

The banking crisis and its consequences

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The challenge of (achieving) a better global governance

The greatest challenge facing humanity today is that of establishing a new and effective global governance system, i.e. a properly functioning international order. This has been the position of the Club of Rome, the European Ecosocial Forum and the Global Marshall Plan Initiative for many years now. While the necessity of a better global governance has always been obvious in the field of climate change, by now the same applies to the global financial system and the regulation of tax havens. Fair trade, the implementation of human rights for all, the abolition of child labour, and the prevention of environmental destruction are further issues pertaining to global governance, but they impinge upon the interests of the power elites considerably less than those issues that have to do with finance, tax and the threat to property rights arising from climate change. How the current crisis is dealt with is therefore of special relevance for the future. This issue affects those in power, and thus it is here that action is being taken. The question is whether or not a solution that is satisfactory for all can be established. What is the problem lying behind the current crisis?

How did we get this far?

As a consequence of an insufficiently regulated globalization, important segments of value creation have for a long time evaded adequate taxation. This leads to exorbitant accumulation of private assets which are controlled by but a small number of institutional investors on the one hand, and a continuous increase of the (overall) global indebtedness of public households on the other. This pattern is exacerbated through the crisis. In order to protect us against further damage, the state as the last warrant of stability is forced to incur more debts. We might fittingly describe the situation which we find ourselves in as that of governments being

taken hostage. This cannot go well in the long term. A collapse of public households, due to indebtedness, may already occur in some fifteen years from now – with all the consequences this entails.

What needs to be done?

The international community will only be able to master the problems it faces by way of a comprehensive rearrangement of the global financial system. The current discussion about a “Bretton Woods II”, i.e. a new international regulatory framework for the global financial system, is a step into the right direction. This must be supplemented by a harmonization of taxation on a global level, including a regulation or drying-out of tax havens. By now, even the Financial Stability Forum of the OECD is calling for such measures – a great step forward.

A limited timeframe

Thus, with the reform of the global financial system, the regulation of tax havens, and the aim of a Kyoto II (an updating of the Kyoto protocol), the 2-3 years ahead will see a rearrangement of about half of the global governance issues which are the prerequisites of a better future. This is a decisive moment. The moment of truth has come faster than expected. Whether these challenges will be met is a different matter. But at least the issues have finally come on the table. The motto has got to be: Eco-social markets, yes – market fundamentalism, no.