

# Governing the international financial monetary systems



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too radical. Others may think it as utopian, even if more than welcome.

Facts do show that the economy has become globalised, while governance has remained national or, at best, regional.

For example, the European Union cannot as yet agree on banking supervision at a Europe-wide level, in spite of the severe crisis caused by the need to bail out private banks with taxpayers' money.

The impact of the sovereign debt crisis is evidence of the international impact, resulting from a national crisis, even of a relatively small country such as Greece.

It is therefore becoming increasingly important that politics (that is the business of a country's governance) regains its supremacy over the financial world because the former is concerned with the principle of the common good and the principle of solidarity while the latter is not.

The latter's only motive is profit maximisation for operators in the financial markets (all too often these are just speculators), and there is no concern whatsoever about the creation of employment, the elimination of poverty or the promotion of policies that aim to advance the common good.

However, politics cannot regain its supremacy if its geographical range does not become global, just as financial markets are.

The argument can be taken further when one considers that the debt crisis in the eurozone has been caused by private banks, who have lent in excess of what they should have.

This necessitated the intervention of governments to strengthen the banks' capital structure. Instead of being thankful to the taxpayer, banks have in general taken the decision to lend far less than they should.

Thus businesses (who, after all, are the ones that grow the economy through their production of goods and services) are finding themselves starved of much needed cash, with the result that they are not investing enough and therefore not opening up new employment opportunities.

In effect, the international financial system needs not only a global system of governance, but must also do more to policies that generate economic growth.

To put it bluntly, it needs to be recognised that the crisis in the international financial system created the economic crisis; it must now do its bit to help solve the crisis.

Frankly it is useless to protest against austerity measures being taken by governments – as we have had across Europe this week – unless we bring financial markets and operators in these markets under control through appropriate regulation.

Within the context of the EU, this assumes even greater importance. The control of national governments over fiscal policy is limited by the need to operate on the basis of a balanced budget.

Within the eurozone, countries have limited control over monetary policy because of the supranational role of the European Central Bank.

So it becomes only logical that control over the international financial system becomes supra-national. The only caveat I would introduce to this concept is the need to appreciate that where possible, the need for global governance needs to be balanced with the principle of subsidiarity.

We need to debate these issues within a local context as we must appreciate their impact on our economy.

This is why the booklet published by Discern and the *Fondazione Centesimus Annus Pro Pontifice* is timely. Our national economic governance must take account of these developments.

**D**iscern, the Institute for Research on the Signs of the Times, and the local chapter of *Fondazione Centesimus Annus Pro Pontifice*

have just published a booklet meant to serve as a comment on the document published by the Pontifical Council for Justice and Peace, entitled *Towards Reforming the International Financial and Monetary Systems*.

The main message of this document is that there needs to be a supranational organisation, a global public authority, to govern over the international financial and monetary system, in the wake of the 2008 crisis in the financial markets and its consequences that we are still suffering till today.

One may feel that having a global system of governance to regulate financial markets is

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