The Expert Council on Economy and Ethics under The Patriarch of Moscow and all Russia. Statement on the Global Financial and Economic Crisis

The present economic crisis is not only a global but also a systemic in nature. It is a crisis of values, a crisis of worldviews. History has unequivocally confirmed that ways of settling political, economic and humanitarian problems facing humanity today should be sought not only in the area of re-distribution of wealth or improvement of managerial technologies but also in the spiritual area.

The prime cause of the crisis lies in the degradation of moral motivation in economic activity, in the loss of an ultimate goal in economy, which is to build a harmonious society with justice in which the individual can realize his or her professional and spiritual potential whatever his or her social status and political views may be.

Millions of people in our world however drag out a miserable existence, suffering from hunger, social discrimination and the degraded environment. It is caused to a great extent by the fact that in the dominating political and economic culture the value of both the individual and society is leveled by the greedy pursuit of material welfare, comfort and entertainment. Among the obvious consequences of such economic attitudes are discriminatory social policy, inability of international financial organizations to regulate global economic relations, growing unemployment, emergence of armed conflicts, terrorism, antisocial behaviour of the business community, alcoholism, drug addiction, and social apathy.

The global financial system based on speculative capital has proved incapable of controlling the colossal turnover of money supply unsupported by real commodities and services. Financial speculations have made a destructive impact on all the spheres of economic activity, diverting resources from long-term investments into production and social welfare. The dominance of the American dollar in the international financial system has ensured an unsupported and unlimited credit for the USA at the expense of the rest of the countries in the world, enabling it to control the most part of the world market, thus undermining the fundamental principles of equal competitive opportunities for all participants in the world economic system.

In this connection, the declared policy of giving the rouble the status of regional reserve currency and turning Russia into an independent center of financial policy certainly deserves support as a major means of preserving national sovereignty.

The crisis insistently dictates the need to formulate a positive alternative to the global economic inequality believed by many to be generated by the present state of the system of material wealth distribution. Economic activity is an instrument and just as any other instrument it should benefit a whole society but not determine its values and ideals. The weakness of the prevailing economic paradigm lies in its alienation from the needs and aspirations of the ordinary people, their desires and values. The economic model based on the primacy of banking capital over real economy inevitably leads to injustice in distributing the fruits of human labour, namely, commodities, services, intellectual achievements. This policy naturally results in monopolization of economic management levers in the hands of a caste of 'the elected' who do not consider it necessary to concern themselves with a fair assessment of the labour contributed by the rest of society.

This is not meant of course to deny the importance that financial instruments have in modern economy or to condemn the banking system in principle. We believe it important however to underline that the financial system is still a derivative of real economy and should serve the interests of its development. Morally unacceptable are the actions of financers which entail banks' deviations from their principal task to accumulate and redistribute monies for a more effective development of the real production of goods and services. The present situation in which financial structures dictate their will to real economy is unacceptable. It is necessary to restore a direct link between the financing of markets and the development of society. In doing so, the methods of direct public control over finances to make them transparent for society should be combined with developing new forms of financial cooperation open to the influence of most of the people. No less relevant is the need to create new socially-responsible forms of international cooperation in the financial area.

It is not accidental that many traditional religions have a cautious and sometimes even negative attitude to the collection of bank interest. Usury has always been regarded as a morally unsafe activity. Finance and credit activity becomes morally dubious if in its unscrupulous pursuit of profit it deviates from its original calling which is to make people's life better and economy more effective. Therefore in our time the profession of financier requires not only serious public control but also strong ethical self-control. Without calling to reject the use of resources offered by modern financial instruments and far less to return to natural forms of economy, we believe it necessary to take a sober view of all the strengths and weaknesses of the existing world financial model.

It is important to bring the economic system as near as possible to the needs of ordinary people, creating opportunities for their active and creative involvement in economic activity. The model of economic growth which still prevails in some countries does not presuppose the investment of considerable resources in the modernization of production and in human 'capital'. Its existence is only possible in a situation of external investment inflow, overpriced products and monopolized market. At the same time, the number of people who can really influence economic processes and produce profit is very limited – the fact that makes a negative impact on a national economy, whereas to be truly effective in its

growth an economy should involve most of the able-bodied population in the production of goods and services. A serious damage is inflicted by the mass consciousness dominated by consumerism as well as attempts to justify the parasitic use of others' work.

Especially relevant in the present situation are concerns of social responsibility, public control over organizations and sustainable development. Organizations, both commercial and governmental, should adopt as their most important rule the observance of commonly accepted norms, traditions and standards both fixed legally and established as moral norms. It is also necessary to give more attention to developing a practice of environmental and social management, increasing the transparency of business and organizing continued dialogue of the business community and state with the public. To this effect, the practice of presenting corporate social reports made according to the Global Reporting Initiative standards should be encouraged as much as possible. Through the instrument of social reporting, organizations can make an essential contribution to the efforts to reduce tension and misunderstanding between society and the business community and to raise the global practice of social responsibility to a qualitatively new level.

To come out of the crisis situation it is necessary, among other things, to adopt a whole package of measures aimed to create a moral atmosphere in business relations and to make a conscious choice in favour of investments into socially responsible enterprises. Experience has shown that such investments will invariably produce profit comparable with or even greater than ordinary investments. In using the instruments of taxing and crediting it is important to develop the institution of small and middle business, making it possible for an ordinary person to start his or her own business. There is a need to promote micro-crediting instruments on governmental and public levels and to support the work of agricultural enterprises, especially small ones, thus ensuring the maximum employment of the able-bodied population. Contrariwise, a mass reduction of jobs referred to the crisis without any attempt by an employer to modernize the production, to create new jobs or to take the initiative in search for opportunities for creating new jobs is morally unacceptable and socially irresponsible.

The need has also arisen to democratize the decision-making mechanism within international financial organizations while strictly observing the commonly accepted principles of international law including the principle of equality of sovereign states. It is only if the conception of economic growth is harmoniously combined with principles of social justice that it is possible to lay foundations for a sustainable development of the world economy. A new strategy of global economic development should be based on the common principles of international law including the provisions of the International Convention of Economic, Social and Cultural Rights. The problem of combating poverty becomes in this context not only economic but also political since abject poverty is always accompanied with actual restriction of human rights. Therefore, a new strategy of world economic development should be certainly combined with enhancing the influence of all sectors of the population upon decision-making and the moral responsibility of international organizations, national governments and business communities for their economic policy. At the same time, it is necessary to be resolute in putting barriers on the way of shadow machinations of the

transnational capital, using every economic and non-economic measure at the disposal of the state.

Clearly, the new era requires new methods of economic governance combining effective state regulations with encouragement of private enterprise and development of human potential. Without a solid value basis however, any transformation of the existing socio-economic model cannot be productive. A feasible new model of global development should be based on the principles of justice, efficiency and social solidarity. A people seeking to embody these principles in their economic work will undoubtedly posses competitive advantages in a situation of crisis. In this situation Russia with her age-long culture based on such values as conciliarity, self-restriction, moderation, selflessness and patriotism can and must set an example of well-considered and responsible policy of modernization of her economy and social system supported by the traditional ideals of her people.

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