

**2013 CONCERTED ACTION OF THE CONFERENCE OF EUROPEAN JUSTICE AND PEACE COMMISSIONS
A LONG TERM VISION THAT PUTS THE ECONOMY AT THE SERVICE OF SOCIETY**

We cannot afford to forget that the financial sector exists to serve the real economy, which needs to be at the service of society, which in turn exists to protect and promote the dignity and wellbeing of the human person.

As the global financial crisis and its consequences look set to dominate the economic, social and political landscapes once more in 2013, the Conference of European Justice and Peace Commissions, drawing on the experience of 30 European countries, wishes to make the case for radical change. Our vision is of a society in which all economic activity serves the demands of justice and the common good. It is not too late to learn from our past mistakes and break the pattern of recent decades, but we must be willing – individually and collectively – to take responsibility and adopt a long-term vision for a more just and sustainable way of living. Particular responsibility falls to those in Government to introduce the legislation and structures necessary to support such a vision.

We cannot afford to forget that the financial sector exists to serve the real economy, which needs to be at the service of society, which in turn exists to protect and promote the dignity and wellbeing of the human person. The inversion of this value system sees the future of financial institutions secured at the expense of the needs and wellbeing of individuals, families and even the generations to come; a choice which is neither logical nor sustainable. As new financial scandals continue to be exposed, it is becoming increasingly apparent that we have allowed the financial sector to operate as though it were above, or unconstrained by, the boundaries that govern other aspects of social life. Yet, when it failed, society paid a heavy price and that burden has been distributed most unjustly. Behaviour which was, at the very least unethical and, in some cases, criminal, has been richly rewarded, while the costs have been passed to those who could least afford it. Government austerity measures, aimed at restoring financial stability, have impacted most severely on the poorest, on both a national and international level. The result is not only loss of income, but a breakdown of trust and a sense of alienation from society which threatens democracy.

The Pontifical Council for Justice and Peace has identified as one of the primary causes of the economic crisis ‘ethical breakdowns occurring at all levels of a world economy that is increasingly dominated by utilitarianism and materialism’ (*Towards Reforming the International Financial and Monetary Systems in the Context of a Global Public Authority*, 2011). Any proposals for reform will only be meaningful to the extent to which they address this ‘ethical breakdown’. As a minimum:

- I. Ethical considerations can no longer be considered a matter for individual conscience, but must form an integral element of decision-making processes, at both individual and collective levels;
- II. Education and training in matters of economy and finance need to emphasise the ethical dimension and human impact of these activities, with a focus on social justice;
- III. Our commitment to the dignity of the human person and integral human development for all needs to be enshrined in robust legislation, with suitable mechanisms for enforcement at both national and international level.

Unsurprisingly, the globalisation of financial activity has led to calls for the establishment of structures and mechanisms for global governance in the area of finance. The Pontifical Council for Justice and Peace has argued for “a minimum, shared body of rules to manage the global financial market which has grown much more rapidly than the real economy” (*Towards Reforming the International Financial and Monetary Systems*, 2011). What is being advocated is not a form of governance that disempowers people and alienates them from political processes by removing decision-making ever further from their control, but rather a model of governance with clear limits imposed by the demands of solidarity and subsidiarity. Following the

principle of subsidiarity, international institutions should intervene only where necessary to support states in addressing issues they cannot remedy alone. Many of the major challenges facing states today fall into this category, notably trans-national crime, climate change, hunger and access to water and other natural resources. This kind of international collaboration should reinforce the essential awareness of our interdependence on one another, thereby promoting the common good above narrow self-interest (for example, by ensuring just distribution of, and access to, essential resources). Global governance would ensure that the same standards are being applied in every country, allowing Governments to introduce robust measures to tackle inequality and injustice, free from the fear that major investors/employers will relocate their businesses.

A positive consequence to emerge from the crisis has been the increased public demand for transparency and independent regulation of financial activity. The costs of secrecy and dishonesty in areas such as taxation and reporting of profits in developing countries have been highlighted by campaigners for many years. Now there is a heightened awareness that European countries are also paying a price for the failure to address these practices. While recognising the positive contribution made to society by business and financial activity, Government needs to ensure that this contribution is fair and just. At a global level, governments need to oblige companies to publish their accounts on a country-by-country basis. The problem of tax havens needs to be addressed in a meaningful way if we are to achieve a more just and sustainable economic model for the future.

At a European level, the vital work of further European integration needs to go hand in hand with the development of legislation and structures which move us in the direction of greater social justice and democratic participation. The Commission of Bishops' Conferences of the European Union, in its 2012 publication *Towards a European Community of Solidarity and Responsibility* reminded us that the Social Market Economy model is an objective of the Lisbon Treaty. While the specific composition of the proposed EU Social Market Economy has yet to be decided, it is essential that this model should have social justice and the promotion of social cohesion at its core.

The Conference of European Justice and Peace Commissions supports the Pontifical Council for Justice and Peace in advocating that “the primacy of the spiritual and of ethics needs to be restored and, with them, the primacy of politics – which is responsible for the common good – over the economy and finance” (*Towards Reforming the International Financial and Monetary Systems*, 2011). When financial activity becomes distanced from the real economy, it is all too easy for those involved to lose sight of the human consequences of their actions. This problem cannot be solved through reform of the financial sector alone. We need to employ a range of approaches, including regulation, education and participation, in order to reinforce the links between economic activity and the common good of society.

Consequently, we call on our Governments to:

- Jointly agree and adopt a common Code of Ethical Conduct for financial institutions which emphasises transparency, accountability, human rights, tax contribution and just distribution of profits;
- Review regulatory conduct with a view to establishing an international regulatory body, independent of financial institutions and with a strong emphasis on ethical considerations;
- Identify where additional regulation is required – at national and international level – in order to ensure that economic activity complies with the demands of justice;
- Introduce legislation to oblige full and transparent disclosure by companies of all aspects of economic activity, thereby eliminating tax evasion and addressing the problem of tax havens;

- Fulfill our global obligations in the area of economic justice by maintaining our commitment to allocate 0.7% of GDP to ODA;
- Introduce a tax on financial speculation to fund international development and social justice initiatives, as proposed by the European Commission in 2011 and approved for 11 EU countries in January 2013, where the exchange of shares and bonds would be taxed at 0.1% and derivative contracts at 0.01%