structured as follows: In each, a crucial principle, which is derived from the São Paulo Statement, is firstly named and then briefly explained. The urgent changes in economic and financial structures that are required to embody and operationalise this principle are secondly outlined. In a third step the immediate and concrete actions to be undertaken by churches in their various forms, other institutions and all people of goodwill to achieve these changes, are spelled out. The existence and development of alternatives to current structures, policies and practices are highlighted throughout.

Priorities

Among the concrete actions we propose in this “plan,” we identify the following as priorities:

1. Establish an ecumenical school of governance, economics and management to build economic competencies within the ecumenical movement;
2. Convene an interfaith conference on alternative banking;
3. Conduct monitoring of government expenditures and revenues and demand reforms when the government does not operate in the public interest, when it empowers or tolerates corruption, special privileges and “rent-seeking” benefits, when it impedes citizen oversight, and when it favours the rich over the poor, one ethnic or social group over another, men over women;
4. Join in and strengthen existing international civil society efforts to encourage the adoption of a comprehensive debt workout mechanism;
5. Contribute to the preparation of a conference to take stock of reforms of the international financial architecture, and to identify and demand necessary reforms towards the establishment or transformation of practices and institutions that can foster a just and democratic system of global financial and economic governance; and
6. Conduct campaigns to enable governments and international financial and economic institutions to replace economic growth as an indicator of progress with indicators that assess the whole human social, economic and ecological condition and support research to assess already existing alternatives.

PART II: FINANCIAL SECTOR

The financial sector has a vital role in the Economy of Life, akin to the provision of water, food, and shelter. Financial services may be provided by the private sector, public sector, and alternative financial institutions.

Financial regulation

Principle:

The financial sector must serve the Economy of Life. The deregulation of this sector, nationally and internationally, in the last three decades permitted the sector to escape its prime responsibility of providing financing for production and livelihoods, resulting in a “system of speculation, competition and inadequate regulation” which has “failed to serve the people and instead has denied a decent standard of life to the majority of the world’s population” (São Paulo Statement).

Required changes in structures and policies

National governments and international governance structures should effectively regulate the financial sector including the shadow banking sector. This includes:

1. Separating basic banking functions from the more risky and speculative undertakings of financial companies;
2. Setting limits on size of financial companies relative to the economy and the financial system so that they can be wound down without risking systemic collapse;
3. Setting limits on the risk-taking through capital requirements, ceilings on leverage, and countercyclical rules; and
4. Regulating the remuneration of financial employees and managers to thwart purely speculative investments.

To achieve these changes, we call upon the Churches, other institutions, and all people of goodwill to undertake the following actions:

1. Undertake a programme of study and interaction with financial companies, managers, and employees to develop ethical principles consistent with the sector’s responsibilities to the people and the economies that they serve;
2. Fight efforts of “systemically important financial institutions” to dilute and delay regulatory reform processes that are underway in the United States of America and Europe and at the Financial Stability Board. Countervailing power is necessary because of the resistance of politically well-connected companies and their executives. The campaign should focus on the financial centers and high-income countries, but support and testimonies from the South can be effective since the citizens in those countries have also been adversely affected by poorly regulated financial markets; and
3. Campaign to remove conflicts of interest on the part of dominant actors in the financial sector. Credit rating agencies can be an important focus because they have an outside impact on the financial system, while being paid by the entities they assess creates a

potentially large conflict of interest. The movement of regulators quickly into jobs with financial firms they regulate creates another conflict of interest.

Sustainability investments

Principle:

An Economy of Life requires ecologically sustainable and socially transformative investment. Such investment may be organized through the private sector, governments, and international institutions. Governments have a role in supporting long-term, socially useful, ecologically sustainable investment. This includes specific efforts to address climate change.

Required changes in structures and policies

1. Institutional investors should prioritize long term, ecologically sustainable and socially responsible investments, and avoid all harmful investments.
2. Governments should incentivize ecologically and socially responsible investments, including through reform of the intellectual property rights regime, which impedes the transfer of appropriate technologies on affordable terms to low-income countries.
3. The United Nations should adopt a strong set of “sustainable development goals” to guide national policy making and international cooperation in the coming years.

To achieve these changes, we call upon the Churches, other institutions, and all people of goodwill to undertake the following actions:

1. Conduct campaigns for the transfer of resources from rich, industrialized nations to low-income ones to strengthen their capacity to invest in renewable energy, sustainable agriculture and energy efficiency;
2. In particular, conduct campaigns to support efforts of low-income countries to induce high-income countries to discharge their obligation under “common but differentiated responsibilities” to help finance climate mitigation and adaptation programmes;
3. Conduct campaigns that support efforts to reform the international intellectual property rights regime to better benefit low-income countries, especially as regards appropriate climate action and investments to eradicate poverty; and
4. Play an active role in the United Nations consideration of “sustainable development goals,” planned for adoption at a world summit in September 2015.

International capital flows

Principle:

International financial flows have played a crucial role in the development of countries. While these flows could raise capital for investment, sudden inflows and outflows of capital have destabilized economies. With globalization, the regulation of these flows – with a view to channeling resources towards creating durable livelihoods, raising productivity and diversifying the economy – has become more critical than ever.

Required changes in structures and policies

1. Governments should manage capital flows so that surges in or out of a country do not destabilize the economy, including through instruments such as capital controls. Capital controls could curb the entry of volatile short-term flows as well as prevent capital flight from already beleaguered economies.
2. Governments need to reassess the concessions they give to foreign direct investors, both in terms of asymmetric rights before international tribunals which prioritize investor's rights over people's needs, and as regards the benefits accorded to the host country of mining and other natural resource extraction contracts.

To achieve these changes, we call upon the Churches, other institutions, and all people of goodwill to undertake the following actions:

1. Lend support to national advocates of actions in low- and middle-income country governments to regulate capital flows into and out of their economies by both residents and non-residents;
2. Conduct national campaigns to evaluate the terms of foreign investor protection codified in bilateral investment treaties and investment chapters in free trade agreements to determine their advantages and disadvantages to the country and campaign to alter unsatisfactory terms; and
3. Support independent assessments of the terms of natural resource extraction contracts and join with other civil society organizations and the public to press for changing contracts that are found not fair.

Financial services

Principle:

Finance is a valuable public service, not least for marginalized sectors of society. It should support the needs of small and medium enterprises, people in poverty, women, farmers and other sectors of society that are not deemed creditworthy by the mainstream banking industry, often on account of poverty, class, gender and race.

Required changes in structures and policies

1. Governments and financial institutions should provide financial services such as savings accounts and credit to small and medium enterprises, people in poverty, women and farmers on acceptable terms.
2. Credit unions and other forms of social financing should be established to provide productive loans to sectors of society that are not deemed creditworthy by the mainstream banking industry.
3. Governments should assist low-income, over-indebted citizens to work toward a "fresh start" through appropriate bankruptcy laws and policies.

To achieve these changes, we call upon the Churches, other institutions, and all people of goodwill to undertake the following actions:

1. Support the establishment and expansion of credit unions and other social finance institutions (e.g. savings banks, insurance companies) serving the needs of local populations and small businesses;
2. Facilitate the establishment of a network of church-owned banks offering financial services to marginalized sectors at affordable interest rates;
3. Publicize and scale up existing initiatives to create financial alternatives, including credit unions and those micro-credit programmes that expand access to finance without imposing commercial lending rates;
4. Undertake an inter-faith conference on alternative banking to share lessons from Islamic banking and historical Christian initiatives to address usury and promote risk-sharing between lenders and borrowers; and
5. Conduct campaigns for fair and effective bankruptcy protection for low-income, over-indebted people (e.g. campaigns for the forgiveness of student debts).

PART III: PUBLIC FINANCE AND DEBT

Sustainable and equitable societies need governments that can ensure peace and security, the rule of law rather than privilege, clean air, safe water and sanitation, and basic social services such as healthcare, education, childcare, public transport, safety nets, and other services necessary for attaining their overall social and development objectives. Societies need their governments to operate efficiently and equitably, including in mobilizing sufficient resources to carry out their warranted functions, to which end governments must be accountable to their citizens.

Public expenditures

Principle:

Governments are duty bound by human rights obligations to provide essential public goods (e.g. security, rule of law, public health and education), ensure that the specific needs of poor and vulnerable groups are fully addressed, and encourage sustainable and inclusive development.

Required changes in structures and policies:

1. Governments should acknowledge their obligations to provide the public services that are warranted by people's civil, political, economic, social and cultural human rights and provide them equally to all social groupings, including those defined by gender, race and ethnicity. Governments should establish and fund a public accountability mechanism, such as an ombudsman, to which citizen concerns can be brought about failures to honour human rights obligations.
2. Governments should enact policies and target provision of public services so as to ensure an adequate social protection floor under all people, as well as act to prevent and when necessary to promote timely recovery from natural and economic calamities.
3. Governments should take responsibility, as the people's representative, for guiding long-term domestic investment toward sustainable and equitable development, including through combinations of direct public outlays and efficient financial incentives for the private sector, as deemed appropriate in each case.

To achieve these changes, we call upon churches, other institutions and all people of good will to undertake the following actions:

1. Support provision of independent and public analyses of government spending, including progress on poverty alleviation, and public legislative reviews, including timely, high quality auditing of programmes. Civil society organizations and individuals should bring concerns to the accountability mechanism, whose creation and support is essential wherever such a mechanism does not already exist;
2. Monitor the government and demand reforms when the government does not operate in the public interest, when it empowers or tolerates corruption, special privileges and "rent-seeking" benefits that the rich and powerful amass through their political

influence, and other abuses of the public trust, when it impedes citizen oversight, and when it favours the rich over the poor, one ethnic or social group over another, men over women; and

3. Campaign through popular mobilization to raise the volume and quality and appropriately distribute the services required from governments (e.g. arrange comparable quality education opportunities to all people in a country, including indigenous populations), so as to create equal opportunities for all people.

Public revenues

Principle:

Governments require revenues adequate over time to meet their overall expenditure obligations as outlined above, which will usually be provided through tax systems, but also through royalties on natural resources extraction and profits from public enterprises, as the case may be. The people should feel ownership of the state and thus the obligation to share in its financing.

Required changes in structures and policies:

1. Adding together the burden of all taxes and fees imposed on and subsidies enjoyed by individuals in a country taken together, the rich should pay a higher proportion of their income or wealth to fund the government than the poor (“progressive” tax system), and like sources of income should be taxed similarly (in particular, labour income should not be more heavily taxed than profit income). This requires that studies be regularly undertaken by the government to monitor the impact of evolving policies on the incidence and effectiveness of the public revenue system.
2. In addition, it is appropriate to use the tax system to redistribute income when income inequality becomes excessive, including through negative income taxes or basic income grants for the very poor.
3. Private enterprises should pay tax on their profits in recognition of those profits being enabled by publicly provided services and infrastructure (e.g. charges are not imposed for use of public streets and contracts may be voluntarily honoured because the parties appreciate that they are also legally enforced); in this regard, although small enterprises may be exempted from these obligations for reasons of administrative efficiency, governments should not shrink their tax base through special tax incentives nor tolerate the non-payment of taxes by corporations that can shift the accounting realization of profits to low-tax jurisdictions. This practice is notably abusive when little production takes place in the low-tax jurisdictions in which the system-wide profits are reported, as a number of tax-avoidance cases by prominent multinational firms illustrated in 2013.
4. As the private financial sector often bears a relatively low tax burden and potentially imposes heavy costs on governments during financial crises, governments should mobilize substantial additional public financial resources by imposing a small but comprehensive tax on financial transactions (financial transaction tax, FTT), acting in cooperation with other countries as appropriate to prevent evasion of the tax by

relocating transactions to non-taxed jurisdictions.

5. In recognition of the imperative to discourage carbon emissions, governments should impose a significant tax on those emissions, which would encourage the shift to less carbon-intensive production and consumption (the disproportionate impact of such a tax on the poor should be compensated, as per the first policy proposal above).⁴
6. Governments should fight tax evasion through stronger international cooperation, as through automatic exchange of taxpayer information among tax authorities. Similarly, governments should bring significant informal business activities into the formal sector through beneficial programmes to incentivise their integration into the formal economy and strictly enforcing tax laws to discourage continued hiding in the informal sector.
7. Tax avoidance should be discouraged. Non-payment of taxes is an abuse of paying taxpayers, who thereby bear a bigger tax burden and/or pay for the shortfall in tax revenues through fewer or poorer quality public services. Governments should thus criminalize efforts of enterprise managers, their attorneys and accountants to develop new means of tax avoidance. In fact, tax avoidance is abetted by some governments that have created so-called “tax havens” in their jurisdictions. As the governing authorities in tax havens come to depend on their earnings from helping affluent people avoid their obligations, the international community should help wean these jurisdictions from the practice through support for development alternatives.

To achieve these changes, we call upon churches, other institutions and all people of good will to undertake the following actions:

1. Support provision of independent and public analyses of government revenue collection, as well as public legislative reviews of tax policy, which will inform whether and to what extent the tax system produces adequate revenue, is “progressive” in its incidence and whether the sector impact of taxes reflects social and economic priorities (e.g. societies may wish to tax alcoholic beverages and tobacco more heavily than other consumer goods, but not wish to tax wages more than dividends). Campaign on the basis of the studies above for an efficient and fair tax and revenue system that raises sufficient resources overall;
2. Advocate for specific taxes that address a salient national policy objective, such as a significant carbon tax, and earmark a substantial portion of the revenues it raises for the mitigation of and the adaptation to climate change. As carbon emission reduction would be a global public good, campaign with like-minded partners in other countries to impose comparable carbon taxes;
3. Campaign, in collaboration with civil society in other countries, for imposition of a financial transaction tax and earmark a significant proportion of the country’s share of FTT revenues to domestic and international programmes to develop marginalized communities; and
4. Recognizing the valuable steps taken by the heads of state of the Group of 20, mobilize

⁴ An alternative, adopted already in a number of countries, is to establish a “cap and trade” mechanism, which raises a measure of public revenue, albeit less than a carbon tax; however, cap and trade has had a mixed experience thus far.

public pressure on all governments to quickly agree to effective automatic sharing of tax information accompanied by adequate support of domestic tax authorities so as to enable them to make best use of the additional information to catch “tax cheats” and discourage future tax evasion.

Sovereign borrowing and debt

Principle:

There are many occasions in which governments should borrow, as for long-term infrastructure investment that would benefit several generations. Governments should also borrow during temporary “bad times” (dips in economic activity) to create employment and provide the needed social safety net protections, albeit offsetting the deficits in bad times with surpluses in “good times.” Nevertheless, governments—even the better managed among them—have sometimes found themselves unable to make payments falling due on their debt and have had to seek to restructure those obligations.

Required changes in structures and policies:

1. Governments should adopt a set of proposed principles of responsible sovereign borrowing, and public and private creditors should follow principles of responsible lending.⁵ The precedent adopted in the Paris Club for offering to restructure repayment obligations to government creditors when there are disasters, such as tsunamis, should be generalized to all types of loans to governments and automatically triggered for these and other reasons for temporary liquidity shortages.
2. Governments should actively engage in counter-cyclical policies, financing fiscal deficits through borrowing in bad times counterbalanced by fiscal surpluses and net debt reduction in good times; in particular, austerity policies in bad times should be avoided as they are economically and socially destructive, and are ineffective.
3. If the International Monetary Fund offered to assist governments at early stages of sovereign debt difficulties through an equitable and effective path of fiscal adjustment with adequate growth of employment and output, governments would be less reluctant to approach the Fund for assistance. That assistance should be financed when appropriate through restructuring of debt and debt-servicing obligations, including through cancellation when countries become insolvent, i.e., when there is no reasonable prospect that the existing debt can be repaid.
4. The international community should adopt a comprehensive sovereign debt workout mechanism for timely alleviation of debt crises and returning governments to a

⁵ Sets of such principles include “Guiding principles on foreign debt and human rights” (United Nations, Human Rights Council 2011, document A/HRC/20/23, annex), “Principles on promoting responsible sovereign lending and borrowing” (United Nations Conference on Trade and Development, January 2012), “Borrowing Charter: Principles and guidelines on sovereign financial borrowing for Sub-Sahara African countries” (African Forum and Network on Debt and Development, Harare, 2010), and EURODAD Charter on responsible financing (European Network on Debt and Development, Brussels, 2011).

sustainable debt situation in a manner that is fair to the people of the indebted country and embodies a fair burden sharing among the creditors.

To achieve these changes, we call upon churches, other institutions and all people of good will to undertake the following actions:

1. Assess the extent to which governments abide by the principles mentioned above, as through independent national debt audits. In particular, when individual loans are deemed illegitimate, campaigners should demand they not be honoured;
2. Lobby national governments to direct IMF to adopt socially and developmentally appropriate standards for fiscal adjustment and financial support, including debt restructuring;
3. Support national civil society advocacy efforts to pressure governments and international organizations to fully, equitably and quickly resolve sovereign debt crises, as illustrated by the role of the National Council of Churches in Grenada in 2013; and
4. Join with and strengthen existing international civil society efforts to encourage adoption of a comprehensive debt workout mechanism to fully resolve sovereign insolvencies on a timely basis.

PART IV: GLOBAL ECONOMIC GOVERNANCE

Under globalization, economic and financial transactions have been taking place under increasingly unregulated markets beyond nation states. We have a global economy without corresponding global socio-political structures capable of regulating and shaping it through rules and regulations adopted by appropriate transnational bodies. Democracies at the level of the nation state do not have parallel institutions at the transnational level representing all countries, hence resulting in democratic deficits.

The United Nations (UN) functions on the basis of sovereign nation states. It constitutes an inter-national rather than a trans-national system. UN resolutions are subject to the political will of individual states for their implementation. Yet, for all its deficiencies, the UN remains the most representative and inclusive forum for global cooperation and policy setting. As well, we have experiments such as the European Union that, since 1957, has been developing into a still limited transnational body of countries previously without limits on their sovereignty. On the other hand, a group of countries such as the Group of Eight (G8) and the Group of Twenty (G20) have attempted to create forums dealing with global economic and financial issues. But, they represent global economic elites not speaking to the needs of most countries and peoples with little or no transparency or accountability.

The United Nations system

Principle:

New forms and institutions of global governance need to be established in order to set fair rules and regulations capable of shaping and controlling global markets and the increasingly large and complex economic and financial transactions that affect the distribution of resources worldwide and the lives and futures of most people.

The establishment of the UN in the 1940s recognized the need for new forms of international governance which would ensure the peace and support the prosperity and the rights of peoples of the planet. It recognized for the first time:

1. The sovereignty of the nation state and its peoples;
2. Universal human rights that would include civil, political, economic, social and cultural rights whose scope has been expanded over time; and
3. Principles of solidarity between countries and peoples, which included procedures of agreed cooperation and conflict management that could contribute to world peace and development.

The UN system has constituted the model for international socio-political and economic governance for the post-World War (WW) II period. However, given the problems and profound changes undergone by the world economy during the past decades, the need has become increasingly urgent for a new model on which to build a more effective and representative international financial and economic architecture.

An example of an instrument for an enhanced, more effective and coherent global governance is the UN Economic, Social and Ecological Security Council (UNESESC) proposed by the Stiglitz Commission in 2009.⁶ This new Council would assess developments and provide leadership in addressing economic issues and required global action while taking into account social and ecological factors. It would represent all regions and countries at the highest level and ensure participation of the various global institutions and civil society.

Required changes in structures and policies

1. The UN system with its different and more specialized units must be renewed and reformed for more effective and coherent global governance.
2. A World's Peoples Assembly in the UN should be established.
3. The UNESESC with decision-making and implementation powers ought to be created.

To achieve these changes, we call upon churches, other institutions and all people of goodwill to undertake the following actions:

1. Conduct and support preliminary work toward the necessary organization and possible agenda of a UN world conference to review the UN system, its effectiveness and the possibilities for reform;
2. Contribute to the preparation of a conference to take stock of reforms of the international financial architecture, and to identify and demand necessary reforms towards the establishment or transformation of practices and institutions that can foster a just and democratic system of global financial and economic governance;
3. Conduct and support preliminary work for the establishment of a World People's Assembly in the UN;
4. In support of the establishment of a World People's Assembly in the UN, create resources and initiate programmes (such as a school on governance, economics and management) with a view to democratizing and demystifying economic knowledge in order to build economic competencies within the ecumenical movement and global civil society as whole;
5. Conduct and support preliminary work for the creation of the UNESESC; and
6. Help with the information and mobilization necessary to bring forward these changes.

New international monetary arrangements and development finance organizations

Principle:

Alongside the UN system, the Bretton Woods institutions – and more specifically the International Monetary Fund and the World Bank – have provided a basic structure for the international monetary and financial governance of the post-WWII period. Over the years, critiques of these institutions have pointed out the dominance by Western countries of their

⁶ See footnote 1.

functioning and their imposition of the views of financially oriented policy makers in structural adjustment and austerity policies in the South as well as in the North. Critiques have also focused on these institutions as defenders of the basic principles of neoliberalism and global elites. Given these multiple critiques, debates on the need to reform these institutions have proliferated. One emerging initiative has proposed the creation of a new International Monetary Organization (IMO) to replace the IMF. The IMO would focus on monetary and financial issues as the IMF but it would be guided by principles of economic, social and ecological justice at the service of all countries and peoples. It would respond to the need for an institution not controlled by the financial elites in high income countries. The new IMO would have oversight over monetary and credit policies and transactions and would deploy funds to establish a globally effective, equitable, stable, fair and socially responsible global financial and economic architecture, bringing democratic accountability to financial markets. The proposed IMO should accept as a goal working towards economies organized around the service of life for everyone.

Required changes in structures and policies

1. The Bretton Wood system needs to be deeply transformed or replaced in order to democratize it and to respond to the interests of all member countries.
2. The new IMO should respond to the urgent regulatory requirement of a post-economic crisis world and to current problems of rising inequalities between countries.
3. The new IMO must have the power to issue an international reserve currency to replace the current US dollar-dominated system.
4. Proposals for regional monetary organizations such as the Asian Monetary Fund should be explored and established where a sufficient number of countries in a region express interest.

To achieve these changes, we call upon churches, other institutions and all people of goodwill to undertake the following actions:

1. Conduct civil society tribunals on the impacts of the policies of the Bretton Woods institutions so as to identify the areas of policy advice in need of reform;
2. Help explore through supported studies and conferences the possibilities to transform the system so as to better respond to the needs of the people in developed and developing countries and the new realities emerging from the 2008 financial crisis; and
3. Conduct a campaign across countries and interested civil society organizations seeking to prepare an international negotiating conference leading to the transformation or replacement of the Bretton Wood system by a new IMO based on principles of social, economic and ecological justice.

Indicators of wellbeing

Principle:

Global financial and economic management for an Economy of Life has to be based on redefined targets and indicators. That is, global and national financial and economic policy

should not be directed towards merely increasing income and production, as captured by Gross Domestic Product (GDP), but more crucially to improving the wellbeing of people and communities as captured by alternative indicators including growth of decent work, qualitative as well as quantitative indicators of health and education, and measures of environmental sustainability. All indicators should be sensitive to the need to capture social, racial and gender inequalities in order to help overcome them.

Required changes in structures and policies

1. Governments and international financial and economic organizations – not least the proposed UNESESC and IMO – should replace growth in GDP as the primary indicator of economic progress and instead develop and use alternate indicators of wellbeing which would take into account all aspects of a just, sustainable and healthy society.
2. Member States of the UN should be required to report on a regular basis their performance according to these new standards.
3. Each year's annual General Assembly of the UN or the proposed UNESESC should review at least 20 percent of these reports on a fair and representative basis.

To achieve these changes, we call upon churches, other institutions and all people of goodwill to undertake the following actions:

1. Conduct campaigns to enable governments and international financial and economic institutions to replace economic growth as an indicator of progress with indicators that assess the whole human social, economic and ecological condition;
2. Support research to assess already existing alternatives such as the Human Development Index of the United Nations Development Programme, the Canadian Index of Wellbeing and others; and
3. Urge universities, foundations and charitable institutions to support critical research in these areas.

Geneva, 29-01-2014