

Colloquium on Bernard Lonergan's Economics and the Global Financial Crisis,  
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Response to Fr. Michael Czerny's Paper: *The international monetary and financial systems: Who's moving any reform?*

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I wish to begin by thanking Fr. Bob Doran for organizing this colloquium which goes into concrete detail in carrying forward the colloquium in the Fall on Globalization and the Mission of the Church. My response begins with an appreciation of the encyclical CIV upon which the Note and Dr. Michael's paper is based. I will question the appropriateness or not of the suggestion in CIV #67 on the "*urgent need of a true world political authority*" to tackle the current financial crisis.

One of the achievements of CIV is pointing out the corruption endemic in the conduct of business in both the rich and in the poor countries of the world. It emphasizes the international trade regimes that keep developing countries poor as is clear in the emphasis on equal trade. CIV unmasks the market's invisible hand exposing the element of human encounter that takes place in the "free market" and urges fraternal charity to be its criteria instead of unlimited profit. Through element of mutual trust, the market could become an agent for the building of strong human community: "In fact, if the market is governed solely by the principle of the equivalence in value of exchanged goods, it cannot produce the social cohesion that it requires in order to function well. *Without internal forms of solidarity and mutual trust, the market cannot completely fulfill its proper economic function.* #35.

In the light of the financial crisis, CIV calls for the reform of the United Nations and of economic institutions and international finance. "There is," CIV maintains, "urgent need of a true world political authority" with "effective power." In the light of the

fruitful discussion of the morning paper on the subprime mortgage crisis, the positive insight one gets from CIV's suggestion and the PCJP Note's explication as well as Fr. Michael's paper is on the importance of a strong regulation to forestall a repeat of the circumstances leading up to the financial crisis. However, CIV's suggestion which PCJP's Note seeks to elaborate is controversial for two reasons: first, there is the question of its relevance to the financial crisis and second its ambiguity and feasibility. Because the financial crisis is a result of experimenting on a bright new financial formula, a highly leveraged, lightly regulated, market-based system of allocating capital dominated by Wall Street, which was grossly abused, there is a general agreement on the need for financial reform. The challenge is how the reform is to be carried out to preserve the freedom of the market without undue interference of the state. Here liberals and conservatives slug it out fine-tuning the form the financial regulation should take. But listening to Joseph's paper in the morning on subprime mortgage crisis, I have no doubt the financial regulation must go beyond the politicians and the readily available institutions as they collude in the fraud that gave rise to the crisis in the first place. A strong financial authority independent to serve as a regulatory body is necessary as in the case of Malta Michael's paper mentioned.

Having said that, I am troubled by the suggestion for a global political authority. Some questions come to mind: Is this political authority meant to be world government that would dictate financial reform that must be complied with by every nation on earth? Or is it to be an ethical principle that would govern world finance? How binding is the authority of this global government? The ambiguity of this proposal in CIV and its attempted explanation by PCJP raises unending questions which must be answered if the

suggestion is to be taken seriously. Can we say that the global public authority is a continuation of the unmasking of the invisible hand of the free-market? Could this be why the document critiques the “economic apriorism” of neoliberal capitalism, which often ignores human beings whose wellbeing must be promoted in every transaction? In relation to globalization and the hegemony of economic growth, is the reference to global political authority an attempt to institute a global authority over such hegemonic institutions like the World Trade Organization and the International Financial Institutions, who through global governance effected by their various protocols control terms of trade often in favor of the North over the South. Are both documents proposing as is customary in CST, a third way: neither “economic apriorism” nor utilitarianism that glorifies the individual wants as good for the community. As Michael’s paper suggests, the global political authority could either be understood as having a name and address or be an ethical principle. Michael’s paper gives the impression that the global political authority is meant to be both: an exercise of authority, an institution operating under the principle of subsidiarity.

This third way I guess will be communitarian, that is, adopting an “ethic of solidarity.”<sup>1</sup> The “World Political Authority” is aimed at building “a new humanism open to transcendence.”<sup>2</sup> But it must be mentioned that the reason given for the urgent need to create a world political authority is not cogent. Just because globalization has internationalized the world political system is not enough reason to institute a world political authority to police the world’s economico-financial and I would add of course inevitably political, socio-religious and cultural issues. That is not the solution to the

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<sup>1</sup> Ibid., 20

<sup>2</sup> Ibid., 21.

challenges of globalization. The two examples given by Michael's paper to buttress the need for such global authority actually show why we do not need such global political authority. Decentralizing banks to forestall the existence of banks too big to fail cannot be substituted by a global authority that will be too large to be efficient. The Malta Financial Authority is local and works well for Malta and is not an example of global political authority. Both are not convincing reasons for the existence of a global political authority.

I will like to give an example from the growing discipline of World Christianity. The missionary activities of the Church itself could be considered the forerunner of globalization. Spreading Christianity to non-Western contexts succeeded in creating world Christianity where openness to the cultural differences of people resulted in successful inculturation of Christian faith in places where the hegemonic eurocentrism of Christendom failed woefully. "The growing interdependence between states and nations of the world" does not necessarily call for a centralized structure of control but a broadness of vision of states and nations guided by ethical criteria for doing business. If anything, a world political authority would negate the principle of subsidiarity. Global political authority will definitely encroach on the sovereignty of nation states. I have no doubt the Note is inclined towards this as it states: "The time has come to conceive of institutions with universal competence, now that vital goods shared by the entire human family are at stake, goods which individual States cannot promote and protect by themselves. The conditions exist for going definitively beyond a 'Westphalian' international order in which States feel the need for cooperation but do not seize the opportunity to integrate their respective sovereignties for the common good of peoples"

(p. 40; 7 of Michael's paper). This negates the principle of subsidiarity which states that smaller authorities must be given space to do what they can themselves without interference of bigger authorities. Instead of promoting the common good, the global political authority would indirectly without intending it obstruct the market and throw the world into worst financial crisis, that is, if such an institution is feasible or practicable at all.

Instead of a world political authority, what we need perhaps is the integral dialectics of world community through the scale of values from above downwards and from below upwards. I am suggesting following Prof. Bob Doran's *Theology and the Dialectics of History*, a world cultural humanity because what needs to change is the personal value of people away from all forms of self-centeredness to commitment to the common good. Thus instead of a global political authority which would be a top-down approach based on external laws and regulations, global finance and development actually in line with the integral development of Catholic social teaching must incorporate the entirety of the scale of values: vital, social, cultural, personal and religious. While world cultural community may not be as radical as Michael paper and the Note envisions in terms of immediacy in the form of a short-sighted practicality, in the long run through persuasion and effective dissemination of the importance and depth of conversion in social transformation, not only global finance but also sustainable human development will be fostered in the form Catholic social teaching has been emphasizing as integral development.

