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Tax and robber baron economics

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The Pontifical Council of Justice and Peace met in early December at a plenary session in Rome. There, it issued a statement with the modest title: ?A Note on Financial Reform.?

That modest title masks a dramatic analysis of the global financial system. Elementary goods like food, the statement asserts, are lacking to millions in the developed world and to billions in the developing world.

The condition of extreme hunger in the world is not simply the result of problems of nature, climate change or cultural habits, or failures in agriculture production or ?post harvest loss.? The central problem today results from a neo-liberal focus, an ideology of the free market system focused on the individual?s effort to make money for oneself in atomistic fashion, and on companies that regard only their bottom line.

Financial structures reflect an ideology of selfishness and greed. This is the problem that has given the world climate change, the financialization of nature, given the world the problems of world hunger and social injustice.

The new ?Note on Financial Reform? from the pontifical council calls for a series of institutional corrections in the operations of the global financial system, including a championing of a tax on financial transactions to build up a reserve for development, and to assist in the common well-being of peoples.

This ?Robin Hood tax? would be at the service of the poorer countries and would tax the well-off, who have the financial resources to trade on the global financial market.

A big problem that has been the recent history of financial markets is that their regulations have sought to build wealth for the few and encourage speculation to enrich them, rather than to encourage social responsibility in a structure aimed at global economic and environmental well-being.

This ?liberalistic? economic vision is at the root of contemporary financial hardships. It has served to increase poverty and food insecurity. It has had social, environmental, cultural and political manifestations; but its root cause has been greed, selfishness and the immoral usurpation of the goods of the earth and of human production for the profits of the few.

At the heart of the financial system, encouraged by the United States in its dominance of global financial resources, is an unethical promotion of a globalized structure of cynicism that knows the price of everything and the value of nothing.

According to the Holy See, even the G20 recognized the need to be responsible, as the council quoted a statement the network of global economic leaders adopted in Pittsburgh [1] in 2009: ?The economic crisis demonstrates the importance of ushering in a new era of sustainable global economic activity grounded in responsibility.?

It is on the basis of a new recognition by leading economic forces of a need for a ?new era? and not the same old ideology.

The Council?s statement calls for a new structure, a global public authority, that could provide global governance, such as a new United Nations, organized with the capacity to serve with authority. Such a structure will monitor financial systems in order to avoid the past problems, such as: ?the formation of pockets of excessive liquidity and speculative bubbles which turned into a series of solvency and confidence crises that have spread and followed one another over the years.?

Speculation in the service of greed has to be avoided in the future; it was not avoided in the past. The Pontifical Council gives the history of financial failures, placing much of the blame at the U.S.?s door:

> ?Generated in the context of the United States, it (the economic crisis) took place in one of the most important zones for the global economy and finances. It directly affected what is still the currency of reference for the great majority of international trade transactions. A liberalist approach, unsympathetic towards public intervention in the markets, chose to allow an important international financial institution to fall into bankruptcy, on the assumption that this would contain the crisis and its effects.?

The root of the problem is economic liberalism, according to the Pontifical Council. What has driven the world in such a problematic direction for its economy, and also for peace? First and foremost, an economic liberalism that spurns rules and controls.

> ?Economic liberalism is a theoretical system of thought, a form of ?economic apriorism? that purports to derive laws for how markets function from theory, these being laws of capitalistic development, while exaggerating certain aspects of markets. An economic system of thought that sets down a priori the laws of market functioning and economic development, without measuring them against reality, runs the risk of becoming an instrument subordinated to the interests of the countries that effectively enjoy a position of economic and financial advantage.?

Regulations and controls, imperfect though they may be, already often exist at the national and regional levels; whereas on the international level, it is hard to apply and consolidate such controls and rules.

The inequalities and distortions of capitalist development are often an expression not only of economic liberalism, but also of utilitarian thinking ? that is, theoretical and practical approaches according to which what is useful for the individual leads to the good of the community.

The powerful use the system for their own aggrandizement. An alternative vision, articulated by Benedict XVI, is a people-centered ethics. Such an ethics would focus on the common good, not the private good or the good of a few corporations. It would be holistic, taking into consideration the well being of all, not the few.

A people?s centered ethic would challenge the corporate greed at the heart of contemporary economic life.

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[1] http://www.canadainternational.gc.ca/g20/summit-sommet/g20/declaration_092509.aspx?view=d