

Overcoming Casino Capitalism

Market Fundamentalism has failed and "Exploitation" is not a sustainable business model

International protest should remain active
until a reorganization of the financial markets has finally been achieved
and thus the core questions regarding a better and fairer
global order can be tackled.
Sustainable development is still an option.

The Starting Point

For decades, Western politics have relished the ever more vehemently presented philosophy of the "free markets" as the final instance and adequate regulating structure for an increasing number of aspects of life, commencing with the historic "victory" over communism. TINA is the key theme: There Is No Alternative. This theme has proven to be wrong. There are always alternatives. However, there are also strong interests which benefit from the status quo and which would like to prevent such alternatives by all means.

Admittedly, a lot has been achieved in the course of globalization through the development of market forces. China and India are great examples but the achievements have come at high costs. Today, the system is extremely over-indebted. And the increasing threat concerning the environmental and resource-related basis may result in the potential loss of secured promises in form of broadly existing debts, if further political mistakes are not avoided.

Furthermore, the social balance has taken a significant turn to the worse in many places over the past years. The social climate between people has become harsher which in turn has caused people to become bitter. A great number of developed countries have developed vast low-income sectors and tenuous working conditions while the taxes to be paid by the great winners of such processes have been lowered consistently. In other parts of the world, human dignity is being spurned. In the end, the question is: Is it worth it? Success yes, but all too often it is mere bogus success with many half-truths, many bluff packages, massive environmental burdens, over-intensive use of resources, a built up of climate problems, hunger and marginalization of great portions of the populations, re-distribution from the bottom to the top, "emptying" of democracy, legalized and illegal evasion of taxes, shrouding of property and cash-in structures under the following motto: Off-shore, Off-sheet. It is scandalous that the greatest cash-in takings globally contribute the lowest tax rates.

And furthermore, on top of it all, there is the financial crisis and the EURO crisis. These crises have their origins, among other things, in an insufficient stability culture of some European states. Even more and in this particular moment of time they are a consequence of the world financial crisis. After incredible cash-in takings by few people, which completely lacked in justification, the consequence is now a socialization of losses. All this happens at the expense of already grossly indebted states which are charged – rightly in some cases, unrighteously in others – with inefficiency, self-service, lack in discipline and overdoings in social welfare by interested parties while such states are at the same time exploited again as a consequence of speculations as to their currencies and purposeful rating adjustments. The broad mass of people has once again fallen victim to such processes.

The international protest has seen the mendaciousness and the high risk potential of casino-capitalistic conditions and has finally initiated a counter-movement – hopefully a successful one.

The great shiftlessness of individual states – Supra-national coordination (governance) as the answer

Ever-accelerating global casino-capitalism allows for ever-accelerating speculations, creatively designed, marked and manipulated anywhere and anytime. The national state as an individual state is powerless at the mercy of the financial sector. The still most powerful state, the USA, seems to be a puppet on the strings of financial capital. The EU is mostly too much at issue in order to allow for powerful acting and the supra-national cooperation necessary on the level of the UN or G20 could not yet be achieved due to significant discrepancies in interest. Time and again, the USA, and often Great Britain as well, take on a special part in this game.

What might be an alternative to the unacceptable current status quo? Politics must establish **pegs**. It must break the power of the financial sector and of the shadow banking system. It must establish adequate guiding rails for global markets. Such rails must be suitable to overcome future crises and allow for a perspective for wealth for all people and future generations – all this in accordance with ecological sustainability and global social balance. Consequently, this is all about a comprehensive implementation of sustainable development rather than just talking on the subject. The implementation of the millennium development goals which were signed in the Millennium Declaration in 2000 by 192 heads of states should be a minimum target, as the Global Marshall Plan Initiative has again and again requested right from the start.

From coordinated politics on environment and climate to a global social minimum, from taxing transactions to isolating and/or precluding of financial and tax havens – we finally need sustainable solutions. Off-shore, off-sheet must come to an end. Agreeing on such a program will have to include cross-funding transfers from wealthy parts of the world to developing parts of the world in the sense of a Global Marshall Plan. In turn, joint protection standards for environmental and social issues might finally be implemented. An "order of balance" and market fairness is the main target. The monetary and credit system should once again primarily assume a catalytic "serving" role. Substantial returns in the financial sector should only be achievable in the form of a fair participation to returns in the fiscal economy supported by the financial sector via the contribution of the needed financing.

Market + sustainability = global eco-social market economy.

The Novelty – International Protest

A new situation has now arisen. The protest in almost all states of the G20 and many more states, for the first time globally synchronized, has for the first time created a joint international audience and a participatory process as a partial substitute of the institutional lack of global democracy for handling the addressed issues. Those who voice their protest now are often far ahead of politics which still argue primarily on a national level in terms of system thinking and supra-national orientation. Today's vital questions actually bear global characteristics. As at the peak of the global financial crisis, once again political pressure for action in a similar direction has arisen in every country. This similarity currently bears a chance to overcome action deadlocks in the context of so far inadequate supra-national coordination which shall ultimately be designed to benefit the great majority of people. Joint global agreement, reflecting the needs of the great majority of people, will hopefully allow politics to coordinate the necessary new start as part of an expected hard confrontation with the profiteers of the status quo and their powerful lobby structures.

Modules for Necessary Change

Note: Subsequently, we will list the building blocks for necessary changes which have been listed by a group of pertinent organizations of civil society and many individuals. They address the financial sector as the currently dominating topic, the prevailing economic conditions as the most critical issue in the long term and in addition notes as to necessary steps to be taken in Europe and/or in the EURO zone. The various suggestions are suitable elements for more specific programs and proposals in terms of combination and calibration since they all make sense from an eco-social point of view and can be interconnected in a puzzle.

1. Financial Sector

Restrain the financial sector

(Our civilization's order should derive from the people, not from the financial sector)

The property structure of the financial sector must be held liable for losses

(Capital contribution basis must be increased in greater accordance with public welfare; no socialization of losses)

Create transparency

(Transparency of all processes bearing financial character / prohibition of over-the-counter deals; Technical Inspection Agency and cadastral registry for financial products and/or financial market actors; permission process for new products)

Eliminate too-big-to-fail credo from the financial sector

(Banks and financial institutes must be re-dimensioned, if necessary, in accordance with public welfare)

Taxation for all financial deals, especially financial transactions

(Transaction taxation / currency deal taxation / structured products deal taxation)

Product taxation for best-rated (non-government) debtors

(Taxes on the generation of financial products / cash generation especially for best-rated (non-government) debtors / leverage money tax / taxation on guaranteed monetary claims, also as a substitute for turnover taxation)

Taxation of leveraged speculative investments

(On a general basis, the relative interest rate for the economy in general should be more favorable than for speculative activities without direct relation to the "fiscal" economy.)

Elimination / transformation of the shadow banking system

(Regulation and transparency and/or prohibition of today's gray financial markets)

"Containment" of rating agencies

(Improvement of approval and monitoring; no further insider deals and biased incentives, "translation" of interests and sustainability requirements oriented towards public welfare in the form of legal stipulations for the treating of different investment classes, depending on the specific rating requirements)

Limitation of tax havens

(Significant increase in pressure, automated international cross-border data exchange as per the suggestion of the Financial Stability Board and the OECD. Any value adding process as well as their financial sides should be transparent and pay a fair share of taxes. If need be, electronic transaction channels to tax havens are to be cut off.)

Closer tying of financial instruments to the prevailing economic conditions

(High transparency as to volumes and holders of financial instruments, proof of deliverability, prohibition of financial futures for goods between financial institutes without any relation to real deals)

Uncovered sales / mortgage redemption agreements

(Permissible only for holders of the insured basis in the "fiscal" art of the economy; general preference of real insurances; significantly smaller credit leverage in this sector)

Prohibition of security lending

(Including derivate lending)

Regulation of critical markets

(Nutrition, certain resources etc)

Correction of the "fair value principle" in accounting

(Evaluate capital assets and property holdings, if intended as collaterals, more honestly, conservatively and cautiously as in the past, especially in the financial sector and in the sector of credit generation)

Publicity for all financial, trading and transaction infrastructures

(Platforms for trading processes and depot depository structures are to be placed under public monitoring)

Strict separation of regular banking business and gambling deals

(Prohibition of risky proprietary trading deals for credit institutes)

Increased obligations in terms of corporate governance and corporate social responsibility for the entire financial sector

(Liability and tax honesty, penal consequences for abuse such as tax evasion and insider dealings, at least to the extend common in the US, i.e. often involving imprisonment. Preclusion of tax-free off-shore business, if need be by means of isolating the respective tax havens)

Limitation to excessive salaries

(Regulations on the G20 level regarding salary structures and bonuses, including corresponding taxation levels)

Summary

The risk-free nominal yield based on best-rated national debt securities may amount to the maximum level of the respective economic growth level. In this sector, the states must use their coordinated power in order to issue national debt securities and/or taxation must apply at least to the same extent as it does for employees and the middle income sector. High nominal yields in the financial sector can solely result from the promotion of growth by means of risk adoption and funding of innovations in the fiscal "economy". Any such growth must be sustainably compatible, that is to say it must occur within the world's economic sustainability, and it must, above all, serve sustainable development, poverty elimination and greater justice in terms of distribution. This basically corresponds to the concept of a "green economy" as per UNEP plans for the Rio+20 summit (economic growth with greatly reduced negative impact on the environment).

2. "Fiscal" Economy

Global implementation of agreed standards

(E.g. implementation of UN human rights, ILO agreements, millennium development goals)

Orientation towards public welfare in terms of economic activities / property

(Promote property and orientation towards public welfare to the same extent regulatively)

Create pretext for consent on standards

(Cross-funding of social and ecological guiding rails, e.g. from global taxation)

Improved regulation within the WTO

(Implementation of global trading orientation towards sustainability targets; approval of process standards)

Minimum tax volume for states

(Depending on GDP/person, harmonization of taxation basis)

Ecological tax reform

(Substantial ecologization of taxation; cutback in funding of environmentally incompatible subsidies and activities, green budget)

Automated data exchange for tax-relevant processes

(Implementation of automated data exchange between states with regard to tax-relevant issues, in the financial sector and in the non-financial part of the economy as favored by the Financial Stability Board and the OECD)

Minimum wages to overcome poverty

(Depending on GDP/person, no working poor)

Minimum social standards to overcome poverty

(Depending on GDP/person)

Stronger balancing of income distribution

(Increased balance will result in improved society functioning within the range of the OECD member states. Instruments include minimal wages at better balance of income spread, character and usage of taxes and levies, cross funding of social security systems)

Minimum allowance accounted for by the international community.

(Amount of e.g. 0.5 USD/day for the poorest in order to finally eliminate peoples' hunger)

Put an end to aiding cross-border processes and activities

(In relation to domestic processing terms of e.g. transparency, social contributions, taxation)

Penal law for misbehavior

(Penally prosecute and avenge tax evasion, insider deals etc. as serious crimes, including imprisonment as is the case today in the US)

Transparent property conditions orientation towards public welfare at all times

(Via minimum requirements for property holding times and, where-ever necessary, cadastral registry qualities and responsibility assumption for property / no anonymous trust structures)

High level of self-obligations on the industry branch level

(Implementation via strong global industry associations / example: Semiconductor Industry Association)

Parliamentary assembly at the United Nations

(To strengthen a sustainably compatible global order structure and governance. Concerning the international process for the implementation of such an assembly there is by now an unanimous positive vote of the European parliament)

For prevailing economic conditions which is beneficial for everybody, not only for the "strongest".

3. Reforms in Europe

For a stronger Europe

(Europe will only be able to maintain its interests and contribute to a future worth living if there is cooperation)

Further steps towards a stronger federal structure in Europe

(Coordination of economic matters, taxation, financial matters, social matters and environmental matters)

Europe as sustainable space

(In social terms and in terms of environment, resources and concern for climate)

New Deal for Europe

(Wealth for the general population)

Tight debt limits which are orientated towards public welfare in the medium term to be implemented

(After prior debt relief orientation towards public welfare; primarily funded by better taxing the financial sector and cross-border economic activity)

Supra-national coordination and monitoring

(If stability rules and agreements are not adhered to)

Stronger internal cross-funding in Europe

(Higher transfers and internal Marshall Plan at the benefit of European states with a low wealth level)

Europe as inextractable liability association – fiscal union

(Such as the USA; render speculative attacks on individual EU states impossible)

Strict stipulations for rating agencies in Europe

(Rulings of rating agencies which may be paid from the EURO zone for their ratings; integration of requirements concerning public welfare and sustainability)

Expansion of the ECB mandate and/or the EFSF emergency parachute or establishment of the European Monetary Fund

(Strengthening of the European instrument system; establishing a lender of last resort in the context of steps towards a fiscal union)

Establish a European state funder

(Extending the mandate of the ECB. As a substitute for such an extension, implementation of the powerful system of EURObonds. Implementation of long-term risk-free interest rates of “secure” European government bonds below the growth rates of the economy in general)

Strengthen domestic European instruments of democracy

(In the future the democratic base of the European Union has to be strengthened considerably)

A stronger federal EU as an eco-social example for the world.

4. An order of balance

The monetary and credit system should assume a "serving" role. "Exploitation" must not be profitable, neither in the monetary sector not under prevailing economic conditions and also not at the expense of social and ecological interests.

- (1) The market must be liable (⇒ Fair stability mechanism)
 - Stability contribution: Taxation of leverage money, product taxation on creating financial products
 - Monetary circulation guarantee: Prevent the accumulation of central bank money at all financial institutions by means of maximum reserve limitation

- (2) "Soft" debt relief, eco-social markets (⇒ stability mechanism for co-funding)
 - Strengthen local community for environmentally compatible economic activity
 - Stability contribution to fund education, alternative power resources etc.

- (3) Transparency and liability (⇒ finally contain the financial sector)
 - "Cadastral registry" for financial products
 - Public rating agencies
 - Principle of lowest value rather than "fair value" for capital assets and property holdings
 - Break the monopoly of trading platforms and depot depositories

- (4) Global fairness and stability (⇒ a 7-point plan for a balanced global financial system)
 - Binding environmental standards on UN level
 - Binding social standards on ILO level
 - Process standards in the WTO which reference environmental and social standards
 - Global agreement: Co-funding of standards
 - Harmonization of tax systems and stability contributions
 - Taxation on guaranteed monetary claims / leverage money tax to fund balance
 - Fair stability mechanism

Target: A global eco-social market economy.