

Vatican calls for global authority to regulate markets

John Thavis | Catholic News Service | Oct. 24, 2011

VATICAN CITY -- A Vatican document called for the gradual creation of a world political authority with broad powers to regulate financial markets and rein in the "inequalities and distortions of capitalist development."

The document said the current global financial crisis has revealed "selfishness, collective greed and the hoarding of goods on a great scale." A supranational authority, it said, is needed to place the common good at the center of international economic activity.

The 41-page text was titled, "Toward Reforming the International Financial and Monetary Systems in the Context of Global Public Authority." Prepared by the Pontifical Council for Justice and Peace, it was released Oct. 24 in several languages, including a provisional translation in English.

The document cited the teachings of popes over the last 40 years on the need for a universal public authority that would transcend national interests. The current economic crisis, which has seen growing inequality between the rich and poor of the world, underlines the necessity to take concrete steps toward creating such an authority, it said.

One major step, it said, should be reform of the international monetary system in a way that involves developing countries. The document foresaw creation of a "central world bank" that would regulate the flow of monetary exchanges; it said the International Monetary Fund had lost the ability to control the amount of credit risk taken on by the system.

The document also proposed:

- Taxation measures on financial transactions. Revenues could contribute to the creation of a "world reserve fund" to support the economies of countries hit by crisis, it said.
- Forms of recapitalization of banks with public funds that make support conditional on "virtuous" behavior aimed at developing the real economy.
- More effective management of financial shadow markets that are largely uncontrolled today.

Such moves would be designed to make the global economy more responsive to the needs of the person, and less "subordinated to the interests of countries that effectively enjoy a position of economic and financial advantage," it said.

In making the case for a global authority, the document said the continued model of nationalistic self-interest seemed "anachronistic and surreal" in the age of globalization.

"We should not be afraid to propose new ideas, even if they might destabilize pre-existing balances of power that prevail over the weakest," it said.

The "new world dynamics," it said, call for a "gradual, balanced transfer of a part of each nation's powers to a world authority and to regional authorities."

"In a world on its way to rapid globalization, the reference to a world authority becomes the only horizon compatible with the new realities of our time and the needs of humankind," it said. Helping to usher in this new society is a duty for everyone, especially for Christians, it said.

While the Vatican document focused on financial issues, it envisioned a much wider potential role for the global political authority. The agenda also includes peace and security, disarmament and arms control, protection of human rights, and management of migration flows and food security, it said.

Establishing such an authority will be a delicate project and will no doubt come at a cost of "anguish and suffering" as countries give up particular powers, the document said. The authority should be set up gradually, on the basis of wide consultation and international agreements, and never imposed by force or coercion, it said.

The authority should operate on the principle of subsidiarity, intervening "only when individual, social or financial actors are intrinsically deficient in capacity, or cannot manage by themselves to do what is required of them," it said. Countries' specific identities would be fully respected, it said.

The authority should transcend special interests, and its decisions "should not be the result of the more developed countries' excessive power over the weaker countries" or the result of lobbying by nations or groups, it said.

"A long road still needs to be traveled before arriving at the creation of a public authority with universal jurisdiction. It would seem logical for the reform process to proceed with the United Nations as its reference," it said.

At a news conference Oct. 24, the Vatican spokesman, Jesuit Father Federico Lombardi, emphasized that the document was "not an expression of papal magisterium," but instead was an "authoritative note of a Vatican agency," the Pontifical Council for Justice and Peace. In that sense, he said, it would not be correct to report that "Pope Benedict says" what's in the document, he said.

The document did make a point of quoting from the teachings of several popes, however, including those of Pope Benedict XVI, who in his 2009 encyclical "Charity in Truth" ("Caritas in Veritate") said there was "an urgent need of a true world political authority" that could give poorer nations a bigger voice in financial decision-making.

The document also cited Blessed John Paul II's 1991 warning of the risk of an "idolatry of the market" in the wake of the failure of European communism. Today his warning "needs to be heeded without delay," it said.

In fact, it said, the primary cause of the current global crisis has been "an economic liberalism that spurns rules and controls" and that relies solely on the laws of the market.

Cardinal Peter Turkson, head of the justice and peace council, said the Vatican document could be a useful contribution to the G-20 summit in France Nov. 3-4, which is looking to reform the international monetary system and strengthen financial regulatory measures.

The document noted that the G-20 includes developing countries and said this represented progress from the time when there was just a G-7, a group of seven industrialized countries that shaped economic policies.

In general, over the last 30 years there was a tendency to define the strategic directions of economic policy "in

terms of 'clubs' and of smaller and larger groups of more developed countries," it said. While this approach had some positive aspects, it appeared to leave out the emerging countries, it said.

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