



TRANSFORMING THE WORLD IN CRISIS

PRAGUE NGO DECLARATION

1 April 2009

We, participants of the conference **The World In Crisis: Economies and Policies for Global Transformation** have discussed for three days in Prague the root causes, impacts and responses to the financial crises, economic meltdown, climate change, mismanagement of natural resource use, increasing inequity and volatile food and oil prices from the systemic perspective of the world's poor and vulnerable.

While we have not tried to reach consensus on every aspect of these crises, we are turning jointly to the G20 summit in London and the informal meeting of EU economic and finance ministers (Ecofin) in Prague with the following messages:

The current economic, financial crisis is a deep, systemic crisis of the economic and political model dominating the world for the past three decades. The crash is the failure of an economic paradigm which prioritised the self-regulation of markets. This paradigm was based on the belief that finance-dominated growth built on speculation would create common wealth, that unqualified liberalisation and deregulation would benefit all and that the subordination of public goods to private profit-making would provide better services to the people. Working people, the poor and the vulnerable have no responsibility for the various crises, but suffer most from their impacts. Apart from speedy action to reverse the crises, the world needs a reform of global policies, transformation towards social justice and ecological sustainability, as well as space for alternative economic and political systems based on political, economic, social and cultural human rights.

The fall of the Iron Curtain helped to free millions of women and men from the oppression of authoritarian governments. Emancipation and liberation from the constraints and deficiencies of the centrally planned economy contributed to improved living standards, but the pendulum of liberalisation swung too far.

A number of countries in the former Soviet bloc, such as Hungary, Latvia and Ukraine, are now confronted with state bankruptcy because their growth model, mainly based on borrowing in foreign currencies, has proved to be unsustainable. Others, which followed a different path, maintaining to some extent basic public services and retaining some political control over their economies, are showing more resilience. They are, however, all hit by the spillover of the financial crisis to the real economy. The fruits of the labour of millions of women and men risk being negated by the crisis.

Even before the crisis, the cost of global economic and financial liberalisation was already too high. While some enjoyed increased political and economic freedom, market fundamentalism and the

dominance of finance over the real economy led to unjust inequality and prevented people from exercising democratic control over the basics of their lives: land, water, forests, food, energy sources and money.

The drive for economic growth often ignored environmental costs such as climate change, water scarcity, soil erosion, and loss of species. Financial markets without rules made the crucial price of oil extremely volatile, speculated on food and land, and built up enormous debts, collective risks and global imbalances. Unfair (re)distribution of resources deepened poverty, spread hunger and polarized societies. Without effective public control, vulnerability and inequality have been on the rise. The current economic model, in addition to discarding vital common interests, has proved to be damagingly unstable.

Economic policies in some countries have prevented the worst impacts of global policies, while some governments have made things even worse. There is much that needs to be done, including by civil society, to improve sustainability, equality, resilience and democratic accountability at the national level. The core problems of various crises today, however, are clearly of a global nature and call for immediate international steps towards systemic change.

Such global transformation will be a complex and costly endeavour – it cannot happen overnight. Long, hard struggles by progressive movements have brought the world to a point where a change of paradigm and reform of key institutions appear closer than ever. Business as usual cannot be the answer. The time is right for bold reforms. The global economy must be transformed as well as stimulated.

We call on global leaders and the economic and finance ministers to:

- reassert effective **market regulation** in favour of the poor, the planet and public interests, including control of risk, establishment of an international currency regime, and improved transparency and governance of all markets
- **put economies** (economic production, growth, trade and finance) at the service of social, environmental and other vital interests of women, men, girls and boys, in particular to start greening our economies and to increase local economic resilience
- break the **dominance of finance** over the real economy and eliminate the current potential of the financial sector and particular financial firms to blackmail governments
- ensure that the resolution of the financial and economic crises does not sidetrack attention from crucial **climate negotiations**. We need a new ambitious and equitable climate treaty agreed in Copenhagen, including deep emission cuts and new and additional funding for climate adaptation and mitigation in developing countries. Rich countries must reduce their energy consumption. All countries need to increase energy efficiency and invest in renewable energy
- **rethink external finance for development**, in particular to help stimulate domestic financing, resource mobilisation and strong local and regional economies in poor countries. This is vital for ensuring sustainable development, ending aid dependency and preventing future macro-economic shocks. The Millennium Development Goals must be achieved and Official Development Assistance commitments must be respected
- fairly share **resource consumption** at the global level, to reverse the flow of resources from South to North, from labour to capital and from public to private pockets, and to stop illicit capital flight. This would also allow the balancing of the per capita ecological footprint and the reduction of CO₂ emissions and land, water and natural resource use globally
- ensure **tax justice**, including environmental taxes and by the rebalancing of capital, corporate and personal income taxes through progressive taxation, i.e. every individual and every company has to pay taxes according to their economic strength

- establish **international taxation**, in particular on currency transactions and CO₂ emissions. The revenues from international taxes must be used to finance global public goods, such as environment and sustainable development
- make all **international and regional financial institutions** more transparent, representative and accountable. The International Monetary Fund (IMF), the World Bank and the World Trade Organisation (WTO) must be put under the auspices of a reformed UN and transformed substantially. They need a change in paradigm. This includes ensuring that economic policy is geared towards the greater benefit of women and men, girls and boys, enhancing the disclosure of information, substantially increasing the representation and influence of poorer and smaller developing countries – not just big emerging markets – and strengthening democratic multilateral cooperation; monitoring of these institutions' financing must be immediately and significantly increased and improved in the light of their past failures and the pressure to fast-track new funds
- support **developing countries** in realising their **national development goals and stop pressurising them** to open their economies to trans-national corporations through instruments such as the GATS (General Agreement on Trade in Services) agreement on Financial Services, Economic Partnership Agreements, other Free Trade Agreements and Bilateral Investment Treaties, which have to be replaced by sustainable development policies
- ensure that any **rescue packages** promote equitable green economy.

To the European Union, we say in addition:

The EU needs a re-orientation of its economic paradigm. The **Lisbon strategy** is excessively inspired by failed neo-liberal thinking. The further process of integration must be centred around the concept of a **Social Europe**. Social development and environmental sustainability should be harmonised to the highest standards and made legally binding, including in associated institutions such as the European Investment Bank and the European Bank for Reconstruction and Development. Strict regulation and supervision of the entire finance sector are needed. The mandate of the European Central Bank has to be enlarged to include sustainable growth and employment. All practices of tax dumping and regulatory arbitrage have to be stopped.

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