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Alternatives to the Casino?

A synopsis of intergovernmental, private sector and civil society proposals to reform the international financial system

by
Matthias Schmelzer

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The views expressed in the paper are those of the author.

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WEED - Weltwirtschaft, Ökologie & Entwicklung
Eldenaer Straße 60
D-10247 Berlin
Phone: +49-30-27582163
Fax: +49-30-27596928
www.weed-online.org

CONTENT

1. Introduction

The financial and economic crisis that is sweeping the entire planet has initiated a broad debate on reforming international financial markets – nothing less than a new global financial architecture is being discussed in a whole variety of arenas, involving powerful existing and newly emerging international actors. This paper presents in the form of a synopsis some of the most important views in a systematic way.

This is, of course, a snapshot of the situation in early April 2009 – a snapshot in a highly dynamic process both in terms of the actual crisis itself as in terms of the positions and discourses in the ongoing reform debate. What only very recently seemed unthinkable has already become real policy as the example of the nationalization of many banks or even the expropriation of shareholders as in the case of the German Bank *Hypo Real Estate*. Taking stock of reform proposals in such a dynamic process is necessarily limited, selective and has to proceed through examples.

First of all, the analysis concentrates on the *international level*, leaving aside national reform initiatives and agendas.

Secondly, the documents analyzed come from three main areas of the international political arena: *international organizations, civil society and the private financial sector.* The synopsis will look into the reform proposals of the following institutions: the G20, the Financial Stability Forum (FSF), the International Monetary Fund (IMF) and the United Nations (UN). On civil society level, the synopsis will discuss the reform agendas of: Attac, the Beijing Declaration, BankTrack, New Economics Foundation (NEF), Friends of the Earth Europe (FoEE), Global Unions and actors at the World Social Forum (WSF). And finally, the private financial sectors' take on financial market reform will be discussed shortly by analysing a statement of the International Institute of Finance (IIF), the global association and lobby organisation of financial institutions.

Thirdly, the synopsis is limited to *financial market reforms,* leaving aside related issues such as stimulus programmes, banking bailouts and emergency packages, and, most importantly, the issues of poverty and climate change, which are aggravated by the financial crisis.

Chapter 2 gives a synopsis that proceeds through a detailed systematic analysis of statements on financial market reforms, which are classified and systematized in terms of dimensions and categories laid out in table 1. This synopsis is followed by more detailed analysis of specific reform proposals of civil society groups (chapter 3) and the private sector (chapter 4).

Shifting global governance structures

The real influence of international organizations and fora in the global governance structure is currently negotiated anew – who will play what role and have influence to what extend on what level will depend on the relations of economic, political and discursive power the different institutions and countries have.[1] Many international actors have become involved in the debates on reforming the international financial system – reports by the most important of these will be discussed in this chapter. Since all civil society reform proposals and the private sector contributions of the IIF will be analyzed in detail in the following chapters, only the intergovernmental reports that form a central part of this synopsis will be shortly introduced here.

G20

One of the most decisive international actors, whose power has been greatly extended by the ongoing crisis, is the G20. In contrast to existing formal organizations such as the IMF and the United Nations, the G20 is one of those informal governance bodies like the G7 and G8 that neither have a clearly defined structure, nor a mandate or a legally binding status in international relations. After the crisis had reached a critical level following the collapse of the investment bank Lehman brothers, the G20 held a special meeting at heads of state level, which had raised high expectations as providing the foundation for a new international financial architecture: the *G-20 Leaders Summit on Financial Markets and the World Economy*, which took place on November 15, 2008 in Washington, D.C.

Although publicly celebrated as a major success, the concrete achievements of the summit were vague. The final "Washington Declaration" is a deeply contradictory statement that testifies to the cleavages internal to the global power elite. While on the one hand very much impacted by the spirit and politics of the outgoing Bush administration – neoliberal free-market ideology playing a crucial role in the text – the G20 initiative also contains important improvements on regulating financial markets.

The second important G20 summit, which took place in London on April 1 and 2, 2009, was similarly celebrated as a major step towards resolving the world economic and financial crisis. Although rich in large number, pledging additional ressources of USD 1.1 trillion, the actual results were less impressive. Not only were the numbers mostly summing up what had already been promised, but also in terms of financial market reforms the negotiations achieved little.

IMF

The IMF is a well-established formal international organization with a set structure, mandate and legal power. Founded in 1944 at the Bretton Woods conference, it has played since a leading role in overseeing the international financial system and the macroeconomic policies of its member countries. Through its institutionalized and formalized structure, the IMF has – contrary to informal fora like the G20 and the FSF – direct power, influence and somewhat autonomous scope for action. Although having almost universal membership, the IMF has been vociferously criticized both for its undemocratic and biased decision making procedures (rich countries having all the voting power) and for its neoliberal policies.[2]

The IMFs opinion on reforming the global financial system is best and most comprehensively captured in its October 2008 „Global Financial Stability Report" (GFSR). Entitled "Financial Stress and Deleveraging: Macrofinancial Implications and Policy", the whole analysis is embedded in a framework of interpreting the financial crisis as an accelerated and disorderly process of deleveraging - the IMF thus focuses on the collective failure to appreciate the risks associated with the massive extent of "leverage taken on by a wide range of institutions – banks, monoline insurers, government-sponsored entities, hedge funds", and accordingly neglects other important factors. Additionally, at the end of January 2009 the IMF published a short update to its October 2008 Global Financial Stability

Report. Although reiterating many arguments, this update gives – due to the further unfolding of the crisis – a more dramatic account of the crisis tendencies in the global capitalist economy and promotes somewhat more radical measures to counter these.[3] In general, the IMF is probably the international organization that most adequately interprets the magnitude of the crisis and whose understanding of the processes, prospects and necessary reforms better reflect reality than those of the G20, the FSF and many national governments.[4]

FSF

Another important actor in the debates on reform of the international financial archi-tecture is the Financial Stability Forum (FSF), which was founded in 1999 by the G7 and consists of national financial authorities like finance ministers and central bank-ers from major industrial countries and members from international financial organizations such as the BIS, World Bank, IMF, ECB, OECD and others. The FSF, similar to the G20, is an informal forum without any legally formalized structure, mandate or legal basis in international relations, a forum that is exclusively from the rich G7 countries and has formally only consultative power. But it is well integrated into the financial system of industrialized countries and should be seen as a powerful inter-pretative and analytical authority. In late 2007 the FSF had been instructed by the G7 finance ministers to report on the causes of the crisis and propose reforms that should also deal with such controversial issues as off-balance sheet vehicles, credit rating agencies and financial derivatives. The corresponding report "Enhancing Market and Institutional Resilience", which the FSF released in April 2008, and a follow-up report published six months later, can be seen as the principle sources of the G20s Washington Declaration and thus warrant a close reading.

UN

In the context of the current reform processes the UN has been trying to defend and strengthen its own position in the global governance structure. In October 2008 the UN President of the General Assembly called in a high-level interactive panel on the "Global Financial Crisis", chaired by Nobel Prize Laureate Joseph Stiglitz and composed of leading economic specialists from developed and developing countries, whose mandate is to "*reflect on the causes of the crisis, assess its impacts on all countries and suggest adequate responses to avoid its recurrence and restore global economic stability.*"[5]

But the UN was not to have a key role in financial market reforms – in November the G20 discussed the issue and the absence of all rich countries' heads of state and the leaders of IMF and World Bank at the UN Financing for Development Conference in December 2008 in Doha clearly testified to the G20s interest in bypassing and thus making irrelevant the UN's efforts. The Doha conference accordingly focused mostly on issues not directly related to financial market reforms – the related proposals in the final document, the Doha Declaration, do not differ much from statements by the IMF or the G20.[6] In this context the most notable aspects of the Doha Declaration is its call on UN Member States to hold a UN Conference at the highest level to discuss the impacts of the global financial crisis on development, which will take place 1 to 3 June.[7]

Table 1: Analytical Grid for Financial Market Reform

1. **Regulating banks and other financial institutions**
    - 1.1. Reserve requirements
    - 1.2. Transparency
    - 1.3. Regulation and supervision
    - 1.4. Competition and cartels
    - 1.5. Investment banking
    - 1.6. Accounting
    - 1.7. Local, public and cooperative banks
2. **Non-bank financial institutions**
    - 2.1. Hedge funds and other HLI
    - 2.2. Private equity funds
3. **Business Models**
    - 3.1. Short selling
    - 3.2. Securities
    - 3.3. Off-balance sheet transactions
    - 3.4. Over-the-counter (OTC)
    - 3.5. Commodity trading
    - 3.6. Derivatives
    - 3.7. Leverage
4. **Regulatory institutions**
    - 4.1. Rating agencies
    - 4.2. Central Banks
    - 4.3. International regulatory institutions
5. **Regulatory instruments**
    - 5.1. Financial Transactions Tax (FTT)
    - 5.2. Capital Controls
    - 5.3. Offshore Financial Centres (OFCs)
    - 5.4. Counter-cyclicality
    - 5.5. Financial lobbyists
    - 5.6. Compensation and liability of management
6. **International financial governance**
    - 6.1. IMF
    - 6.2. G20
    - 6.3. UNO
    - 6.4. FSF and others
7. **Short-term crisis management**
    - 7.1. Bailing out financial institutions
    - 7.2. Economic recovery programmes

2. Synopsis

This chapter gives a systematic overview of specific financial markets reforms proposed by all the different reports of these intergovernmental organizations as well as of the civil society groups and the IIF. Along the lines set out in the analytic grid in table 1, this synopsis comprehensively analyzes, what the different institutions have said on different reform measures, instruments, and institutions. Implicitly, it also analyzes, if these documents have said anything on the specific issue: If an international organization or civil society group is not mentioned in a particular section, this is because it did not discuss this particular topic. This synopsis is necessarily very cursory and brief – some of the specific proposals and arguments will, however, be discussed in more detail in the following chapters.

2. 1. Regulating Banks and other Financial Institutions

2. 1. 1. Reserve Requirements

It is generally agreed, that reserve requirements should be strengthened. The main problems discussed are lack of or too little capital requirements, bank's self-regulatory risk assessments of the Basle II regime and the pro-cyclicality of existing capital requirement legislations. The main cleavages lie in scale – raising capital requirements for which products, how much and by what mechanisms.

1. G20 as well as FSF call for raising capital requirements only for certain products – according to the G20 Washington Declaration for structured credit and securitization activities, according to FSF for structured credit and off-balance sheet vehicles. The G20 London summit only unconcretely demanded, „*regulation must prevent excessive leverage*“, and called for the implementation of capital buffers, which should be included in the Basle II capital adequacy regime by the Basle Committee on Banking Supervision.
2. The IMF demands generally raising capital requirements to implement a durble deleveraging and calls for forward looking capital buffers – a mechanism to counter the procyclicality of the Basle II capital requirements regime.
3. NGOs, if they comment on capital requirements, agree with the IMF that they should generally be raised (Beijing, NEF, Unions and WSF don't address this issue). Attac calls for upgrading and creating a Basle III, BankTrack and FoEE call for the inclusion of environmental and social issues into the risk assessment process in the Basle Capital Accord's capital ratios, and the global unions demand proper counter-cyclical asset requirements. In general, the most decisive effects of changing the rules for capital requirements would certainly be to broaden the scope of the capital requirements regime to all financial institutions, including hedge funds and other HLIs – a proposal shared by most civil society groups (although sometimes only implicitly).

2. 1. 2. Transparency

Probably the greatest consensus on the causes of and possible remedies for the crisis is the lack and respectively the strengthening of transparency. Transparency is so widely shared as a demand not only because it does not conflict with neoliberal orthodoxy – according to which lack of transparency causes malfunctioning of markets –, but also because it is extremely unspecific and related reforms are hard to nail down. Important questions are, however, the following:

1. Transparency for what products and markets? While the G20 calls for increasing transparency only for complex financial instruments, risks and all losses, most NGOs call for full transparency (Beijing, BankTrack, FoEE). In particular, FoEE and NEF propose full transparency of banks' risk assessment processes, decision-making procedures, clients, and transactions and FoEE furthermore proposes to require the disclosure of a fund's ethical investment policies, proxy voting policies and practices, and even portfolio holdings.
2. Transparency proposed and implemented by whom? While IMF and FSF call for the implementation of the improved FSF disclosure guidelines, G20 and the IIF call on the private sector to put forth proposals for increasing transparency. NGOs have not addressed this point, but the contexts make it unambiguous, that democratically controlled regulators should set guidelines for transparency rules (FoEE).
3. Transparency towards whom? This question is in statements by official organizations mostly left open, although the contexts reveal that transparency should mainly be increased for other market participants rather than for supervisors, let alone the general public. In stark contrast, the Beijing Declaration demands opening of the books to the public, to be facilitated by citizens and worker organisations.

2. 1. 3. Regulation and supervision

Regulation and supervision are at the heart of most reform proposals and their specifics are very important. The most crucial cleavages are:

1. What should be regulated and supervised? While only recently it was generally regarded as self-evident, that financial markets work perfectly without regulation, the crisis has drastically changed this situation – even the G20 Washington summit had to admit that all financial markets, products and institutions need to be regulated (or supervised) in order to prevent financial chaos and pledged to do so. This pledge – going beyond the statements by IMF, FSF and even the UN Doha Declaration – is, however, not going to be fulfilled. Already the G20 London summit restricted its scope by promising to extend regulation and oversight only "*systemically important financial institutions, instruments and markets.*" While FSF and the UN Doha Declaration only called vaguely for "strengthening" regulation and supervision, the European G20 propose regulating or supervising the entire financial sector, explicitly including hedge funds. All NGOs have called for regulating and supervising the entire financial industry. This apparent near

consensus, however, covers crucial disagreements in the details.

2. Regulate according to which aim? While official organizations leave this point entirely open (implying that the only purpose of regulation is stability and the prevention of future crisis), many NGOs propose to include social and ecological criteria into regulation. Attac proposes to use regulation to direct all financial means and services to sustainable activities and poverty eradication; the Beijing Declaration proposes to apply social (including conditions of labour) and environmental criteria to all lending; and BankTrack and FoEE recommend requiring banks to seek a social licence, include sustainability-oriented standards in banking supervision.[8]
3. Regulate by which mechanism? Besides those points discussed throughout this essay (which also official organizations have discussed, see below), some NGOs propose further specific mechanisms: Attac proposes that all new financial products need to be tested by supervisors; BankTrack and FoEE propose Green Know Your Customer Guidelines that prohibit lending to corporations that do not comply with social and environmental law; and FoEE recommends that stock exchanges and securities regulators should require corporate compliance with environmental and social standards as a condition of listing on public exchanges.
4. Who should regulate and supervise? Again left open by official organizations (implying that established national regulatory and supervisory institutions bear this responsibility), some NGOs have proposed more fundamental changes: Attac recommends that the European Parliament becomes the prime regulator in the European Union and that EU regulation should set the criteria for financial activities within the EU; and the Beijing Declaration and WSF call for the introduction of parliamentary and citizens' oversight of the existing banking system (leaving open, how this is to be done concretely).

2. 1. 4. Competition and Cartels

The financial industry is heavily concentrated and few financial institutions, banks and institutional investors control most of the financial sector. This has increased the instability of the financial system, both because large institutions can significantly influence the movements of prices and thus are able to manipulate and disturb market mechanisms and, more importantly, because some financial institutions are systemically important: if systemically important large banks or funds go bankrupt, they threaten to destroy entire sectors of the financial industry (as vividly demonstrated after the collapse of Lehman Brothers).

While official organizations entirely neglect changing this situation in which the destiny of individual financial institutions literally threatens entire economies and thus millions of people, Attac and NEF both propose to decentralize the financial industry: Attac proposes the prohibition of financial industry conglomerates which are too big to fail, or too interconnected to fail, and too complex to manage all potential risks; and NEF calls for demerging those banks that are too big to fail. Furthermore, Attac recommends a mechanism to achieve this decentralization: the bigger the financial conglomerate, the lesser speculative products it can sell or trade in.

2. 1. 5. Investment Banking

Not addressed specifically by official organizations, Attac, NEF and FoEE call for separating investment banking from other financial activities like retail and merchant banking.[9] Furthermore, Attac demands to drastically shrink the investment-banking sector, to fully regulate and supervise the rest and to create criteria that ensure that all investment banking promotes the sustainable development of societies.[10]

2. 1. 6. Accounting

Regarding the issue of accounting standards, the most important questions are, who is to set these standards and what information these standards require financial corporations to disclose in their accounting.

G20, FSF and the UN Doha Declaration agree on the need to improve international accounting standards. While the UN Declaration is silent on details and the FSF only vaguely calls on international accounting standard setters to enhance their standards, the G20 calls for close cooperation between the private sector and the established standard setters to ensure consistent application and enforcement of high-quality accounting standards and, in the long-term, to create a single high-quality global accounting standard.

While G20, FSF and IMF agree on tasking the established private sector bodies IASB and FASB with setting the standards (the governance of which the G20 vaguely promises to enhance in the long run), the UN Doha Declaration recommends addressing the representation of developing countries in these institutions. Unfortunately, the governance question regarding accounting standards is not even addressed by most NGOs or unions. Only Attac has called for accountant rule setting "to become again a(n inter)governmental matter". Furthermore, NEF criticizes the private accountancy firms involvement in the crisis and proposes to hold accountancy firms accountable and to ultimately make them not-for-profits.

On the substance of what enhancing accounting standards means, however, official organizations are silent. NEF proposes to require corporations to report on a country-by-country basis in order to prevent or eliminate transfer mispricing and FoEE recommends disclosure laws and accounting standards for securities should require reporting of material environmental, social and other corporate responsibility data.

2. 1. 7. Local, Public and Cooperative Banking

While entirely neglected by all official institutions, most NGOs (all but BankTrack, FoEE and WSF) promote the strengthening of existing public and not-for-profit banks and the creation of new ones, although with varying emphasis. NEF focuses most intensely on strengthening this sector, especially highlighting the need to support local, accessible banking services and economies (for details see above). Attac additionally proposes to exempt public and cooperative banks from EU competition laws; and the global unions focus particularly on cooperative and mutual banks and targeted microfinance schemes.[11]

2. 2. Non-bank financial institutions

2. 2. 1. Hedge funds and other highly leveraged institutions (HLI)

Hedge funds and other institutional investors have been fiercely critiqued as one of the main drivers of the destabilizing processes leading to the financial crisis, since their speculative and highly leveraged activities considerably contributed to the price peaks and the instability of the entire financial system. However, in the official statements on the crisis, hedge funds are only mentioned in passing. The policy responses regarding hedge funds can be ranked on a scale between the two extremes of leaving HLIs unregulated to simply prohibiting hedge funds.

While absent in the FSFs and UNs statements and only discussed in the IMFs causal analysis, not in its policy reform proposals, the G20 Washington Declaration proposed to harmonize private sector best practices for hedge funds. Going somewhat further, the European G20 preparatory meeting called for regulating (or supervising) the entire financial sector, explicitly including hedge funds. Somewhat less demanding the G20 London summit states that only *systemically important* institutions should be regulated and subject to oversight, but explicitly promised that *"this will include, for the first time, systemically important hedge funds*".

BankTrack, FoEE and the global unions demand that hedge funds be regulated, BankTrack and FoEE furthermore call for the introduction of significant new transparency, reporting, and financial requirements for hedge funds. Only Attac and the WSF groups have called for prohibiting hedge funds, since, so the argument, there is "no benefit for the economy stemming from these operations" (Attac). Furthermore, Attac proposes that all funds must publish their investment strategies and management fees and that the all profits of funds must be taxed more than labour income.

2. 2. 2. Private Equity Funds

Even more so than hedge funds, private equity funds – in Germany famously labelled „locusts" by the social democrat's chair Franz Müntefering – are not discussed in official institutions' statements. The NGO response is similar to the one towards hedge funds: BankTrack, FoEE and the global unions call for strict regulation, while Attac demands that this „*untransparent business model has to be stopped*" since it serves „*as a conveyor belt of shareholder capitalism to real economy*".

2. 3. Business Models

2. 3. 1. Short Selling

Short selling is a practice by which the investor, often hedge funds, sells a financial instrument that he does not own at the time of the sale. The aim is to profit from an expected decline in the price of a financial instrument, which the seller intents to purchase at a later point in time, when the financial instrument has a lower price. Since the effects of short selling are highly destabilizing and have often accelerated the price fall of certain assets, they were banned in many countries following the collapse of the US investment bank Lehman Brothers in the autumn of 2008. These bans, however, have since been lifted in most countries.

Restricting short selling is not discussed as a policy option by the official institutions (although the IMF seems somewhat sceptical in this regard[12]), as well as by most NGOs and the global unions. Only Attac and the Beijing Declaration discuss this issue and demand entirely banning short selling.

2. 3. 2. Securities

Since securitized credit in the US-subprime market had triggered the current financial crisis and securitization is thus at the centre of international discourses about the crisis, it should be of no surprise that pertinent reform proposals are extremely controversial.

While the IIF demands, that „securitization has been and should remain a highly useful capital management tool" which is generally „beneficial" for the financial sector[13], even official international organizations like the G20 and the FSF call for improving the regulation and accounting of securities and demand that capital requirements for highly risky securities be raised.

Unfortunately, many civil society groups have not discussed this extremely important topic in their reform agendas – those that have done so, however, propose strictly regulating securitization activities (global unions) or demanding their disclosure of material environmental, social and other corporate responsibility data (FoEE). Attac proposes to restrict securitization to institutions under the strict control of governments and to entirely prohibit risky securities such as CDOs.

2. 3. 3. Off-balance Sheet Vehicles

One way of circumventing existing regulation are off-balance sheet vehicles (OBS). This form of financing allows firms to keep large capital expenditures off of a company's balance sheet through various classification methods (thus for example decreasing the leverage ratios and circumventing Basle II capital requirement restrictions). Off-balance sheet vehicles often involve futures, forwards, other derivatives or joint ventures as well as holding these assets in so called Special Purpose Vehicles (SPVs) or Special Purpose Entities (SPEs). They have been deeply involved in the financial crisis and are therefore at the centre of many critical analyses.

IMF and UN do not discuss off-balance sheet vehicles. The proposals by G20 and FSF on dealing with off-balance sheet vehicles reveal their understanding of the destabilizing effects of not enforcing reporting and thus not being able to supervise all financial activities, while at the same time trying to not ban the practise of off-balance sheet transactions. G20 and FSF call on private accounting standard setters to address weaknesses in accounting and disclosure standards for off-balance sheet vehicles and propose that these be included in the financial statements of banks and financial institutions. The FSF furthermore proposes to strengthen capital treatment for off-balance sheet transfers.

While all NGO statements imply, that all financial activities should be regulated and supervised, only Attac and the global unions explicitly demand the prohibition of all off-balance sheet transactions. NEF supports a ban of OBS for 'exotic' financial instruments; BankTrack and FoEE propose prohibiting SPVs and Structured Investment Vehicles (SIVs).

2. 3. 4. Over-the-Counter (OTC)

Another way to circumvent supervision is to trade not on regulated stock exchanges or future exchanges, but directly between two parties, „over-the-counter". Often, extremely risky financial products, especially derivatives, have been traded OTC.

The reform proposals of the official international institutions concerning this obscure business model are only slightly critical and first of all try to preserve the status quo. IMF and FSF merely recommend that authorities encourage market participants in the private sector to develop better clearing and settlement mechanisms for over-the-counter products. And the G20, which vaguely calls for expanding OTC derivatives market transparency and for speeding efforts to reduce the systemic risks of OTC derivatives transactions, at the same time pledges to ensure that the infrastructure for OTC derivatives can support growing (!) volumes.

In the civil society spectrum, only Attac and the WSF groups demand a ban on OTCs, while BankTrack and FoEE call for derivatives to be only traded in regulated exchanges.

2. 3. 5. Commodity Trading

Speculation on food prices has played a decisive role in the price bubble in food commodity prices in 2007/2008, which, so the United Nations, has pushed some 120 million additional people into poverty.[14] This problem, however, is not addressed in most of the official organizations' statements. The UN Doha Declaration only vaguely recommends acknowledging the „special challenges emerging from volatility in international commodity markets, particularly the volatility of food and energy prices".[15] In contrast, all civil society groups including the global unions have called for banning or drastically curbing speculation in food commodities (NEF being the only exception). Some have expanded this call to radically limit speculation to all energy-related commodities (BankTrack, FoEE, global unions, WSF).

2. 3. 6. Derivatives

Derivatives are financial instruments, whose values are derived from the value of the underlying, which can be assets like equities, residential mortgages, real estate, loans and bonds or indexes like interest rates or exchange rates or pretty much anything else. The main types are forwards, futures, options, and swaps. Although they can theoretically be used to mitigate risks, their use has been heavily speculative and no account of the causes and unfolding of the financial crisis can deal without putting derivatives – and particularly those derivatives traded OTC – centre stage.

Nevertheless, official financial institutions have not put forth proposals to effectively regulate or even supervise these speculative financial instruments. As has been discussed in the section on OTCs, G20, FSF and IMF merely propose lukewarm reforms and the G20 even pledges to ensure that the infrastructure for OTC derivatives can support growing volumes.

In contrast, all civil society organizations demand far reaching reforms of derivatives trade, ranging from regulating derivatives (global unions) to prohibiting trade in derivatives altogether (Beijing). In between, BankTrack and FoEE demand prohibiting what they understand of as „unlegitimate derivatives" and Attac calls for a ban on purely speculative derivatives and on stock options. Furthermore, according to BankTrack, FoEE and Attac, the remaining derivatives should be standardized, authorized and only traded in regulated exchanges. Similarly, NEF demands bringing onto the balance sheet, rigorously checking and officially licensing all 'exotic' financial instruments.

2. 3. 7. Leverage

In addition to all these specific business models characteristic of neoliberal finance capitalism, the most basic and wide-ranging way of increasing profits in the financial industry has been to increase the so called leverage of a financial institution, instrument or product. This means, borrowing money to supplement existing funds (often ten to fifty times the amount of the original funds) for investment with the aim of potentially magnifying and enhancing the profits, but – in the case of a negative outcome – also magnifying the loss. This has been done exponentially before in recent years and due to the highly complex and obscure nature of this leveraging processes it is still not clear, how much further financial institutions will have to delevarage, i.e. reduce borrowings.

While being a part in the causal analysis of the G20s Washington Declaration, excessive leverage is not addressed directly in the G20s reform proposals. This has changed in the six months leading to the London Summit, whose final Communique stresses that „*regulation must prevent excessive leverage*“, however not giving any details on how this could be achieved. The FSF promotes the strengthening of supervisors' existing guidance on the management of exposures to leveraged counterparties. Contrary to this vague statement, the IMFs outlook on the financial crisis focuses excessively on leverage – the crisis is described as disorderly deleveraging and the reform proposals are supposed to lead to an orderly unwinding of leverage. Most interestingly, in its 2009 update to the GFSR, the IMF has argued more generally, that a viable financial system of the future will need to be less leveraged.

Not explicitly mentioned by other civil society, only Attac and BankTrack call for limiting the leverage in the financial system. Attac proposes to put a ceiling on assets under control of financial institutions and BankTrack demands the introduction of stricter leverage ratio requirements for banks and non-bank financial institutions.

2. 4. Regulatory Institutions

2. 4. 1. Credit Rating Agencies

Credit Raging Agencies (CRAs) were one of those institutions heavily criticized for their involvement in the crisis. While not discussed by IMF, UN and most of the civil society groups, the related reform proposals considerably diverge from each other. Both G20 summits and the FSF recommend the implementation of strengthened IOSCO standards for CRAs (G20, FSF and UN Doha), registering the most important CRAs (G20), clearly differentiating ratings for complex structured products from other ratings and addressing investors' over-reliance on CRAs (FSF).

In contrast, some NGOs have been promoting more fundamental changes of the rating process: Attac proposes publicly controlling all rating agencies; obliging CRAs to be financed through a fund to which all the users of the ratings and the issuers of financial products contribute; and making CRAs rate social and environmental risks. Going even further, the global unions have called for establishing public rating agencies, while at the same time addressing the oligopolistic structure of the credit rating agency industry – similar to Attac, they also proposed non-financial sustainability ratings.

2. 4. 2. Central Banks

It is not clear, if official institutions demand a changing role, mandate or structure for central banks. The G20 has only called on supervisors and central banks to develop internationally consistent approaches for "liquidity supervision of, and central bank liquidity operations for, cross-border banks." Somewhat more to the point, the IMF has detailed a variety of areas, in which central bank work should be enhanced, particularly oversight of banks liquidity management, safeguarding the liquidity and functioning of threatened financial sectors, increased co-operation and communication between central banks, and – so the IMF stresses – the additional costs central banks face due to their liquidity operations in the crisis should be paid for by governments, in order to "reinforce its independence".[16] Similarly, the FSF has called on central banks to enhance their operational frameworks and demands that authorities strengthen their cooperation for dealing with stress.

In contrast to these statements, which mainly reinforce the role central banks have been playing so far only adapted to crisis circumstances, civil society groups have demanded both democratic control over central banks and a change in the operations of central banks. Attac specifically demands installing democratic control over the European Central Bank (ECB) via national parliaments and the European Parliament and both the Beijing Declaration and the global unions demand that central banks become publicly accountable institutions. On the work of central banks, Attac proposes that their monetary policy should focus on employment and just distribution, the Beijing Declaration demands overhauling central banks in line with democratically determined social, environmental and expansionary objectives, and the global unions finally propose expanding central banks' mandate to include deterring and detecting speculative financial bubbles. Furthermore, BankTrack recommends that sustainability-oriented standards be incorporated into the extension of central bank-provided credit and insurance.

2. 4. 3. International Regulatory Institutions

The crisis has clearly demonstrated the need for international regulation and thus for international regulatory institutions. This is, however, probably the area in the reform debates, on which official institutions as well as civil society groups have done least work – related proposals are rare and difficult to assess. National regulatory and supervisory institutions evidently still have to take the bulk of responsibility for regulating and supervising the increasingly international financial system. Besides limited regional advances in the European Union, international regulatory institutions are widely regarded as entirely unrealistic for the near future.[17] But the crisis has initiated a variety of efforts to increase international regulatory and supervisory cooperation.

G20, IMF, FSF and UN call for enhancing and strengthening international regulatory cooperation. The G20 and the FSF furthermore have promoted setting up international colleges of supervisors for the largest financial institutions to compensate for the lack of a global supervisor.

Interestingly, although all civil society groups call for a global and democratic control of the financial system, tasking the UN with leading the reform process, most of them are silent on the question of setting up a global regulator or supervisor. Only Attac proposes that the UN be tasked with strictly regulating and re-orienting the financial system towards poverty reduction and specifically emphasises strengthening the regulatory powers of the European Union.

2. 5. Regulatory Instruments

2. 5. 1. Financial Transaction Tax

The introduction of financial transaction taxes both as a tax on every stock, swap, derivative, or other trade on exchanges or – more importantly – as a small tax on all foreign exchange dealings, would be a simple tool to decelerate international capital flows and thereby effectively discourage speculation. No official international institution, not even the UNs Stiglitz commission, has endorsed FTTs.

In contrast, all civil society groups including the global unions collectively demand the introduction of financial transaction taxes. Attac – a network established around the call for the introduction of the so called Tobin tax on currency transactions –, the Beijing Declaration, NEF, FoEE, the global unions and the WSF groups collectively recommend a tax on foreign exchange trade. Some civil society actors also call for taxes on dealings at national stock exchanges (Attac, FoEE, only implicitly NEF and Beijing).[18] Civil society groups only diverge on the question what to do with the proceeds of FTTs. While left open by some groups (Attac, Beijing), others propose using the proceeds to finance the bailout, to address critical social and environmental needs (FoEE), to support financial institutions that bear social objectives, such as pension funds (global unions) or to finance global public goods (WSF).

2. 5. 2. Capital Controls

Somewhat more radical measures than merely slowing down the speed of international financial capital flows by a small Tobin-style tax are direct controls on capital movements. This measure, particularly important for small economies to protect themselves from financial turmoil (as has been demonstrated by the Asian Crisis 1997) is not promoted by international organizations and only demanded by few civil society groups. NEF calls for improving checks and balances by introducing capital control, Attac demands placing limits on unrestricted free trade and free capital mobility worldwide, and the WSF groups (which include Attac and BankTrack) demand the establishment of international permanent and binding mechanisms of control over capital flows.

2. 5. 3. Offshore Financial Centres (OFCs)

The most prominent demand on financial market reforms in the civil society spectrum is the call to close all offshore financial centres and tax havens. On the other hand, official international organizations have been conspicuously silent on OFCs (IMF, FSF, UN). The G20 Washington Declaration only promised lukewarm reforms that deflect from the main issue. In contrast, the European G20 preparation meeting in February 2009 has promised to promote at the G20 summit in London definitive actions against tax havens, including sanctions. The outcome of the London summit was the publication of OECD lists of countries not adhering to the international standards established by the OECD – standards, which are very lax and neglect legal forms of tax evasion.

All civil society groups analyzed in this paper call on states to take effective measures to end the practice of circumventing regulation and tax obligations by funnelling money through OFCs. While some simply call for closing tax havens (Beijing, global unions), others propose specific measures such as prohibiting banks' transactions with entities based in OFCs (Attac, BankTrack, FoEE), closing tax havens through international information exchanges (Attac) or deducting at source all income paid to financial institutions in tax havens (NEF).

2. 5. 4. Counter-cyclicality

One of the issues that increasingly pervades mainstream analyses of the causes of and remedies for the financial crisis is the problem of the pro-cyclicality of some of the rules and practices governing financial markets. Most comprehensively, the G20 Washington summit recommended that global governance institutions propose mechanism to mitigate „pro-cyclicality, including the review of how valuation and leverage, bank capital, executive compensation, and provisioning practices may exacerbate cyclical trends." This has been taken up at the London summit, where the G20 leaders promoted setting up capital buffers to counter the cyclical effects of capital adequacy ratios. IMF as well as FSF have specifically focused on the Basle II capital requirements regime and its pro-cyclicality. Furthermore, the IMF has proposed building up a capital cushion of some 30 to 40 percent above normal levels in good times to absorb shocks.

This rather technical issue is entirely neglected by all NGOs and civil society networks – only the global unions have promoted ensuring proper counter-cyclical asset requirements. Even though several regulatory proposals put forth by civil society groups will effectively decrease the pro-cyclicality of the financial system – probably more so than the recommendations by IMF, FSF and G20 –, NGOs should nevertheless focus on the problem of including counter-cyclicality into regulatory reforms.

2. 5. 5. Financial Lobbyists

Another regulatory measure, which is structurally disregarded by official institutions but nonetheless important and possibly highly influential, is restraining the power of financial lobbyists. Making the rules of global finance and overseeing the financial system are both highly complex processes prone to be influenced by financial lobbyists. Therefore, BankTrack and FoEE call for decreasing the political power of financial institutions and Attac demands restricting and making accountable all lobbyists and consultants of the financial industry and other large corporations.

2. 5. 6. Compensation and Liability of Management

What has been stirring up the strongest discontent with the financial industry in the general public were extravagantly large salaries and bonuses for the managers of large banks and funds. Particularly, the short-term orientation of bonuses and its pro-cyclical effects have been criticized for setting incentives for managers to still take higher short-term risks and increase leverage to boost quarterly reports. Reform proposals on this topic are therefore not missing in most statements on financial market reforms. The main question is, if regulations governing compensation should be set by public regulators or if the issue is to be left to the private industry itself.

In accord with the private industry's demands, IMF and FSF have been promoting a self-regulatory approach, which recommends the private sector to align its compensation schemes with a risk-adjusted and long-term orientation. Similarly, the G20 Washington summit demands taking "voluntary or regulatory action", leaving open the question of who should set the standards. While the European G20 preparatory meeting agreed on tasking the FSF with establishing standards for sustainable and long-term oriented compensation, the G20 London summit endorsed the then published *FSF Principles for Sound Compensation Practices,* a document full of lukewarm recommendations to be implemented mainly by the private sector.

Almost all civil society groups call for drastically limiting management compensation (except for Beijing and WSF), either by introducing a ceiling (Attac, NEF), by introducing a maximum pay differential (NEF), or by changing the role of compensation and bonus systems so as to reward long-term financial success and the implementation of environmental and social policies and programs (BankTrack, FoEE) or general welfare (Attac). The global unions simply call for curbing short-termism in compensation regimes. Additionally, FoEE have raised the issue of managers' liability and call for holding executives fully accountable, persecuting them to extend of the laws and increasing fines and penalties in the financial sector.

2. 6. Governance

Most likely the crucial question in these debates is the question of governance: Who should govern the reform process itself, and who should govern a future financial system. These are also the questions where official organizations and civil society groups disagree most clearly with each other. On the one hand, G20, IMF and FSF propose a reform process and a future financial system lead by the established Bretton Woods Institutions complemented by the G20 and implemented by the established institutions of financial governance. In contrast, the United Nations together with a variety of civil society groups demand that the reform process be led by the United Nations (Attac, Beijing, FoEE). In terms of the future financial system, the discussion is still more complex.

2. 6. 1. International Monetary Fund

Due to the intense criticism levelled against the IMFs failures to adequately deal with the financial crisis in emerging and developing countries in the 1990s and early 2000s, the IMF has a strong interest in becoming a central part of a future financial architecture and thus reestablish its tarnished identity and global power.

Democratizing the IFIs: It seems to be consensual that international financial institutions have to be democratized to some degree, particularly the IMF and the FSF (but also the World Bank). The statements on financial market reforms only diverge on the question of the degree of this process – while the G20 only demands the strengthening of the power of emerging countries within the IMF, the UN commission calls for making developing countries "adequately represented in the multilateral institutions" and the global unions demand generally democratizing IFIs.

The role of the IMF in a future financial architecture is strengthened by the G20, the FSF, the IIF and the global unions: The G20 has been demanding that the IMF be tasked with the surveillance of the interconnections between the financial sector and the real economy, with preventing future crisis and, most importantly, the G20 London summit strengthened the power and especially the ressources of the IMF by providing additional funds and by issuing $250 billion in Special Drawing Rights (SDR). The FSF has called for intensifying the cooperation between FSF and IMF, "with each complementing the other's role." And the G20 has reproduced this in its Washington Declaration, stating "the IMF, with its focus on surveillance, and the expanded FSF, with its focus on standard setting, should strengthen their collaboration". Also the global unions propose to further strengthen the role of the IMF in immediate crisis response – the funds of the IMF should be increased for countries facing immediate crises that are beyond their means to resolve. Importantly, however, the unions demand that this support be given without austerity conditionalities. In contrast, other civil society groups promote radically curbing the power of the Bretton Woods Institutions (Attac, FoEE) or even propose to phase out the World Bank, IMF and WTO (Beijing).

2. 6. 2. G20

The role of the G20 in a future global financial architecture is still open – even who actually is part of the G20 is still being negotiated. World Bank Chief Robert Zoellick for example has argued for amending the G20 group with developing countries.[19] And while developing countries where blatantly absent at the Washington summit, Gordon Brown has invited the New Partnership for Africa's Development (NEPAD), the Association of South East Asian Nations and the African Union Commission to send delegates to the G20 London summit, thereby increasing the G20s global representation considerably. The G20s role in the financial sector is not discussed in the documents analyzed and will depend on the future negotiations and developments.

Particularly the success of the London summit – at least the publicly perceived success – is very likely to further increase the power of the G20 in crisis and financial market management and, simultaneously, to contribute to the decline in legitimacy and relevance of traditional informal fora like the G7/8. Other international governance bodies like the IMF, the World Bank, the FSF, IOSCO or the BIS are under increasing pressure to either extend their membership at least to the G20 countries or to reform their internal decision making procedures to give more weight to G20 countries.

In the civil society sector the G20 is severely criticized for circumventing other more democratic institutions like the UN. Only the global unions accept the G20 as a legitimate forum by asking it to increase the IMFs lending facilities. The other civil society groups simply neglect it and call for enhancing the UNs role in the financial sector – but the WSF-Declaration on financial reforms summarizes the implicit consensus succinctly: "the G20 is not the legitimate forum to resolve this systemic crisis."

2. 6. 3. United Nations

The United Nations is the only international institution, which has at least the potential to serve as a democratic global governance body – and accordingly, both the UN itself as some civil society groups like Attac, the Beijing Declaration, FoEE and the WSF groups call for a UN-led process. But the UN is not even mentioned in statements and reports by the G20, the IMF and the FSF.[20]

The only statement, which has in some detail envisioned a role for the UN in global finance, is that by Attac. Attac demands that an appropriate institutional setting under the auspices of the UN be set up to strictly regulate and reorient the financial system towards equity and sustainability. This institution should not only prevent financial crisis. Rather, so the Attac declaration, it should also prevent the build up of huge trade surpluses and current account surpluses and corresponding deficits and debts through international interventions and should serve as the global decision-making forum for financial liberalization.

2. 6. 4. FSF and others

Even more so than the IMF, the membership and power of developing and emerging countries in the FSF needs to be strengthened. At the G20 summit in Washington it was agreed that the membership of the FSF will be expanded to include emerging economies and March 2009 the FSF membership was extended to all G20 countries, Spain and the European Commission. The FSF – which was renamed Financial Stability Board (FSB) – is likely to play an increasing role in the future financial governance structure and particularly in the ongoing reform process. The FSFs specific focus will be on establishing and setting standards for the global financial system and, as the London summit declared, to „*collaborate with the IMF to provide early warning of macroeconomic and financial risks and the actions needed to address them.*“ Unfortunately, all civil society reports do not discuss the role of this newly emerging global governance body.

Beyond these institutions, there are some other proposals that will only be mentioned in passing. The IIF proposes a “*Global Financial Regulatory Coordinating Council*”, organized under the umbrella of the expanded FSF, and encompassing the Basel Committee, IOSCO, IAIS and leading central banks. While this would probably be one of the least democratically accountable governing bodies, at the other extreme, the Beijing Declaration proposes establishing a “*people’s inquiry into the mechanisms necessary for a just international monetary system*”. In general, all civil society groups promote increasing the democratic control and accountability of the financial system. For example, the global unions demand that working people have a seat at the table in the meetings and institution which will decide on the future financial architecture, BankTrack promotes democratic participation in designing a new global financial order, and FoEE recommend that all people have full and meaningful participation in national and international economic decision-making.

2. 7. Short-term Crisis Management

2. 7. 1. Bailing out Financial Institutions

Bailing out financial institutions has become one of the most controversial aspects of the financial crisis. The G20 have promised to take „whatever further actions are necessary to stabilize the financial system" – these measures, almost all of which demand strong state involvement in the financial sector, should, however, only be temporary, should have minimal distortions, and should be unwound in a timely, well-sequenced and coordinated manner. While not focusing on this issue, IMF and FSF have also advocated the course taken so far by most economies – using tax payers' money to bail out the financial industry without making this a long-term state involvement in the financial sector.

In contrast, most civil society groups have promoted a different kind of bailout: Attac, the Beijing Declaration and FoEE have strongly demanded full-scale socializations or nationalization of those banks, whose shareholders are unable to repay debts and interests (instead of simply nationalizing losses). Those banks which have been nationalized or have received state funding should also change their business practices. BankTrack demands that bailed-out banks play a crucial part in transforming the economy to a socially and environmentally sustainable path (as part of the Green New Deal), and FoEE highlight their responsibility to foster an environmentally sound future. On the question of who should pay for the bailouts, Attac has proposed the introduction of a crisis fund, which is financed through a special tax on financial incomes over 50.000 Euro and a 1 percent extra tax on all corporate profits in the financial sector. Somewhat differently, the Beijing Declaration demands a levy on nationalised bank profits with which to establish citizen investment funds to support poor communities.

2. 7. 2. Economic Recovery Programmes

Implementing economic recovery programmes – classical Keynesian demand side policies to stimulate the global economy threatened by a deep recession – is another controversial and highly complex issue. The official institutions take on recovery programmes generally favours calling for internationally coordinated stimulus programmes at a scale probably not sufficiently large to halt the recession. Even the $5 trillion of already disbursed or promised funds of all G20 countries or the additional $1.1 trillion negotiated in London (most of which is only added up out of already promised payments), are not enough.

Interestingly, several civil society groups have been promoting innovative ways to counter the downward spiral of economic developments – measures that would at the same time attempt to solve another problem: climate change. Civil society groups have called for launching a "Green New Deal" – a global spending and investment programme, aimed at stimulating the crisis-affected economies threatened with recession while at the same time directing financial resources and the economy towards achieving social justice and sustainable, low carbon production and consumption systems (BankTrack, NEF, global unions). This call is also increasingly taken up by official institutions and governments, first of all the new Obama administration – negotiations on a Green New Deal are likely to have a major effect on the future of the economic crisis. A Green New Deal should however be critically assessed further, in particular if taken up by governments and international organizations, for its real ecological and social impacts.

While a few civil society groups have not discussed economic recovery programmes (FoEE), others done so indirectly. Global redistribution systems, although not framed in terms of economic recovery programmes, might achieve huge stimulus effects by strengthening the demand of poor people. For example, the WSF groups have demanded a new international system of wealth sharing by implementing a „progressive tax system at the national level and by creating global taxes (on financial transactions, polluting activities and high income) to finance global public goods“ (similar statements in the Attac and Beijing declarations).

3. Civil Society, Non-Governmental Organizations and Unions

Similar to the official international organizations' surprise at the speed and depth of the crisis, most civil society actors were unprepared in their analysis and reform proposals as the financial crisis swept the globe and increasingly affected the real economy. Contrary to vibrant, long-lasting and diverse debates among social movements, nongovernmental organizations (NGOs) and unions on topics such as environmental degradation, human rights or free trade, the debate on reforming the international financial architecture was comparatively undeveloped before the crisis and involved few actors. Before the dramatic end of Lehman Brothers had made it blatantly evident to everybody that the crisis will not fade away and will affect all other aspects of the global economy, the only comprehensive statement is a declaration published in early September 2008 by a network of Attac groups from different European countries. After the collapse of Lehman Brothers had deepened the crisis, however, a broad process of discussion within civil society circles took off, accelerated by the G20s Washington summit in November 2008. Since then, the financial crisis increasingly pervades all other discourses and contexts of discussion – the financial crisis is addressed cumulatively in documents, reform agendas and calls for action on pretty much every topic around which social movements and unions organize and work.

This chapter gives a broad overview over some of the most important civil society publications on financial market reforms. These will be presented in chronological order, discussing their respective analytical framework, their contextualization of the financial crisis within other crises, and their specific financial market proposals. The next important document that appeared, after Attac published its reform agenda in September, is the Beijing declaration, which came out of the Asia-Europe People's Forum in October 2008. Other civil society groups like Friends of the Earth Europe (FoEE), the New Economics Foundation (NEF) and the NGO-network BankTrack have released their proposals shortly before the G20 meeting in Washington in the first half of November. Additionally, a statement by an association of global unions will be discussed, and a short call to action on financial market reforms by social movements gathered at the WSF in Brazil at the beginning of February 2009.

These civil society groups can be broadly classified according to their general focus:

- *Financial markets:* Some of the organizations and networks have for long worked on financial markets, especially Attac, which was founded around demands for a Tobin tax but has since taken up many more issues, and BankTrack, which has particular expertise on commercial banks.
- *Environment:* The rules governing financial markets have so far almost entirely ignored environmental issues. Although it is clear, that financial markets powerfully affect the environment and that the neoliberal regime of liberalized financial markets has had disastrous consequences for the well-being of the planet, this issue has been neglected in environ-

mental debates. Only recently, environmental NGOs have begun to address the interconnections between financial markets and the environment. Two statements by FoEE and NEF are discussed in this report.

- *Unions:* The financial crisis has initiated a whole range of work on financial markets by unions – this paper focuses on one of the best reports, a Declaration by a network of global unions.[21]
- *Civil society networks and the South:* Other statements come from broad networks of civil society actors. Accordingly, the Beijing Declaration and the document of the WSF groups have the least specific focus and involve the broadest range of signatories. They are also the only statements analyzed in this paper with significant involvement of groups from the South.[22]

3. 1. ATTAC

The first civil society organization to release a comprehensive report on the financial crisis and necessary financial market reforms was Attac. Already in September 2008, before the collapse of Lehman brothers, ATTAC members from different European countries published a statement called "The time has come: Let's shut down the financial casino", which sets out in great detail an agenda for financial market reform.[23]

Analytical framework:

The title of the statement already reveals its specific focus: prohibiting the speculative elements of financial markets. Attac presents a detailed analysis of the roots and quality of the crisis. The document emphasizes that this heaviest crisis since the Great Depression in 1929 is systemic in a double sense: It is a systemic crisis both of a certain kind of capitalism, in which international finance plays a dominant role, and of a certain mode of thinking, the neoliberal paradigm of economic theory. This system of financial capitalism, which was dominated by financial interests and logics like short-term profit maximization, has led to increasing inequality within countries and globally, to "*decreasing labor, social and environmental standards as well as to the privatization of public goods and services.*"

However, there is hope. This crisis, so the Attac statement, opens an "*historic window of opportunity*", which has to be used by "*pressure from public opinion*". It marks the *"end of a historical period: the system of financial capitalism, a system driven by the only search for maximum profit"*. Although critics have since long criticized financial capitalism and predicted its collapse, this system, so Attac's analysis "*destroyed itself as a result of its own inherent contradictions."*

The financial crisis in the context of other crises

After having characterized the crisis as systemic and predictable, Attac argues that official reform discourses do not go far enough in that, by focusing exclusively on the financial industry and stability, they neglect financial capitalism's "*disastrous consequences on distribution and democracy"*. Both issues and the problem of environmental destruction are addressed in Attac's report and remedies are proposed.

Financial market reform proposals

Under the heading "*Another finance system is possible: Stability and solidarity before profits"*, the statement proceeds to set out five general principles, that all specific measures of reform should comply with, "*in order for single proposals to be acceptable as emancipatory reforms*".

General principles for emancipatory financial market reforms

1. Systemic changes instead of piecemeal repair: The major goal here is "*to break down the pillars of neoliberalism, in particular the worldwide mobility of capital.*"
2. A new Bretton Woods instead of "*self-regulating market forces*": Attac calls for "d*emocratic control*" of the financial sector and for "*international cooperation instead of destructive competition between national economies.*" To achieve this, the financial system should be internationally governed by a body in the broader United Nations framework. Nationally and regionally, supervision and regulation should be strengthened and democratized through the "*participation of trade unions, consumers and other stakeholders in regulation.*"
3. Breaking the dominance of financial markets over real economy: Attac proposes a variety of instruments to reach this overarching goal, among them financial transaction taxes (also on currency trade), banning of "*financial industry conglomerates which are too big to fail, or too interconnected to fail, and too complex to manage all potential risks"*, progressive taxation of capital incomes, an obligation to make wages grow not slower than the economy and ending the privatization of social systems and important infrastructure.
4. Mitigating the effect of the crisis on the real economy and "*speculator pays principle*": In order to pay for the necessary emergency measures to bail out the financial industry, Attac proposes to set up a special fund, which is financed by a "*one-off extra duty on all capital income above 50.000 Euro and a 1% extra tax on all corporate profits in the financial sector.*"
5. Reforming the EU and democratic control over the European Central Bank: Attac proposes to set up a common system of European financial regulation and supervision that is regularly assessed by parliaments, to democratically control the European Central Bank which is interpreted as the centre of neoliberalism in Europe, and to introduce transparency regulations in lobbying and consultation.

Specific reform proposals for central parts of the financial system

In addition to these general principles and lines of reform, Attac details a variety of more specific proposals – since the list is long and clearly the most comprehensive of all civil society groups, only some very important measures are mentioned here (see also the synopsis in the last chapter).

- Increase capital requirements, create Basle III.
- Ban off-balance deals.

- Restrict and control securitization.
- Supervisors should test and licence all new financial products on their impact on financial stability and on society.
- Shrink drastically investment banking, separate and strictly regulate the rest; regulation should include criteria that promote sustainable development of societies.
- Prohibit the high-bonus system; management fees should be ceiled and partly coupled to an indicator of general welfare.
- Strengthen the public and not-for-profit banking sector.
- Publicly control rating agencies; they should be financed by all users of the ratings and issuers of financial products; they should rate social and environmental risks.
- Regulate funds; prohibit hedge funds and private equity funds.
- Strictly regulate derivatives and prohibit purely speculative derivatives; derivatives should only be traded at stock exchanges, they should be standardized and authorized by a supervisory body for their (long term) negative impacts.
- Ban over-the counter (OTC) trade.
- Restrict free trade and free capital mobility worldwide.
- Close Offshore Financial Centres – additionally countries should take unilateral measures, "*ranging from lifting the bank secrecy of the banks under their sovereignty, via obliging banks which maintain branches in tax heavens to close them, to putting a high levy on transactions with OFCs*."
- Limit the power of short term oriented shareholders "*by coupling the share voting rights to a minimum period of share holding (5 – 10 years) and by the prohibition of stock option*".
- Regulate the indebtedness of households by imposing "*ceilings on the ratio of repayments and interests to income in every country*."

General assessment

The reform agenda put forth by European Attac networks is not only the earliest civil society publication that specifically addresses financial market reforms in the context of the current crisis. It is also a far-reaching and systematically structured statement that encompasses an analysis of the causes and characteristics of the crisis and lays out a whole range of important reform proposals, which have been extensively discussed since in civil society circles and still influence the ongoing reform debates. Both the general principles for emancipatory financial market reforms and the specific proposals set out a comprehensive reform agenda. There are only few issues not addressed in the statement, for example the pro-cyclicality of financial regulation.

Furthermore, the proposed reform agenda not only deals with the issue of shutting down the financial casino – as implied by the title –, but also speaks to a broader range of related problems. In particular, it proposes provocative changes in the global governance structure, radically strengthening the United Nations, and gives proposals on how to tackle global inequalities, a just redistribution of wealth and the problem of environmental degradation and climate change.

3. 2. Beijing Declaration

Another document circulated widely in civil society circles is the so-called Beijing Declaration. It was drafted during the Asia-Europe People's Forum in October 2008 by the NGOs Transnational Institute and Focus on the Global South, then published on a special website (http://www.casinocrash.org), translated into nine languages and signed by hundreds of organizations and individuals.[24]

Analytical framework

The title reads "*The global economic crisis: An historic opportunity for transformation*". The Beijing Declaration is characteristic in three respects: First, its focus is very broad on more general issues of the global economy – the crisis is already in the title characterized as a global economic crisis. Secondly, the declaration focuses particularly on problems of so-called developing countries and sets out a variety of reforms specifically aimed at improving the conditions of the Global South.[25] And thirdly, the Beijing Declaration is a conglomeration of a large number of proposals that have been discussed in other contexts before the financial crisis.

The crisis is characterized as a *crisis of capitalism* as such: "*Not only is the legitimacy of the neo-liberal paradigm in question, but the very future of capitalism itself.*" This situation of capitalism's future itself threatened is interpreted as both a great danger (increasing poverty and reactionary movements) and at the same time as a possibility – there is "*new openness to alternatives*". Since the crisis is seen as an opportunity "*to put into the public domain some of the inspiring and feasible alternatives many of us have been working on for decades"*, it is little wonder, that the Beijing Declaration resembles a register and omnium-gatherum of progressive demands.

The Beijing document puts *democratic control* at the centre – not just of the financial system, but "*democratic control over financial and economic institutions*". The bulk of the paper consists of "*proposals for debate, elaboration and action*", a list of more than fifty bullet points organized somewhat unsystematically under six headings. Although characterized as "*practical, common sense proposals*", this list of suggestions and calls reveal a strongly anti-capitalist attitude.

The financial crisis in the context of other crises

Interpreting the crisis as a crisis of capitalism itself, it makes sense to include the financial crisis in the context of a variety of other processes – particularly global inequalities and the environmental crisis are addressed in detail. The broad focus of the Beijing Declaration appears already in the organization of the proposals, which are grouped in the following sections:

1. Finance
2. Taxation
3. Public Spending and Investment
4. International Trade and Finance
5. Environment and
6. Agriculture and Industry.

Financial market reform proposals

Proposals on reforming the financial system are unsystematically presented and spread under different headings. Regarding emergency measures and bailouts, the Declaration puts its emphasis very succinctly in calling for the introduction of "*full-scale socialisation of banks, not just nationalisation of bad assets*". Some of the most important points on financial market reform are the following demands:

- Full transparency in the financial system and "*opening of the books to the public, to be facilitated by citizen and worker organisations.*"
- Parliamentary and citizens' oversight of the existing banking system.
- Strengthen and create people-based banking institutions.
- Apply social and environmental criteria to all lending.
- Close all tax havens and introduce a global taxation system to prevent transfer pricing and tax evasion.
- Adopt controls, such as Tobin taxes, on the movements of speculative capital.
- Globally ban the following financial instruments: short-selling of stock and shares, trade in derivatives, speculation on staple food commodities.
- Phase out the US dollar as the international reserve currency.
- The reform process should be governed by the United Nations – the other institutions normally assigned this task like the World Bank, IMF and WTO should be phased out

Other reform proposals

To get a sense of the suggestions only indirectly linked to financial market reforms, some will be presented below:

Reforms aimed at redistribution:

- Apply stringent progressive tax systems.
- Secure jobs through outlawing precarious low paid work.
- Introduce a levy on nationalised bank profits with which to establish citizen investment funds – use these to support very poor communities.

Reforms aimed at improving the situation of the Global South:

- Safeguard migrant remittances to their families and introduce legislation to restrict charges and taxes on transfers;
- Cancel the debt of all developing countries.
- Ensure aid transfers do not fall as a result of the crisis, abolish neoliberal conditionalities and tied aid.

Reforms aimed at fighting climate change:

- End tax breaks for fossil fuel and nuclear energy companies.
- Impose stringent progressive carbon taxes on those with the biggest carbon footprints.

General assessment

The Beijing Declaration presents a widely distributed analysis and reform agenda on the financial and economic crisis. The specific focus is broader than in most other statements, including a variety of issues seemingly unrelated to the financial crisis. On the one hand this has the advantage of broadening the perspective towards other important topics that are indirectly linked to the financial and economic crisis. But on the downside it makes the Beijing Declaration a conglomeration of progressive demands (most of which have been put forth years before the financial crisis), rather than setting out a reform agenda that specifically addresses the current financial crisis with all its new characteristics.

Although a variety of demands that have been pointed at by other NGOs are missing, the list of proposals for financial market reforms highlights many necessary changes. Among the topics not discussed in the Declaration are securitization, off-balance sheet vehicles, over-the-counter transactions, rating agencies, specific national or international regulatory or supervisory institutions and counter-cyclicality.

As stated at the beginning, where the document is described as an "*initial response*", the Beijing Declaration resembles the start of an ongoing work-in-progress and is very much oriented towards social movement campaigns:[26] Many proposals that have been included in the statement have to be further specified and elaborated, the entire reform agenda has to be organized more systematically, and – most importantly – social movements have to take up the proposed initiatives and press for their implementation. Particularly interesting is the analysis of the crisis as threatening capitalist modes of production – a point worthy of further study and debates, which has been taken up by the civil society groups gathered at the WSF 2009 (see chapter 3. 7.).

3. 3. BankTrack

BankTrack is an international network of NGOs working on issues of financial regulation and monitoring of commercial banks. At the networks annual strategy meeting in November 2008, BankTrack drafted the so-called "*El Escorial Statement on Banks and the Financial Crisis*".[27]

Analytical framework

Entitled "*Bank to the Future*", the statement calls for "*fundamental reforms in the global financial system, particularly in relation to the role and regulation of banks."* The focus is somewhat narrower than in the other civil society statements. For example, on the causes of the crisis BankTrack argues, that "*irresponsible and unsustainable behaviour of banks, driven by greed and kept unchecked by a failing regulatory system, has been at the core of the crisis.*" The financial turmoil is not interpreted as a systemic crisis of either a certain variety of capitalism or of capitalism itself, but rather as a banking crisis with various deleterious effects on other parts of society and economy.

The financial crisis in the context of other crises

The financial crisis of the banking system is interpreted as being at the root of three other intersecting global crises: a financial and economic, a social and environmental, and a governance crisis.

1. The *financial and economic crisis* was caused by "*a collapse of trust among banks, bank insolvency, and deleveraging*" which spread to the entire banking sector and is now affecting the real economy.

2. The *social and environmental crisis* is characterized as "*a staggering disconnect between the amount of capital at play in the 'casino' economy (where money is solely made off money) and the real economy"*. This crisis was caused by "*reckless, speculation-driven expansion of the financial markets*" and did not only have adverse effects on people and the planet, but furthermore, the recent efforts at bailing out the financial system divert resources from more important areas such as fighting hunger.
3. The *governance crisis* is interpreted as the crisis resulting from banks effectively taking control of political regulatory efforts through their lobbying activities.

These three dimensions of the crisis, BankTrack argues, have to be addressed simultaneously and it proposes specific reforms to deal with each of them. The entire paper is organized around these three crises.

Financial market reform proposals

First, BankTrack demands "*clear prohibitions on certain financial practices and structures*". Secondly, BankTrack demands that the regulation of other financial instruments and institutions be "*dramatically strengthened*". And thirdly, in the sections dealing with the social and environmental as well as the governance crisis, BankTrack has proposed a variety of reforms that also directly affect the financial system.

1. Prohibiting certain financial practices and structures:

- Most importantly, BankTrack demands: "*Eliminate the shadow banking system by regulating all unregulated financiers and financial products.*"
- Prohibit off-balance sheet vehicles, SIVs and SPEs.
- Abolish tax havens.

2. Strictly regulating the financial sector:

- Regulate hedge funds and private equity funds, introduce significant new transparency and reporting requirements;
- Limit leverage: "*banks should have a leverage ratio in addition to stricter capital adequacy standards, and non-bank institutions should also have capital and leverage requirements*".
- Curb derivatives: Prohibit all derivatives that do not actually hedge prices, the rest should be standardized and traded in regulated exchanges.
- Reduce incentives for excessive risk taking: Limit executive compensation and change the bonus systems "*so as to reward long-term financial success and the implementation of environmental and social policies and programs*."

3. Reforms dealing with the environmental and governance crises:

Green New Deal: In terms of dealing with the environmental crisis, BankTrack promotes the implementation of a Green New Deal, which aims at "*achieving social justice, the promotion of sustainable production and consumption systems, and the transition of the world's economies onto a low carbon path*." Policy makers should support this economic transition by a "*new bank regulatory regime*", which changes incentives so as to discourage environmentally destructive practices. This includes the following elements:

- Supervision: BankTrack calls for the incorporation of sustainability-oriented standards into all bank supervision, "*including the granting of licenses, and the extension of central bank-provided credit and insurance*."
- Capital requirements: Environmental and social issues should be incorporated into risk assessment processes of the Basel II capital adequacy ratios.
- Green screening of customers: introduce green "*Know Your Costumer*" guidelines, requiring banks to "*conduct environmental and social due diligence for both commercial depositors and borrowers, with the aim of prohibiting lending to corporations that do not comply with environmental and social laws*."
- Transparency: "*Banks should be completely transparent about their risk assessment processes, decision-making procedures, clients, and transactions.*" A reform aimed at discouraging environmentally destructive investments due to public pressure and changing consumer behaviour.

Governance: Regarding the governance crisis, BankTrack puts the dictum centre stage that "*self-regulation is no regulation*". Accordingly, the statement promotes several reforms of who is to control the financial sector:

- Lobbying: Decreasing the political influence of banks.
- Licensing banks: BankTrack proposes to require banks to seek a social license to operate that only those banks get, which are primarily "*investing in the real economy*" and furthermore advance "*environmental sustainability*".
- Governance: BankTrack demands ensuring democratic participation in designing a new global financial order – this should involve a "*participatory and democratic*" process and "*strong participation and support from developing and emerging countries.*"

General assessment

Although somewhat limited in its analysis of the causes and the characterization of the crisis, BankTrack's specific focus on the banking crisis and its interrelations with the three dimensions of this crisis (financial, environmental and governance crisis) provides the background for some interesting reform proposals. Banning some financial products and institutions and strictly regulating others combined with BankTrack's proposals how a reformed financial sector might promote the transformation to a green economy and its take on the governance question provide a broad reform agenda for financial markets.

Particularly interesting is the section on how a new banking system with reformed rules might complement a Green New Deal and support the economic transition to sustainable production and consumption practices. While some reform proposals are certainly to be welcomed such as the introduction of sustainability criteria in Basle II and banking supervision, others seem more disputable. In particular, the reliance on Green KYC guidelines needs to be further assessed. Since the introduction of similar anti-money laundering guidelines (AML) has proven extremely complex and conspicuously unsuccessful, it is not clear in how far self-evaluation of their customers' social and environmental records by banks is not doomed to be just another neoliberal effort at green-washing through Corporate Social Responsibility (CSR) strategies. The experience of the last 10 years has shown that self-regulation has almost never worked.

BankTrack has not discussed, in how far a Green New Deal actually has the effects envisioned by its proponents. There are a variety of problems with any Green New Deal project that need to be further addressed, most importantly its real environmental impacts and its social and distributive effects. Since such a massive investment programme, even if it is “green”, is predicated upon further growth, and since growth is inherently linked to further enlarging the economy’s impact on the planet, the overall environmental effects need to be carefully explored. And in terms of the social and distributive outcome a Green New Deal needs at least to be accompanied by other measures, to have positive effects. Characteristically, those civil society groups that have most prominently been calling for a Green New Deal (besides BankTrack primarily the New Economics Foundation) have least focused on social and economic equity, redistribution and North-South justice. The accompanying financial market reforms, however, can be recommended independently of a Green New Deal.

Furthermore, there are a variety of reform proposals that are not discussed at all: short-selling, securitization, OTC markets, CRAs, FTTs, capital controls, competition, investment banking and the strengthening public, local and co-operative banks. Most disturbing is the fact, that although governance questions are prominently discussed in the paper, the United Nations is not mentioned.

3. 4. New Economics Foundation (NEF)

The new economics foundation (NEF) is a self-described British “think-and-do-tank”, founded in 1986 by the leaders of The Other Economic Summit, which is promoting a progressive view of welfare economics and environmentalism with a special focus on local economies. Their October 2008 report “*From the ashes of the crash – 20 first steps from new economics to rebuild a better economy*” argues that in “*the ashes of the predictable crisis in the global system lie important signs that a new economics is emerging*”. This new economics needs a financial system that serves society instead of acting as its master, “*a new, diverse and resilient local financial system*” that has already been built beneath the surface.

Analytical framework

The 20 steps NEF sets out deal both with short-term solutions to the current crisis and with long-term reforms of the financial and economic systems. Though most of the proposals are applicable around the world, the focus is clearly on Britain.

The financial crisis is interpreted as the consequence of a long process in which the financial system has “*failed to do the basic job required of it – to underpin the productive economy and the fundamental operating systems upon which we all depend*.” This productive economy, so NEFs analysis, is “*the core economy of family, neighbourhood, community, and society, and the natural economy of the biosphere, our oceans, forests, and fields*”. The financial crisis was caused by this productive economy being “*ne-*

glected, taken for granted or cannibalised by finance."

NEFs general philosophy might be summarized in the saying "small is beautiful". The financial market reforms attest to this dictum. On the one hand, NEFs report emphasizes the need to demerge, decentralize, and, control large international banks, ultimately downsizing the financial sector in relation to the rest of the economy. At the same time, the financial crisis is seen as an opportunity to secure, strengthen, and support local and sustainable financial and economic systems, which are able to "*fill the gaps left by the collapse of the old order.*"

The crisis in the context of other crises

Whereas the focus is mostly on downsizing and regulating the financial sector while at the same time supporting a „*diverse, localised, sustainable economy, which puts finance in its place as a servant of society*", particularly the environmental crisis and the energy crisis are addressed in some detail. To address these three crises, NEF calls for launching a Green New Deal to „*fight the recession whilst tackling energy insecurity and climate change.*" Although global poverty is not addressed, the report highlights a variety of reform proposals possibly very beneficial to developing countries (capital controls, closing tax havens, introduction of a bancor). Even so, proposals to directly address issues of social and economic justice and redistribution are clearly not the focus of NEFs statement.

Financial market reform proposals

While not going into detail, NEF proposes a variety of reforms in the first category, aimed at shrinking and regulating the existing financial system. Most of the other proposals aim at the strengthening and building an alternative financial system that is local, based in and serving the real productive economy and focused on human well-being and environmental sustainability. Most importantly, NEF calls for a Green New Deal. Using a range of fiscal tools and new reforms in the tax system, such as a windfall tax on oil companies, NEF urges Britain to massively invest in an "*environmental transformation programme*." Already in 2007, NEF had published a report on behalf of the Green New Deal Group that sets out in detail the specific reform agenda of such a Green New Deal.[28] Other proposals should accompany these measures.

Shrinking and regulating financial markets

- Derivatives: Bring onto the balance sheet, rigorously check and officially license all 'exotic' financial instruments such as derivatives.
- Capital controls: Improve checks and balances and political control of financial markets by introducing capital controls.
- OFCs: Make taxation work by closing tax havens, specifically deducting taxes directly at the country from which payment is made for all income paid to financial institutions in tax havens.
- FTTs: Increase stability and raise resources with currency and financial transaction taxes.
- Competition: Demerge banks that are "too big to fail" (especially nationalized banks).
- Investment banks: Segregate financial markets according to their functions, for example in trading and retail banking.

- Accounting: Hold accountancy firms accountable to increase transparency, prudence and responsibility in the global economy, ultimately making them not-for-profits.
- Distribution and compensation: Introduce a maximum pay differential, or maximum wage.

Building alternative and sustainable financial and economic systems

- Create a secure, accessible local banking system for people by increasing the role of post offices.
- Enhance economic support for the local economy by expanding the range of smaller-scale ‘friendly’ sources of finance.
- Promote time banking in local communities as an alternative currency exchange to promote local public services.
- Encourage the introduction of complementary, multilevel currencies, specifically local currencies and a new global reference currency along the lines of the bancor proposed by Keynes and backed by a basket of commodities.
- Launch a Green New Deal.
- Create new public money, free of interest, where necessary to cope with unprecedented financial emergencies, and as the basis for loans to rebuild the infrastructure of productive local economies.
- And finally, NEF proposes innovative and new financial instruments for productive and secure savings: a “*People’s Pension*” that invests in the building of new public infrastructure projects, such as schools and universities, health facilities, transport system; and “*local bonds*” to “*finance essential investment and new infrastructure for a more environmentally sustainable Britain*”.

General assessment

The analysis and recommendations NEF provides in its report considerably diverge from the perspectives taken by other civil society groups. NEFs proposals are particularly interesting regarding the strengthening of alternative, local and sustainable financial and economic institutions and structures. Although many of its proposals have only been tried on a small scale, they certainly demand consideration by other actors in the civil society spectrum – especially, since the question of alternatives will become more pressing, when the immediate effects of the financial crisis will have ebbed down.

In terms of effectively regulating the existing financial system, however, NEFs outlines important steps in the right direction, but to achieve its set goal of downsizing and strictly regulating the financial sector, other reforms have to be added. There are a variety of important proposals, which demonstrate NEFs willingness to take bold actions (capital controls, closing OFC, FTTs), but many important reform areas are not discussed in the report. These are, among others, reserve requirements, hedge funds and private equity funds, short selling, securitization, off-balance sheet vehicles, OTCs, commodity trading, leverage, countercyclicality and CRAs. NEF has omitted addressing the question of global governance – which regulatory institutions should be tasked with regulating the financial system, and who is to lead the reform process. In general, NEFs focus is on countering environmental problems, and social issues are somewhat neglected. The problems that have to be addressed regarding a Green New Deal have been touched at in chapter 4. 3.

3. 5. Friends of the Earth Europe (FoEE)

Friends of the Earth Europe, the European branch of a world-wide network of environmental research and advocacy organizations, has published a list of reform proposals dealing with financial market reforms specifically from the environmental advocacy perspective. In "Towards A Just and Sustainable Financial System" FoEE have collected the proposals the network has set forth in previous reports in recent years.[29] Although much is directly taken from the BankTrack El Escorial Statement, of which FoEE was a signatory, there are some interesting proposals in this document. The report focuses on the link between environment and finance – "*on integrating environmental and social matters into financial regulation*". Other important topics are however also discussed, such as democratic processes in a new financial architecture, regulation and supervision, the reorientation of "*finance from the speculative to the real economy*" and questions on nationalizations of financial institutions and bailout packages.

Analytical framework

FoEE does not give a causal account of or a characterization of the crisis.

FoEEs main focus is on the interconnections between financial markets and the environment. The networks particular approach is to include certain incentive structures and rules into banking, lending, investment and securities markets to counter-balance or even out some of the destructive effects of financial capitalism on the planet.

The financial crisis in the context of other crises

FoEE focuses on the crisis of climate change. Distribution and global poverty are not addressed.[30]

Financial market reform proposals

FoEEs proposals can be sorted into two broad categories: First, they call for banning some of the ecologically most destructive financial activities and demand setting up strict standards for the rest. And secondly, FoEE proposes a variety of mechanisms aimed at internalizing the real costs into financial activities, thus making environmental destruction too costly.

1. Setting standards for sustainable finance

Specific reform proposals in the first category of setting standards for sustainable finance include:

- FoEE demands the incorporation of "*sustainability-oriented standards (…) into all bank supervision, including the granting of licenses, and the extension of central bank provided credit and insurance.*"
- Another suggestion is that stock exchanges and securities regulators set up standards that „*require corporate compliance with environmental and social standards as a condition of listing on public exchanges.*"

Other proposals, not specifically aiming at environmental issues, are:

- FoEE calls for a reform process that is UN-led (curbing the power of IMF, World Bank and WTO) and includes widespread and meaningful public participation.
- FoEE demand the restoration of regulation by eliminating shadow banking, banning structured investment vehicles and special purpose entities, closing tax havens, strictly regulating hedge funds and private equity funds and derivates, and introducing financial transaction taxes.

2. Changing incentives to discourage unsustainable finance

FoEE proposes a variety of reforms that aim at drastically increasing transparency in the financial sector with the aim of thus making unattractive unsustainable financial activities.

- For example, FoEE argue, that increasing transparency requirements for banks to include all information regarding their financing activities will discourage banking activities in environmentally destructive industries.
- Similar effects are expected from increasing the liability of lenders for the effects of their financing activities, for example by making them "*financially liable for the environmental and social impacts caused by client misconduct".*
- Similarly, FoEE call on the International Accounting Standards Board (IASB) and the International Organization of Securities Commissions (IOSCO) to issue strict international disclosure standards that enforce the disclosure of social and environmental risks.
- States should also set incentives for ethical investments.
- Also ranking high on the preference list of FoEE is the power of consumers: shareholders' rights should be expanded to better enable them to raise environmental and social issues, and consumers of financial products of funds should be discouraged to support these by raising standards for "*disclosure in and of investment products*".
- FoEE also replicated the BankTrack proposals to including environmental and social issues into the Basle capital accords and to introduce green "*Know Your Costumer*" guidelines.

General assessment

While many proposals are obviously similar to those put forth by other NGOs, most interesting are the consistent efforts to think through the links between the rules and practices governing financial markets and the crises of environmental degradation and climate change. Including social and ecological standards into all banking regulation and the regulation of exchanges are potentially powerful tools to regulate not only the financial sector, but also the entire economy. They would empower states to regulate or even ban environmentally destructive investments and – depending on the depth of the regulation – could direct the real economy onto a sustainable path. The other proposals on regulating financial markets overlap with those of civil society groups working more closely on financial reform agendas and are thus not discussed here.

The possible effects of changing the incentives for the financial sector are hard to assess. All proposals in the second category are mechanisms that aim at discouraging socially or environmentally undesirable investment or lending by making them more expensive and financially more risky for financial institutions. Their success however, depends on the ability of states to enforce transparency and liability of powerful financial institutions that have so far always found ways to circumvent public regulations. The problems with green KYC guidelines have been discussed above.

FoEE does not discuss a variety of reform areas: competition, public banks, short selling, securitization, off-balance sheet vehicles, OTC, CRAs and counter-cyclicality.

3. 6. Global Unions

The response of trade unions to the global financial crisis is best captured in a report published by global trade unions for the G20 summit in Washington in November 2008. The "*Global Unions 'Washington Declaration*'" was drafted collectively by the International Trade Union Confederation (ITUC-CSI-IGB), the Trade Union Advisory Committee (TUAC), and Global Unions (henceforward simply called global unions).[31]

Analytical framework

The crisis is characterized as an economic crisis, in scale the „*most serious economic crisis since the Great Depression of the 1930s*". This crisis has been caused by two decades, in which „most governments, together with the IFIs, have promoted the lightly regulated 'new financial architecture" – this included „*irresponsible deregulation that favours excessive leverage of financial institutions – including investment banks, hedge funds and private equity – and the 'financial innovation' of securitised credit risk transfers that exported bad debt under the guise of structured products.*" The crisis was then triggered, so the report, by the „*conjunction of a housing crisis, a credit market crisis and, increasingly, an employment crisis.*" While not talking of „neoliberalism", let alone „capitalism", the unions argue that this crisis will set an end to „*an ideology of unfettered financial markets*", that it has exposed „*self-regulation (...) as a fraud*" and that it will end a system in which „*greed has overridden rational judgement to the detriment of the real economy.*"

The crisis in the context of other crises

The global unions locate the economic crisis in the context of several other crises, „*the unprecedented rise in food and commodity prices earlier in the year and the resulting food crisis in developing countries"* and the „*accelerating climate change which, without rapid action, will affect the poorest across the globe most severely, and especially vulnerable groups including women.*" Most characteristically, the global unions put the "*crisis of distributive justice"* centre stage, interpreting it as one of the underlying causes of the financial upheavals and emphasizing respective reforms.

Financial market reform proposals

The report calls for more inclusive reform process, urging the G20 that "*unions must have a seat at the table and be part of the crucial negotiations that will be held in the different institutions, during the months ahead.*" To counter the most dramatic economic crisis since the 1930s, the document argues, a new national and global regulatory architecture has to be built "so that financial markets return to their primary function: to ensure stable and cost-effective financing of productive investment in the real economy. In the long term, the global unions emphasize the need for "*a new economic order that is economically efficient and socially just – a task as ambitious as that confronted by the meeting in Bretton Woods in 1944.*" To this end, the document, while urging the inclusion of more countries beyond the G20, calls on the G20 leaders to take action in four areas.

1. Recovery Plan and Green New Deal

First, under the heading "*A Coordinated Recovery Plan for the Real Economy*", the document formulates several proposals to stimulate growth in the real economy: interest rate cuts, infrastructure investment programmes, tax cuts for middle and low income earners, high investments in people and increasing development aid. Most interestingly, however, the unions call for a "Green New Deal": "*This is the time to aid economic recovery through environmentally responsible investment designed to create jobs in the short-term, including for youth and women, and to reduce greenhouse gas emissions in the medium term.*"

2. Regulating Global Financial Markets

Secondly, "*Reregulating Global Financial Markets*" sets out measures to ensure, that such a crisis will not repeat itself. Identifying the liberalization and deregulation policies of the last two decades as the major cause of the crisis, the global unions call for regulatory efforts very similar to those proposed by other civil society organizations:

- Regulate hedge funds and private equity funds.
- Address the oligopolistic structure of the CRA industry and establish public agencies and develop non-financial sustainability rating.
- Reform and control executive compensation and corporate profit distributions.
- Close offshore tax havens.
- Regulate derivatives.
- Prohibit all off-balance sheet transactions.
- Introduce Financial Transaction Taxes.
- Make central banks publicly accountable.
- Promote community-based financial services such as cooperative and mutual systems and targeted micro-finance schemes.
- Adopt controls to limit speculative behaviours in trade exchanges including commodities and energy markets.
- Introduce proper consumer protection against predatory lending and aggressive banking sales policy.
- Ensure proper counter-cyclical asset requirements and accounting rules for banks and large financial conglomerates.

3. Governance

Thirdly, the global unions call for the creation of "*A New International System of Economic Governance*" through another set of Bretton Woods negotiation – in this regard going well beyond some NGO-statements. Starting from the observation that "*none of the exist-*

ing institutions has the scope or the credibility to put in place such a structure", the document demands unions' participation in these debates and a *"fairer and more democratic governance structure at the IFIs*." More specifically, the unions demand that in the WTO there should be at least a "*parity of voting power between developing and industrialised countries*", that neoliberal conditionalities be stopped and that the normative standards of the ILO underpin the new system.

4. Distribution

And lastly, under the heading "*Combating the Crisis of Distributive Justice"* the global unions address what in their opinion lies behind the current financial crisis: the explosion of inequality in income distribution. To counter these, the unions call for balanced growth "*between regions, as well as within countries, between capital an labour, between high and low income earners, between rich and poor, and between men and women.*" In particular, they have proposed "a new growth regime" similar to the embedded liberalism of the post-war period, a regime that "*ensures balanced real wage growth in line with productivity increases.*" This includes not only fair taxation in OECD countries to counter falling wage shares and growing inequality within the OECD, but also strengthening IMF emergency support for developing countries, meeting all commitments on ODA and the MDGs, and generally strengthening the social dimension of globalization.

General assessment

The global unions' Washington Declaration lays out a clearly structured and comprehensive reform agenda that not only provides an extensive blueprint for reforming financial markets, but also addresses other crucial issues in the areas of economic recovery programmes, governance and distribution. The unions' statement gives an extensive account of financial market reforms that includes most of the important regulatory instruments. In addition, the unions have called for measures not discussed by other civil society groups, particularly addressing the procyclicality of the financial system and financial consumer protection. Only few financial market reform proposals are not discussed: competition, investment banking, short selling and OTC.

Furthermore, the global unions' call for a Green New aimed both at stimulating the global economy and at facilitating the necessary transformation into a green economy – a proposal that has to be carefully assessed. Although not calling for an UN-led reform process, the global unions' discussions on global governance make clear their commitment to democratizing institutions on the global level. Particularly interesting is the global unions' focus on distribution, which interprets the effects of increasing unequal distribution nationally and globally as an underlying cause of the crisis and promotes the inclusion of redistributive measures in reforms dealing with the crisis.

3. 7. WSF 2009

The most recent call for financial market reform by civil society networks comes from social movements and NGOs gathered at the World Social Forum in Belem at the end of January 2009. The final Declaration of the Assembly of Social Movements placed the financial and economic crisis at its centre by declaring in its title “We won’t pay for the crisis - The rich have to pay for it!” The concrete proposals in this document, however, deal with the crisis only on a very general level. Analysing the crisis as the “*direct consequence of the capitalist system*”, the declaration reasons, it “*cannot find a solution within the system*” and social movements call for “*anti-imperialist, anti-capitalist, feminist, environmentalist and socialist alternatives”* as the only way out.[32]

More interesting regarding the specifics of financial market reform is another declaration drafted in Belem. At the WSF there were dozens of workshops and meetings about a response to the financial crisis from a variety of actors involved in these debates, among them Attac and BankTrack and a variety of groups from the Global South. These groups gathered at the WSF to author a short call to action, saying “*Let’s put finance in its place!”*. This document, which will be submitted to the G20 finance ministers ahead of their meetings in March, is interesting, because it demonstrates the radicalization of reform debates within civil society.[33]

Analytical framework

Carrying further the analysis of the Beijing Declaration, the financial crisis is interpreted as the “*consequence of a capitalist system of production*”. Not just the deregulated financial and banking system (as argued by some NGOs) or financial capitalism (as argued by Attac Europe), but capitalism in general, has led to this crisis. Capitalism is further characterized as having transferred “income from labour towards capital” and being “*based on laissez-faire and fed by short term accumulation of profits by a minority, unequal redistribution of wealth, an unfair trade system, the perpetration and accumulation of irresponsible, ecological and illegitimate debt, natural resource plunder and the privatization of public services.*”

The crisis in the context of other crises

The discussions at Belem were dominated by a specific theory of a “crisis of civilization”, which crosscut almost all debates at this most recent WSF. This framework of thought, powerfully promoted particularly by indigenous groups, highlights a profound crisis of our model of civilization and the capitalist system, which is based on unprecedented crises in many areas like the global economy, environment, governance, militarization and immigration.[34] Attesting to this framework of thought, the statement on the financial crisis starts by declaring, “*The financial crisis is a systemic crisis that emerges in the context of global crises (climate, food, energy, social…) and of a new balance of power.”* The WSF thus even further broadened the perspective by including into the analysis of the current financial crisis the interrelations with other crises, some of which are not even mentioned. While this leaves room for many groups and issues to be involved in the debates on financial crisis, it also makes the analysis somewhat superficial and blurry.

Financial market reform proposals

The WSF groups call for an entirely different system that goes beyond regulation and “*puts the financial system at the service of a new international democratic system based on the satisfaction of human rights, decent work, food sovereignty, respect for the environment, cultural diversity, the social and solidarity economy and a new concept of wealth.”* To achieve this, the groups have set out nine broad demands and a comment on bailouts. On the issue of banking bailouts, the document makes a provocative statement, which implies that simply letting go bankrupt the entire financial system would be better than burdening the public with these bailouts.[35]

Some of the more specific proposals restate, what has been called for by other groups, such as closing tax havens, FTTs, capital controls, prohibition of hedge funds, OTC markets, debt cancellation, and putting the "*United Nations at the heart of the financial system reform*".

Other interesting proposals, some of which go further than most civil society statements, are the following:

- Implement an international monetary system based on a new system of reserves, including the creation of regional reserve currencies.
- Implement a global mechanism of state and citizen control of banks and financial institutions.
- Implement public mechanisms of price stabilisation for food and energy.
- Establish a "*system of democratic, accountable, fair sovereign borrowing and lending that serves sustainable and equitable development.*"

General assessment

The call for action produced at the WSF presents a short summary of global civil society's discussions and demands regarding financial market reforms.[36] The attitude of the document is more anti-capitalist and radical than the other civil society statements (except for the Beijing Declaration) and the inclusion of other crises is more explicit. This might point to an increasing radicalization within some sectors of civil society, as the crisis deepens and official reforms lag more and more behind the historic crises processes.

While iterating some of the most popular financial market reform proposals, there are also suggestions that diverge from earlier statements. For example, the call for global mechanism of state and citizen control of banks and financial institutions, while very unspecific and general, opens room for interesting further discussion about mechanism that empower people around the world to actively control the financial system that is supposed to serve their needs.

4. Private Financial Industry

The IIFs cure all: Code of Conducts and Self-regulation

Since the private financial sector will possibly be seriously affected by reforms in the global financial architecture, it has been heavily involved in influencing the debate. Especially the Institute of International Finance (IIF), which is essentially the main political lobby organisation of the large, multinational commercial banks, has been vocal in putting its constituency's interests and proposals on the agenda. The IIFs Board of Directors, chaired by the CEO of the Deutsche Bank Joseph Ackermann who famously promised 25 percent returns, had established a Committee on Market Best Practices, aimed at coordinating and activating the banking industry's efforts to develop practical ways to address market weaknesses, rebuild confidence and influence public reform debates. In July 2008 this committee released its final report – a document that testifies to the uninhibited neoliberal doctrine of the banking community and which can be seen as the response of the banks to the regulatory efforts of the G7 Finance Ministers and the FSF.[37] In summary, this report suggests a code of conduct for the major financial institution as a cure-all for the crisis. The motivation is twofold: firstly, these self-regulatory efforts should signal to the regulators that the financial industry does not need new regulation. And secondly, a code of conduct is intended to signal to the markets that certain risks and problems are being addressed. Both targets seem questionable: So far at least, markets have not responded sufficiently to these signals and trust in the financial sector has not been restored by mere non-binding code of conducts. And hopefully, regulators will not rely on voluntary standards – on standards similar to those that have been in place before the crisis, such as the IOSCO Code of Conduct (2004) for Credit Rating Agencies or the Hedge Fund Code of Conducts (2007).

Lobbying the G20 summit in Washington

Four months later, after the bankruptcy of the investment bank Lehman Brothers had severely fuelled the crisis and many financial institutions had been bailed out by states, the IIF was still singing the same gospel of free and unfettered markets. Right before the G20 summit, the IIF had organized its Economic Advisory Committee meeting in Washington D.C., at which it lobbied for its market-liberal and business friendly approaches before world economic leaders and managers of IMF and World Bank.[38] The opinion of the private financial sector on financial market reforms is explicitly formulated in a letter sent by the IIF to President George Bush before the G20 summit in November 2008.[39]

After having commended Bush and his colleagues for the bailing out the financial sector, the IIF states bluntly, that in terms of architectural reform the "*overriding objective ought to be to preserve, reinforce and strengthen the open, market-based framework for trade, investment and capital flows that has contributed so much to the world's prosperity in the past 60 years.*" Without batting an eye, the IIF argues, we should belief in the benefits of free markets and not let ourselves be distracted by reality. "*The weaknesses in the system demonstrated powerfully in* *recent months should not deflect us from the realization that the benefits of an international system based on open market principles and close multilateral cooperation have been crucial to both the continued revitalization of the developed world and to the lifting of hundreds of millions out of poverty in recent decades.*" The IIF thus proposes six principles that should guide the G20's reform initiatives – six principles reflecting general attitudes towards financial market reforms in the private sector.

1. The IIF insists, in agreement with the recommendations set out in its report, on private sector initiatives to "*strengthen business practices and restore sound and responsible banking*", initiatives that are considered necessary, but should be taken in self-regulatory framework (strengthen risk management, align compensation with long-term shareholder interests).
2. While the state is pleaded to bail out banks, since these "*extraordinary measures were necessary to avoid systemic failure*", the IIF calls for restoring the financial system "*to a private sector footing, to operate on a competitive market basis, as soon as circumstances allow*." In plain language, the private financial community asks the state to bail out all the accumulated toxic assets and bankrupt institutions, but as soon as the system functions smoothly, states should retreat from the banking sector following "*well-defined exit strategies*".
3. Similar to international organizations, NGOs or governments, the IIF demands the globalization of regulation: "*Recognizing the new realities of globalization, regulatory reform should be guided by the principles of greater coordination, consistency and efficiency*." In particular, the IIF proposes to set up a global governance structure called "*Global Financial Regulatory Coordinating Council*". This Council should represent the G20 countries and should be organized under the umbrella of the FSF, and encompass the Basel Committee, IOSCO, IAIS (International Association of Insurance Supervisors) and leading central banks.
4. Interestingly, the IIF also calls for changes in the global governance bodies and the democratization of its institutional frameworks. Recognizing "*the substantial shifts in the global balance of economic power*", emerging markets should "*no longer be underrepresented in key global financial policy-making fora.*" Accordingly, the IIF calls for an expansion of the G7 and recommends the „*greater use of the G20 on key issues of global economic policy.*" Also regarding international organizations such as the IMF and the World Bank, the IIF argues it is „*imperative (...) to ensure meaningful voice and proportional representation of member countries.*"
5. The IIF clearly favours a strengthening of a reformed IMF in governing the global financial architecture – it calls for redefining the IMFs mission and states, "*all multilateral institutions require reform and reinvigoration*." The IMF should take on responsibility for financial stability, coordination of economic policies in systemically important countries (one could think of trade

imbalances between China and the U.S.), and increase its resources and lending facilities.

6. Lastly, the IIF argues that "*new forms of dialogue and cooperation are essential between the public and private sectors if the reinforced global financial system is to work.*"

General assessment

These statements well summarize the private industries views on financial market reform.[40] The private sector puts forth a totally inadequate analysis of the causes of the crisis and its recommendations are trapped in neoliberal frameworks of thought and first of all reveal the profit interests of its authors. They still promote self-regulation for most of the problems – even though the last decade has proven beyond any doubt, that self-regulation does not work and leads to crisis. In terms of immediate crisis management the private sector demands socialization of all losses and, once stability is restored, business as usual and thus privatization of profits. The global regulatory governance structure proposed by the IIF to oversee and coordinate the national efforts at regulating financial markets is in itself an good, although unrealistic, idea. But the problems are in the proposed details: instead of it being a democratically controlled and transparent institution, it is exclusive to the G20 countries and composed of undemocratic or only marginally democratically controlled institutions. A global regulatory institution that is not legitimized by democratic decision-making processes and excludes most countries is not only prone to be influenced by financial lobbyists, but does not give society the control it needs to make finance work for the people and the planet. Interestingly, on the question of democratic representation at international organizations, the IIF is more progressive than some of the international organizations themselves: the democratization of international organizations as well as increasing the power of the G20 are seen by private global financial actors as necessary because of „the increased role emerging markets have to play in the maintenance of open global economic systems." And lastly, the institutionalization of dialogues between the public and private sectors should be observed with suspicion: In plain language, the IIF tries to recommend the institutionalization of high-level lobbying activities, which could be used by the private sector to influence major regulatory bodies such as the IMFs International Monetary and Financial Committee (IMFC).

5. Epilogue

Reform proposals on the financial architecture have historically always become prominent in times of crisis. The last time these debates erupted after the Asian crisis 1997 when the Financial Stability Forum was established and a variety of reforms were initiated and implemented. These reform discussions were, however, never on a fundamental and elementary level. Neither was financial liberalization questioned, nor the extreme reduction of political rooms for manoeuvre through the disciplinary power of financial markets. Rather, these reform agendas aimed at stability, the prevention of future crisis and at shaping this financial pressure to become more constant and effective.[41] These reform debates constricted the discussions to highly complex expert questions like the dispute on the Basle II accord and to informal exclusive committees. Today, after the finanial crisis hit the centres of the global economic systems and is increasingly reaching more dramatic levels of severity, the debates emerged anew – this time, however, touching on more fundamental issues.

The documents analyzed in this paper highlight that the realization, that the rules and practices governing financial markets cannot stay the same as they were is spreading rapidly. This does not, however, generate a homogenous and unconflictual discursive field. Rather, different actors with differing interests are proposing increasingly diverging reform agendas.

First of all, underlying the diverging positions, are different analysis of the *causes and character of the crisis*:

- *Financial and banking crisis:* Official organizations, in particular, have analyzed the crisis as a crisis of the banking and financial sector with spillovers to the real economy, resulting from excessive risks, intransparent financial markets, regulatory gaps and an unorderly deleveraging process.
- *Crisis of financial capitalism:* Some civil society groups have interpreted the financial turmoil as a crisis of financial capitalism, a specific regime of capitalist regulation, which governed the global economy since the 1970s.
- *Crisis of capitalism:* More fundamentally, other civil society networks see it as a crisis of capitalism itself. Each interpretation demands its respective remedies, which thus partly accounts for the diverging aims and reform agendas.

Secondly, there is the question of the *objectives* of such reforms.

- *Stability*: Official international organizations primarily aim at restoring stability in financial markets and at preventing future crisis. While also being a emphasized by the private financial industry, their prime objective is clearly the restoration of the liberalized and deregulated financial markets that made high profits possible. Civil society groups, at last, will also aim at stability in financial markets, since stability is a global public good that potentially benefits all. It is, however, not enough. Even though, merely establishing financial stability would demand far-reaching reforms – the ones proposed by G20, IMF, FSF and UN will scarcely suffice. It also demands intermediary goals, one of which is the concession by the IMF that a viable future financial system has to be less leveraged and smaller in relation to the real economy.

- *Democratic control:* Another important question is who should control and participate in (a) reforming the financial system and (b) regulating and supervising its functioning. While G20, FSF, IMF and the private industry have endorsed an exclusive global governance structure (although enhanced to include some emerging markets), most civil society groups have demanded more democratic processes, most of them favouring the United Nations. More fundamentally, civil society actors have argued for putting the entire financial sector under the control of democratic institutions and for making finance serve society rather than the other way round.
- *Ecological sustainability:* The question of the ecological sustainability of a future financial system is crucially important in the face of the precarious situation of the planet. This question has been entirely neglected by official organizations and the private industry (given some unconcrete passing mentions), but is discussed in varying degrees by civil society groups, especially those with a particular focus on environmental advocacy. This has to further explored and it should rank high on all future reform agendas.
- *Redistribution and poverty reduction:* Since the increased bottom-up redistribution of incomes in the last decades both nationally and globally was one of the important underlying conditions for the crisis, and since insufficient demand is currently threatening the further deepening of the economic crisis, distributive questions are crucial. Official organizations have not even included distributive issues in their analysis or reform agendas – they only passingly mention that fighting global poverty and reaching the MDGs are still to be pursued. Only the UN gives more room to proposing remedies for north-south inequalities. Also in the civil society spectrum, disributive questions are only partially adequately discussed – particularly environmental groups have not endorsed measures directly aiming at redistributing wealth globally and within societies.

And thirdly, there is the question of the *means to reach the goals*. The discussions in this paper and particularly the systematic analysis in the synopsis have laid out the different positions put forth in some of the most important statements on financial market reforms.

List of reports on financial market reforms

G20 (2008), Declaration from the Summit on Financial Markets and the World Economy, November 15, 2008, www.mofa.go.jp/policy/economy/g20_summit/2008/declaration.pdf.

G20 (2009), The Global Plan for Recovery and Reform, 2 April 2009, http://www.londonsummit.gov.uk/en/summit-aims/summit-communique/.

European G20 (2009), Federal Chancellery - Chair's Summary of the Berlin G 20 Preparatory Summit, Press Release No. 86, http://www.bundesregierung.de/Content/EN/Pressemitteilungen/BPA/2009/2009-02-22-chair-summary.

FSF (2008a), Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience", 7 April 2008, http://www.fsforum.org.

FSF (2008b), Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience Follow-up on Implementation, 10 October 2008, http://www.fsforum.org.

FSF (2009), FSF Principles for Sound Compensation Practices, 2 April 2009, www.fsforum.org/publications/r_0904b.pdf.

IMF (2008), Global Financial Stability Report Financial Stress and Deleveraging Macro-Financial Implications and Policy, October 2008.

UN (2008), Doha Declaration on Financing for Development: outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, December 9, 2008, http://daccess-ods.un.org/TMP/8306452.html

UN (2009), The First Meeting of the Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System – Recommendations for Immediate Action, http://www.un.org/ga/president/63/commission/firstmeeting.pdf.

IIF (2008), Final Report of the Committee on Market Best Practices: Principles of Conduct and Best Practice Recommendations – Financial Services Industry Response to the Market Turmoil of 2007-2008, July 2008, http://www.iif.com/regulatory/.

IIF (2008), Letter to President George Bush, November 7, 2008, http://www.iif.com/download.php?id=0DkLOqGnjTw.

ATTAC Europe (2008), The time has come: Let's shut down the financial casino. ATTAC's statement on the financial crisis and democratic alternatives, September 2008, www.casinocrash.org/wp-content/uploads/2008/10/attac-finance-crisis-15_10_2008.pdf.

Beijing Declaration (2008), The global economic crisis: An historic opportunity for transformation – An initial response from individuals, social movements and non-governmental organisations in support of a transitional programme for radical economic transformation Beijing, 15 October 2008, http://casinocrash.org/?p=235.

BankTrack (2008), El Escorial Statement on Banks and the Financial Crisis, November 6, 2008, www.banktrack.org/download/bank_to_the_future/escorial_declaration_final.pdf.

NEF (2008), From the ashes of the crash: 20 first steps from new economics to rebuild a better economy, November 11, 2008, http://www.neweconomics.org/gen/z_sys_PublicationDetail.aspx?pid=268.

FoEE (2008), Towards A Just and Sustainable Financial System: A Summary of Key Friends of the Earth Recommendations, November 13, 2008, http://comhlamh.org/assets/files/pdfs/foe_financial_recommendations.pdf.

ITUC-CSI-IGB, TUAC & Global Unions (2008), "Global Unions 'Washington Declaration'", November 2008, www.ituc-csi.org/IMG/pdf/0811t_gf_G20.pdf.

WSF (2009), Let's put finance in its place!, February 1, 2009, http://www.choike.org/campaigns/camp.php?5#_ftn1.

Endnotes

[1] On the issue of changes in global governance see: Bretton Woods Project (2009), „Overhaul of international institutions. Is the G20 willing to deliver?", http://www.brettonwoodsproject.org/art-563610.

[2] See for example Morten Boas and Desmond McNeill (2003), *Multilateral Institutions. A Critical Introduction,* London: Pluto Press.

[3] IMF (2008), *Global Financial Stability Report – GFSR Market Update*, January 28, 2009, http://www.imf.org/external/pubs/ft/fmu/eng/2009/01/index.htm.

[4] See for example Olivier Blanchard, „Cracks in the System. Repairing the damaged global economy", in *Finance & Development* (December 2008) and the IMF Working Paper 08/262; Strauss-Kahn, „A Systemic Crisis Demands Systemic Solutions", http://www.imf.org/external/np/vc/2008/092208.htm.

[5] Cf. the document under http://www.un.org/ga/president/63/statements/gfcopening301008.shtml.

[6] UN (2008), *Doha Declaration on Financing for Development: outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus*, December 9, 2008, http://daccess-ods.un.org/TMP/8306452.html. For example, the Declaration calls for enhancing transparency and disclosure practices; strengthening the regulatory and supervisory frameworks of financial markets; improving key accounting standards; and exercising strong oversight over credit rating agencies, consistent with the agreed and strengthened international code of conduct. The document also demands addressing the often expressed concern at the extent of representation of developing countries in the major standard-setting bodies.

[7] Cf. the President's statement from April 7 on http://www.un.org/ga/president/63/statements/adoptionmodalities70409.shtml.

[8] NEF is silent on this point, the global unions only call for ensuring active supervision.

[9] FoEE calls for the restoration of the Glass-Steagall Act. This American law was passed in the context of New Deal reforms in 1933, and officially introduced the separation of bank types according to their business (commercial and investment banking) – it was repealed in the 1980s and 1990s, especially with the Gramm-Leach-Bliley Act in 1999.

[10] Similar proposals for the entire banking sector are promoted by Beijing, BankTrack and FoEE, see above.

[11] Although not specifically addressing this issue, the groups gathered at the WSF 2009 demanded something related – the implementation of „*a global mechanism of state and citizen control of banks and financial institutions*" by recognizing financial intermediation „*as a public service that is guaranteed to all citizens in the world and should be taken out of free trade agreements*."

[12] In discussing the U.S. temporary restrictions on short selling after the collapse of Lehman Brothers, the IMF GFSR states, these were „*positive, comprehensive, and necessary*" measures. The IMF, however, does not discuss, if short selling should be restricted more generally.

[13] IIF 2008, 64.

[14] See Peter Wahl, „Food Speculation – The Main Factor of the Price Bubble in 2008", Weed Briefing Paper, December 2008, www.weed-online.org.

[15] UN 2008, 22. The UNs commission only demanded „*addressing the challenges posed by the food and financial crises*." (UN 2009, 1).

[16] IMF 2008a, 98f.

[17] For a detailed study on financial market regulation in the EU see Miriam Vander Stichele (2008), *Financial Regulation in the European Union* (December 2008), http://www.eurodad.org/uploadedFiles/Whats_New/Reports/EUMapping_Financial_Regulation_FINAL.pdf.

[18] Only FoEE propose specific numbers: introduce a Tobin-style tax (for example, 0.25 percent tax on stock trading, and 0.02 percent tax on options, futures, swaps, and currency trading).

[19] "*Last month I called for a reform of the G7 and for a modernized multilateralism to better reflect the realities of the 21st century. It is a positive step forward that leaders of developed economies are now meeting together with leaders from the rising economic powers. But the poorest developing countries must not be left out in the cold. We will not solve this crisis, or put in place sustainable long-term solutions by accepting a two-tier world*." Statement by World Bank Group President Robert B. Zoellick

on the Summit of G20 Leaders, http://go.worldbank.org/8Z543X2A80. See the Statement by Justin Lin, Senior Vice President and Chief Economist of the World Bank on the Doha conference: http://go.worldbank.org/C9OJ4QFGM0

[20] The only reference in the G20 Washington Declaration is to „*reaffirm the development principles agreed at the 2002 United Nations Conference on Financing for Development in Monterrey, Mexico, which emphasized country ownership and mobilizing all sources of financing for development*." The UN is not mentioned in the IMFs GFSR or in the FSFs report or the IIFs letter to Bush and the IIFs 2008 report on financial market reform.

[21] See also the *London Declaration* by the European Trade Union Confederation (ETUC) under at http://www.etuc.org/a/5367. TUAC has collected other trade union reports on the financial crisis at http://www.tuac.org/en/public/e-docs/00/00/03/CF/document_doc.phtml.

[22] Another important actor from the South, the Third World Network (TWN), has published a variety of papers dealing with special issues of financial market reform, but no comprehensive report. See especially http://www.twnside.org.sg/crisis_10.htm and http://www.twnside.org.sg/fnd_f.international.htm

[23] Attac (2008), *The time has come: Let's shut down the financial casino. ATTAC's statement on the financial crisis and democratic alternatives*, September 2008, www.casinocrash.org/wp-content/uploads/2008/10/attac-finance-crisis-15_10_2008.pdf. The document was supported by Attac Austria, Attac Denmark, Attac Finland, Attac Flanders, Attac France, Attac Germany, Attac Hungary, Attac Italy, Attac Morocco, Attac Norway, Attac Poland, Attac Spain, Attac Sweden, Attac Switzerland.

[24] Beijing Declaration (2008), *The global economic crisis: An historic opportunity for transformation – An initial response from individuals, social movements and non-governmental organisations in support of a transitional programme for radical economic transformation,* Beijing, 15 October 2008, http://casinocrash.org/?p=235. This statement was signed by some groups also discussed in this paper: Friends of the Earth Finland and Philippines, Attac groups from France, Hungary, Spain, Japan, Morocco, Denmark and Belgium. The Declaration has been translated into the following languages: Deutsch, Spanish, French, Croatian, Italian, Hungarian, Portuguese, Russian and Slovenian.

[25] Countries of the South are prominently discussed in the preamble of ATTACs statement, but in the actual text, there is only one reference to this issue – the proposal to use parts of a special fund fed by a tax on capital incomes to counter the effects of the financial crash on developing countries (ATTAC 2008, 4).

[26] The preamble states that the Declaration is "*a contribution towards efforts to formulate proposals around which our movements can organise as the basis for a radically different kind of political and economic order*."

[27] Members include, among others, Amigos da Terra Amazonia Brasileira (Brazil), Les Amis de la Terre (France), Rainforest Action Network (United States), Netwerk Vlaanderen (Belgium), WEED (Germany) and Friends of the Earth US. See www.banktrack.org

[28] Green New Deal Group (2007), *A Green New Deal. Joined-up policies to solve the triple crunch of the credit crisis, climate change and high oil prices*, July.

[29] The most important reports are: FoEE (2001), "*Sustainability and Accountability in the Financial Services Sector: Regulatory and public policy recommendations"*; Friends of the Earth, Institute for Policy Studies, International Forum on Globalization (1999), "A Call to Action: Citizens' Agenda for Reform of the Global Economic System"; and the El Escorial Declaration published in 2008 with BankTrack.

[30] FoEE only generally state: „*The rules and institutions of global finance should discourage speculation and encourage long-term investment in the real economy in a form that supports local economic activity, sustainability, equity, and reduces poverty"*. This is, however, not discussed further.

[31] ITUC-CSI-IGB, TUAC & Global Unions (2008), *Global Unions 'Washington Declaration'*, November 2008, www.ituc-csi.org/IMG/pdf/0811t_gf_G20.pdf. ITUC is the world's largest trade union federation; TUAC is an international trade union organization, which has consultative status with the OECD; Global Unions is another international trade union organization. See http://www.ituc-csi.org/; http://www.tuac.org/en/public/index.phtml; http://www.global-unions.org/.

[32] WSF (2009), *Declaration of the Assembly of Social Movements, We won't pay for the crisis. The rich have to pay for it!*, available in Eng-

lish, Spanish and German at http://www.uni-kas-sel.de/fb5/frieden/themen/Globalisierung/wsf-2009d.html. The following typical analysis for example, though adequate regarding certain processes, is far too general and greatly underestimates the real shifts in global power, wealth and ideological landscapes caused by the crisis: "*All the measures that have been taken so far to overcome the crisis merely aim at socialising losses so as to ensure the survival of a system based on privatising strategic economic sectors, public services, natural and energy resources and on the commoditisation of life and the exploitation of labour and of nature as well as on the transfer of resources from the Periphery to the Centre and from workers to the capitalist class*." The seven main demands are:

1. "Nationalising the banking sector without compensations and with full social monitoring,
2. Reducing working time without any wage cut,
3. Taking measures to ensure food and energy sovereignty
4. Stopping wars, withdraw occupation troops and dismantle military foreign bases
5. Acknowledging the peoples' sovereignty and autonomy ensuring their right to self-determination
6. Guaranteeing rights to land, territory, work, education and health for all.
7. Democratise access to means of communication and knowledge."

[33] *Let's put finance in its place*! The discussions out of which this document evolved included among others: Action Aid, Attac, BankTrack, CADTM, CCFD, CEDLA, CNCD, CRID, Eurodad, Global alternatives Forum, IBON, International WG on Trade-Finance Linkages, LATINDADD, Networkers South-North, NIGD, SOMO, Tax Justice Network, Transform!, OWINFS, War on Want, World Council of Churches. See http://www.choike.org/campaigns/camp.php?5#_ftn1

[34] See for example the report "World Social Forum 2009: New Pathways and Opportunities" by Leandro Morais of the Institute of Development Studies, http://www.ids.ac.uk/go/about-ids/news-and-analysis/february-2009-news/world-social-forum-2009.

[35] "*The resources to get out of the crisis merely burden the public with the losses in order to save, with no real public benefit, a financial system that is at the root of the current cataclysm.*" Going even further in this direction are the demands of a coalition of progressive social movements mobilizing to the streets of London for the G20 summit in April. The Dissent network demands: "DON'T BAIL OUT THE BANKS - SINK THEM !!!" See http://bristol.indymedia.org/article/689962 .

[36] The Belem Declaration has recently been complemented by a more detailed document drafted by several persons involved in the writing of the Belem WSF document. See „Background document to the Belem Declaration. For a new economic and social model – LET'S PUT FINANCE IN ITS PLACE!", www.attac.no/meninger/finanskrisa/1238585330/background-document--for-distribution--26-3-09.doc.

[37] The "Final Report of the Committee on Market Best Practices: Principles of Conduct and Best Practice Recommendations – Financial Services Industry Response to the Market Turmoil of 2007-2008", published in July 2008, set out Proposed Principles of Conduct, Best Practice Recommendations, and Considerations for the Official Sector in the areas of risk management, compensation, liquidity risk, valuation, securitization and transparency and disclosure issues.

[38] The Institute held its fall EAC meeting in Washington, DC, on November 13 and 14, 2008. Graeme Wheeler, Managing Director of Operations at the World Bank and Reza Moghadam, Director of Strategy, Policy and Review Department at the IMF attended the meeting and gave presentations. See http://www.iif.com/about/article+189.php.

[39] The letter, written on November 7, 2008, is signed by Joseph Ackermann (Deutsche Bank), Charles Dallara (IIF), William Rhodes (Citicorp), Francisco González (BBVA) and Roberto Setúbal (Baco Itau S. A.), cf. http://www.iif.com/download.php?id=0DkLOqGnjTw=.

[40] For other business-friendly reports on financial market reform see Brunnenmeier et al. (2009), *The Fundamental Principles of Financial Regulation*, Geneva Reports on the World Economy 11, http://www.voxeu.org/index.php?q=node/2796 (especially interesting, for example, the reform proposals on hedge funds, p. 24). See also the Larosiere report, http://www.londonsummit.gov.uk/en/summit-aims/timeline-events/larosiere-report

[41] See for example Jörg Huffschmid (2004), *Die Politische Ökonomie der Finanzmärkte*, VSA-Verlag.