

Global Economic Reform Campaign



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INTRODUCTION

The world's economy is in distress. The major symptoms of this distress include:

- a combination of mass unemployment and many low wage jobs;
- a high level of temporary or "contract" employment;
- related widespread and growing poverty;
- social breakdown made manifest in escalating levels of homelessness, crime, drug related problems etc.;
- increasing competition for global markets; and
- a human life support system that threatens to fail as the global environment is assailed by the impact of a desperate drive for exponential "economic" growth.

The resolution of one or more of these problems is the concern of growing numbers of people. Many are responding by voluntary commitment in a wide range of organisations. Others attempt to lobby and persuade political agencies – especially national and local governments – to modify existing policies or introduce new ones, so as to address and mitigate the effects of these problems.

Progress is slow and, in the absence of comprehensive and truly radical change to financial, economic and political institutions, matters seem bound to get worse rather than better.

We believe that to resolve our current social, economic and environmental problems, radical changes are necessary. To achieve that aim, we must build a campaign that brings together all concerned organisations and individuals.

Following discussion of the campaign objectives (see overleaf), the structure, administration and funding arrangements will be agreed, and a public launch of the campaign will be organised.

You are invited to join at this planning stage, to state an interest in participating when the campaign is publicly launched, or simply to ask for more information.

Please return this coupon to Alex Falconer MEP, 25 Church Street, Inverkeithing, Fife KY11 1LH, OR to Alan Armstrong, Gilnockie, 32 Kilbride Avenue, Dunoon, Argyll PA23 7LH, OR send an e-mail containing the information below to The_Citizen@compuserve.com

Global Economic Reform Campaign

Name _____

Organisation _____

Address _____

Telephone/fax/e-mail info _____

- I wish to join the campaign steering committee
- I am interested in participating in the campaign when launched
- Please supply further information

My particular area of interest (if any) is _____

DRAFT OBJECTIVES

I. Reform of the Fractional Reserve Money System

The Fractional Reserve Monetary System, which the whole world uses, is fatally flawed and is unsustainable. It is a significant factor behind many of the world's social, economic and environmental problems.

Of the total money supply of any nation only a very small percentage - typically 3% to 5% - is in the form of legal tender created by government. Legal tender provides the 'reserves' on the basis of which the banking system creates out of nothing the balance of the total money supply.

This bank created money is injected into the *economy only in the form of interest-bearing debt* comprised of loans, overdrafts and so on.

When banks create their interest-bearing debt they do not create any money with which the related interest might be paid. The result is a chronic shortfall in purchasing power and recurring periodic and growing surpluses of goods and services.

The effects of this process include:

- Escalating levels of total debt - national and local governments, businesses and consumers - to the banking system and an ever present threat of debt- repudiation crises.
- An unstoppable drive for 'economic' growth with significant and growing damage to the world's environment as a consequence.
- Aggravation of the natural tendency to technological unemployment.
- The accrual of immense power, influence and financial rewards to the banking fraternity to which they should have no right in equity.

The system therefore must first be reformed, on the basis of returning, from the banking system to the state, responsibility for the creation of the nation's money supply, so that other desirable socioeconomic reforms might become possible on a lasting basis.

2. Greater Equity in the Distribution of the Community's Real Wealth

If we exclude interest, dividends, and other unearned income, the principal distribution of the community's real wealth is via wages and salaries. But the availability of paid work varies significantly over time.

The operation of the current monetary system ensures the cyclical nature of the economic system and its periodic tendency to severe economic depression.

The related rise and fall in the demand for labour ensures chronic insecurity and, at least, periods of reduced wage payments and related poverty for a large proportion of the population. The impact in depressions is correspondingly greater.

Meanwhile businesses are under pressure to deliver greater profitability from which increasing shareholder dividends and escalating interest payments are to be met. This imperative aggravates the natural tendency for business to try to "increase productivity", i.e. to replace labour input with technology. Technological unemployment increases and poverty and insecurity is made worse.

The latest commitment by governments and business to globalisation of trade and the free movement of goods and

labour seem set to further exacerbate employment and poverty, first in the Western world but in due course, in the Third World too.

Increasingly, governments too are driven, as a result of rising levels of national interest-bearing debt, to try to reduce significantly government funded welfare provision. Poverty and insecurity are further aggravated.

The cry is that 'there is no money' to realize what is physically possible. But this is a product of the present economic system. Reforms such as those suggested above could circumvent this "obstacle".

Greater equity in distribution of the community's real wealth will also become possible.

Associated mechanisms such as a National Dividend or Citizen's Income, paid not as a dole but as a right of citizenship, also become possible. On a progressive basis, such a universal personal income, allied to central and local government provision of services where that is most efficient, or otherwise socially desirable, offers the potential to deliver equity and an end to poverty amid plenty.



3. Greatly Reduced Pressure on the Environment

That there is a serious threat to the environment and, importantly for humanity, to the human life support system, is increasingly understood and accepted. The catalogue of interrelated problems which are adversely affecting the environment is comprehensive:

- global warming;
- deforestation (northern coniferous and tropical) and associated loss of biodiversity;
- depletion of the world's stocks of fish and other marine life;
- genetic erosion and the threat to the human immune system;

Combined with the effects of escalating international debt and a rapidly expanding global population these represent a daunting prospect for the future of humankind.

A growing number of senior politicians are now joining the ranks of those who insist that dramatic remedial action must be taken without delay. There is also however a very powerful business and political lobby, led by the giant multinational corporations and their supporters, who insist that the effects of such remedial action on the industrialised communities is unacceptable.

They rehearse their view of the implications - huge job losses and significantly increased consumer prices for those in the Western world and no escape from poverty or debt for those in the Third World.

They insist instead that the drive for further growth should be accelerated. And that it must be done on the basis of an unconstrained freedom for financial capital and for multinational corporations to move and trade around the world in pursuit of maximising corporate profit.

They maintain that only on the basis of such unrestrained global growth will it be possible to achieve high levels of employment in the industrial West and progress

towards a significant reduction of poverty in the currently underdeveloped world.

European Union, NAFTA, APEC, the World Trade Organisation and the Multilateral Agreement on Investment are all instruments of this programme.

But opposition to this global view is growing.

Herman Daly, ex-senior economist with the World Bank, notes that historically, as now, 'the growth mandate came from the answer to the problems raised by Malthus, Marx and Keynes.' Growth was the common answer to all three problems (overpopulation, unjust distribution and involuntary unemployment). Today growth continues to be advanced as the answer to most of these environmental problems.

Daly suggests, however, that 'Export-led growth is the new philosopher's stone that turns lead into gold by the alchemy of free trade ... The way to export more than you import is to reduce wages ... Globalisation requires therefore that for a nation to be rich, the majority of its citizens must be poor, increase in number and live in a deteriorating environment.' Similarly David C. Korten insists that 'We are now coming to see that economic globalisation has come at a heavy price. In the name of modernity we are creating dysfunctional societies that are breeding pathological behaviour ... The threefold crisis of deepening poverty, environmental destruction and social disintegration is a manifestation of this dysfunction' (*When Corporations Rule the World*).

It should be noted first and last however, that the drive for 'growth' in a finite world and the associated damage to the environment, is inherent in a global economy driven by the fractional reserve debt-money system. It cannot be significantly modified in favour of the environment without reform of that system.

4. Democratising the Global Economy

The Soviet bloc has collapsed, and China is making the transition to a market economy. All the economies of the world are being bound together through tighter international agreements on trade (GATT/WTO), investment (MAI) and intellectual property (WIPO).

Based on such developments, it is argued that we have witnessed the end of ideology. Democracy has triumphed, it is said, and socialism has failed. Capitalism now reigns unchallenged, guided by the economic pragmatism of organisations such as the World Bank and the IMF.

Far from being the end of ideology, these arguments are made by those whose own ideology has triumphed. Unfortunately they are repeated by many others. Far from being a triumph for democracy, the average person has seen a marked decrease in their ability to influence and control what goes on in their lives and in the world around them, and increases in inequality have given rise to marked deterioration in social conditions.

For example, despite concerted opposition from the European Union, it is now almost impossible to avoid foodstuffs containing genetically modified soya. Transnational Corporations can operate with relative impunity throughout the world, holding governments to ransom. Their turnovers exceed the GDPs of many nations.

Countries have relinquished control over major areas of

economic and other activity. Power has been transferred to unaccountable, secretive, blinkered supranational quangos. For example, the World Trade Organisation operate without considering the social or environmental consequences of their decisions, but countries and their citizens are forced to abide by them.

Far from being pragmatic, these organisations are ideological creations, whose dogmatic cures are often worse than the ailments. Countries are saddled with spiralling debt while massive unemployment and poverty are forced upon their people. 'In Indonesia the IMF has privately acknowledged that its fixed ideas in how economic disasters should be resolved made matters worse' (*Guardian* 21/1/98).

There is no effective control of our environment. Countries burn down forests, destroy nature's diversity, pollute neighbours' air, seas, and fresh water, and little can be done. The USA, with 6% of the world's population, is responsible for a quarter of all CO² emissions. Countries will vanish beneath rising seas, but they must beg for action. The rest of the world may pay a steep price for the USA's future cooperation.

It is unlikely, and perhaps impossible, that these problems will be adequately addressed under the present global economic system. Therefore, reform is necessary. What direction should it take?

Many of the failures of the present system stem in some way from the lack of accountability and responsiveness of governments, superquangos and transnational companies. The democratic deficit is increasing as a result of the globalisation of economic activity, led by an economic orthodoxy whose paradigms not only overrule humanitarian, environmental and other competing concerns, but are also frequently counterproductive in terms of their own stated objectives. How can this be reversed?

Clearly there is a need for a paradigm shift in the institutions of the global economy. However, the present paradigms are in many respects products of the existing institutional structures, so the structures must change too.

Furthermore, without improvements in democratic accountability, any new organisations will also ossify and become hidebound and unresponsive to the needs and desires of the planet and its people. Therefore the structures must be democratised.

And if the democratisation is to be truly responsive and accountable to all people, then it must take place at all levels from the individuals and their local communities and workplaces, via regional and national institutions, to the international and global ones.

If this democratisation is to encompass economic decision making, it cannot be restricted to input only at certain levels of the economy, it must take place at all levels. It must take in banking, investment, production, and consumption. There must be more openness in the decision making process.

We might suggest some measures . . .

- the extension of stakeholding (and thus the empowerment of community and other interest groups) through reform of company law;
- democratisation of pension, insurance and other

investment institutions, with changes in their legal framework designed to give more power to investors, and to ensure that trustees and investment managers take account of wider social and economic interests, not merely narrow financial ones;

- reform of the fractional reserve money system and the creation of federal structures for banking and investment, with representation from appropriate government and stakeholder organisations;
- effective international regulation of the activities of transnational corporations, perhaps in the first instance based upon the OECD's code of conduct for transnationals, which should be compulsory not voluntary;
- reform or replacement of international financial and trade institutions, the criteria by which they operate, and the agreements which underpin them;
- introduction of a National Dividend or Citizen's Income on the basis of right of citizenship;

. . . but this is not a comprehensive or definitive shopping list, and is not presented as a blueprint for the precise measures that are needed, rather as the starting point for discussion.

We are convinced, however, that more economic democracy is necessary, not simply for reasons of ideology or principle, but for pragmatic purposes. Put simply, we believe that;

a system build upon active participation in decision making and wider understanding of the issues involved, leading to decisions being taken in the interests of all those whom they affect;

. . . will work better than . . .

one which is controlled by the few, invariably and inevitably in the interests of those few, to the detriment of others.

