

Notes on Towards Reforming the International Financial and Monetary Systems in the Context of Global Public Authority

The following notes outline some key points in the 2011 document from the Pontifical Council for Justice and Peace, *Towards Reforming the International Financial and Monetary Systems in the Context of Global Public Authority*.

- The themes, principles and proposals contained in this Vatican document are based upon Catholic social teaching set forth by Pope John XXIII, Pope Paul VI, and Pope John Paul II as well as, in our present day, by Pope Benedict XVI. In the words of the U.S. bishops, the economy exists to serve the human person, not the other way around. .
- Pope Benedict XVI taught, in his encyclical *Caritas in Veritate*, that to function correctly, the global economy needs ethics, and these moral dimensions of economic life need to be people-centered. In *Caritas in Veritate*, Benedict XVI pointed out that not only economic structures failed but trust had been broken.
- To reform the global economy so that it will be more just, stable and equitable, the Pontifical Council for Justice and Peace uses the teaching of Pope Benedict XVI to call for a new framework and structures of international solidarity and global financial regulation.
- The Pontifical Council for Justice and Peace argues that the primacy of the spiritual and the ethical needs to be restored, even in economic life. Such an approach will encourage markets and financial institutions that are at the service of the person and capable of responding to the needs of the most vulnerable and the common good.
- To achieve these goals, the Church has long held the view that greater international cooperation would be necessary. As far back as Pope John XXIII, in his 1963 encyclical *Pacem in Terris*, the Church observed that the world was heading towards ever greater unification or globalization. The development of a global economy demands the creation of a global system of oversight for the universal common good of humanity.
- The Pontifical Council for Justice and Peace called for greater international solidarity expressed through more effective global institutions (perhaps a reformed United Nations) that can act to protect the weak and promote the common good against narrow and powerful forces in economic life which undermine them.
- Consistent with the spirit of subsidiarity, which is a central principle of Catholic teaching, global standards would be implemented and supplemented by the norms and experience of individual national and local governments and agencies and shaped by the realities of economic and political life.

- In one specific area, the Pontifical Council calls for the establishment of monetary regulation that could be used to protect the operation of global financial institutions, through increased coordination by the central banks of the world. The specific means the Council proposes (a central world bank) is a prudential application of the Church's teaching upon which people of good will may disagree.
- The Council suggests that a new system of regulation is needed for more effective management of the world's banking system, more efficient provision of credit, the sound capitalization of banks, and taxation of financial transactions that will provide funding to support countries adversely affected by global financial crises.
- In the words of Pope John Paul II, the Catholic tradition calls for a "society of work, enterprise and participation" which "is not directed against the market, but demands that the market be appropriately controlled by the forces of society and by the state to assure that the basic needs of the whole society are satisfied."
- The goal of all these reforms is predicated on the need to develop a true spirit of cooperation among the peoples of the earth: one that rises above divisions and conflicts, and that will allow humanity to be authentically one family.
- The central message of the Vatican reflection is not in its specific proposals, but its foundational theme that economic life needs to operate within a moral framework, that "economics needs ethics." Its basic criteria is that the measure of all economic institutions is how they protect the poor and vulnerable and serve the common good.