

GOING DEEPER INTO A NEW FINANCIAL ARCHITECTURE

Marcos Arruda¹

March 2, 2009

The argument about the Canadian banking system, presented by Theresa Tedesco,² is sound but restricted to the borders of the system of capital. I argue on behalf of a more radical solution to the global financial mayhem.

1. The main issue to tackle is NOT that of how much regulation to introduce in the financial and banking systems - national and international. It is, rather, the goal these systems are designed to serve. If it is private profit, then nothing will really change. If it is economic and social/human development on an environmentally sustainable basis, then we can say a new dawn and a new hope are visible in the horizon.

2. Implications of this, however, are also radical. A profound change in lifestyles is demanded in the Global North. The aim is an economy of enough: limit the growth of material production, decommodify and release the production and exchange of immaterial products! The recession that has settled in the US in recent months would be welcome, if it were not punishing so brutally those who are more vulnerable, working families, the unemployed, the migrants. The inequality of income and wealth is reflected in the inequality of distribution of the costs of the crisis. Less consumption of energy and natural resources, less consumption of superfluous items, simpler and more frugal modes of living, radical reduction of the number of automobiles and CO₂ emissions, less production of wastes, less -and more selective- industry, fairly distributed healthier foods, saner cities and rural environments, these should be the goals the banking systems should be serving.

3. For the Global South, economic growth is still desirable, but within the limits posed by Nature and its biomes. Therefore, it should be subject to community and State planning and democratic, participatory management.

4. A new financial architecture demands the recognition that money should no longer be dealt with as a commodity. Money should serve higher purposes: that of being a symbol of human labor, knowledge and creativity, and that of being a means of exchange that gives people purchasing power to care for their needs, and facilitates the socioeconomic interaction between persons, communities and countries. In other words, money and the systems regulating its flows should be legally defined as a public service. The profit motive should give space to the social motive.

5. This implies at least three crucial dimensions of a solidarity-based, integral development paradigm:

a) The State should own and manage the main financial institutions, those which would make money and finance a service to the social economy, and the foundation for investment policies

¹ Economist and educator of PACS – Institute of Alternative Policies for the Southern Cone (Rio de Janeiro), facilitator at the International University for Peace (Unipaz) and the Gaia Education Program, and fellow of the Transnational Institute (Amsterdam).

² “The Great Solvent North”, op-ed article in The National Post, Feb. 28, 2009.

directed to socioeconomic and human development. A country can control its development if, and only if, it controls its money and finance (Keynes). The State would be responsible to manage national finance in a perspective of evening out inequalities and orchestrating the diversity of approaches to local-community development. It would be in a position to maximize the gains of the creative use of the Proportionality principle.

b) The State should acknowledge the right of communities to create and manage their own banks and financial institutions, provided they serve the same public goals, instead of private profit. Financial sovereignty, then, would belong to the people, who would own and manage the institutions that gather most of the savings of their own labor. This would facilitate and stimulate local socioeconomic development, making the best use of the Subsidiarity principle.

c) Finally, the State should acknowledge the right of communities to create their own currencies, with the purpose of increasing local production for local needs and making the new wealth circulate, as much as possible, within the community itself. Enhancing their sovereignty over their own economy, finance and currency would allow them to direct investment to use value products, rather than exchange value products, thus serving needs and wants best while keeping away from the temptation of unlimited economic growth and capital accumulation. It clearly implies, therefore, a new paradigm and legal understanding of property, away from exclusive, private property of productive goods and financial means.³

6. In addition, the new financial architecture should be concerned with the fair distribution of wealth and income in the perspective of freeing people's necessary labor time for higher purposes. Public managers should stir tax and fiscal reforms that would reduce social inequalities. Sharing the gains of productivity through progressive tax policy and fair fiscal policy, and also through the establishment of a citizens' basic remuneration, would stimulate socioeconomic development while increasing the levels of well being and happiness for all.

7. New development indicators are a must. The GNP can serve a very limited purpose and is deceiving when integral, and not only economic, development is taken into account. The GNH - Gross National Happiness index - is one of the creative methods that transcends the GNP. It has the power to reorient investment and economic activity towards its ultimate legitimate goals: social and human development, well being and happiness. Taking the human being as the reference and goal of economic development, this index demands a combination of planning and interaction of market forces, provided that the market be constituted by economic agents motivated by public-social motive.

Marcos Arruda - PACS
Rio de Janeiro
marruda@pacs.org.br

³ Pascal van Griethuysen & Marcos Arruda, 2008, « Penser et pratiquer le developpement autrement : une reflexion economique evolutive sur l'altermondialisme, » unpublished paper.