A Doctrine of Balance

How to achieve and implement a Charter for

Sustainable Development

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This text summarizes my personal impression and conclusion of the workshop "New Foundations for World Economy and Global Governance" at the World Trade Organization, July 6, 2011 in Geneva.

Two central issues have to be addressed:

- fairness and equity (=> consensus about norms, values and virtue)
- fair implementation process towards equity and sustainable development

The issue of "fairness and equity" dominates the current discussions at the international level, e. g. in the context of global order negotiations at WTO and UNEP. This issue raises the question, whether a consensus can be reached about a coherent agreement on necessary restrictions of individual freedom and diversity, guaranteeing
- fair participation in wealth and value added,
- fair participation in Global Commons

while at the same time

- preserving a balanced and intact environment ("dignity of nature").

It seems that a consensus about fairness and equity is only achievable, if the question how to finance the necessary implementation process towards equity is answered. Because of this necessity, a suggestion for the implementation process will be described first, followed by a suggestion on how to reach a consensus about fairness and equity in World Economy and Global Governance.

A fair co-financing of a Global Deal is essential

The central problem "behind" the discussions is that, with all our current know-how, our level and type of the implemented production capacities, and our consumption pattern, i.e. our global culture, we will not be able to produce all the goods and services, demanded by more and more people living on the earth, without destroying our planet. In terms of the ecological footprint we already exploit the environmental yield of 1.5 planets year by year. We definitely must reduce the amount of the natural resources that we use and which we "transform" into value added via our culture. In consequence, the only chance to generate sufficient value added without destroying our planet is a global enhancement of culture with respect to production (efficiency) and consumption (sufficiency).
Do we have a chance to achieve this fairly? Our production of goods and services will have to comply with environmental standards which incorporate all environmental limitations. All our value added chains will have to comply with social standards to implement the fairness aspect of participation and equity. Enforcement will be necessary to ensure compliance globally. This could pragmatically be reached by defining social and environmental standards as mandatory PPMs (process and productions methods) within the framework of the WTO. Such mandatory standards would force all members of the WTO to implement all necessary prerequisites in order to be compliant with the standards. This capacity building is urgently needed to reach sustainability by balancing value creation and consumption. Obviously, building up these capacities will take time. In consequence, a fair Global Deal will have to negotiate and determine the transition process. Border adjustment measures could be instruments to balance the differences temporary.

The most crucial question is how a Global Deal to accept common behavioural norms can be achieved. Co-financing was the all important joker in the negotiations of the Montreal Protocol as well as in the European Union, to reach the acceptance of new standards. Co-financing will also be the key to the Global Deal. In consequence, a fair provision of structural and cohesion funds for co-financing is essential. How then can a fair source of financial means be provided? How can a Global Stability / Sustainability Contribution be designed?

At this point, the global financial system and the current monetary crisis enter the scene. Behind the crisis stands what George Soros, a well known investment manager, has called the "super bubble". It is the huge amount of financial products inducing instability to the monetary system. These financial products always constitute a debt, and can be seen as a kind of money in today's world financial system (that's why we name financial products "leverage money"). A tax on the creation of financial products – a Leverage Money Tax – would stabilize the system yielding a double benefit. It would achieve fairness in the financial markets and would provide the co-financing funds to achieve fairness in global participation.

A Leverage Money Tax is not a financial transaction tax. A financial transaction tax can be compared with the Real Estate transfer tax, which has to be paid whenever the ownership of an already existing property changes. Similar to the VAT, which is levied once if a product is created and sold, the Leverage Money Tax would be levied once from the leverage money creators who are loading instability to the system by going into debt. Actually, every debtor taking out a loan creates a financial product. The certificated or securitized debt, the document evidencing the credit agreement (debt obligation, debenture, promissory note, etc.) is the product. The Leverage Money Tax would be levied on any debts of all debtors, especially those with high or highest ratings. By following the "ability-to-pay" principle this would allow implementing the fairness-aspect. Economically strong debtors (usually paying low interest to their creditors) should be subject to higher tax rates than economically weaker debtors (usually paying higher interest to their creditors). In this way, fairness would be added to the markets.

A Leverage Money Tax of one percent on average would raise one to two trillion dollars annually. Even a Leverage Money Tax of 0.1 percent on average would already be a significant Global Stability / Sustainability Contribution to feed global structural and cohesion funds for co-financing.

Common norms for fairness and equity

In 1948 the United Nations proclaimed the Universal Declaration of Human Rights as a common standard of achievement for all peoples and all nations (as it is mentioned in the preamble of the Declaration), forming a mutual basis for regulating the competition between humans for participation. Article 25 is essential with respect to the participation in wealth and value added; "everyone has a right to a standard of living adequate for the health and wellbeing of himself and of his family and the right to security …". Article 28 explicitly proclaims, that "everyone is entitled to a social and international order in which the rights and freedoms set forth in this Declaration can be fully realized". The Declaration contains several norms concerning civil and political, economic, social and cultural rights, but does not take the limited nature into account. Meanwhile, the necessity to preserve the earth can be considered a common understanding and to be mutual interest.

In consequence, the main article 1 of the Declaration, which defines the leading principle of human competition, should be enhanced, e.g. in the following way (changes are set in bold italic):

Article 1

All human beings are born free and equal in dignity and rights, **_and they are committed to preserve the availability of the Global Commons and a balanced environment_**. They are endowed with reason and conscience and should act towards one another in the spirit of brotherhood.

The commitment to preserve the availability of the Global Commons and a balanced environment should be clarified by adding a new article to the declaration:

Article (new)

(1) **_Everyone has the right and duty to protect the environment, to keep the balance of nature intact for current and future generations._**
(2) **_Everyone has the right to participate equally in all Global Commons._**

These enhancements to the Declaration incorporate the environmental aspect: With the obligation to respect human dignity and the dignity of nature, the behaviour of everyone competing for participation should reflect the spirit of brotherhood.

An important aspect is left free for individual interpretation. What does "spirit of brotherhood" actually mean? The Declaration uses further words without explanation like "fair" (article 10), "adequate" (article 25) and "wellbeing" (article 25).

This could lead to conflicting interpretations depending upon the attitude and virtuousness of the reader. The question is left open, whether "standard of living adequate for … wellbeing" has to be interpreted in the virtuous spirit of the "Golden Mean" (Aristotle), the "Doctrine of the Mean" (Confucius), the "Middle Way" (Buddhism), the "Right Path" (Islam) or whether it comprises everything like the "maximization of utility or profit" (hedonistic utilitarianism). Is it virtue, justice and order which have to ensure fairness and equity (wellbeing for everyone), or is this expected from the "invisible hand" of the markets?

If we consider formal logic and decision theories we will have to expect strongly, that the problem of maximizing the overall utility of all the future generations in all dimensions of sustainability - ecological (stability), economical (profit) and social (dignity and peace) – is undecidable. The world is too complex; there will always be undecidable questions of what is good and pleasure. It is impossible to find any unambiguous and thus unimpeachable "target-function" to maximize ecological, economical and social happiness. Even if a restricted form of the problem in all three dimensions is chosen, the result could only be Pareto solutions.

In consequence, the definition of fairness and equity has to be derived from a consensus how to "balance" the complex and interconnected system of ecological, economical and social aims. This corresponds to a consensus about the leading principle of virtue, between the eco-social "Doctrine of the Mean" and the economic "Doctrine of the Maximum". Could a "Doctrine of Balance" be a compromise for a new model of progress that replaces the current model of growth?
A Doctrine of Balance could be transformed into a "virtue of fairness, equity, conscience and responsibility", meant as the

- leading principle for individual decisions in situations that are not restricted by legislation,
- measure to evaluate and define regulations
- guideline to find common consensus on what is assigned to be a right decision in undecidable situations.

The focal point of the World Order, the Universal Declaration of Human Rights, should fix it, e. g. in article 28, as the leading principle behind the "spirit of brotherhood".

Article 28

Everyone is entitled to a social and international order*, **balancing social*, *ecological and economical issues*, *pursuant to the virtue of fairness*, *equity*, *conscience and responsibility as the leading principle for brotherhood*,* in which the rights and freedoms set forth in this Declaration can be fully realized.

National and international order and legislation that respect Human Rights would have to implement and execute justice that cares for Balance.

An enhanced Universal Declaration of Human Rights could be the starting point to negotiate details within the WTO in close cooperation and coordination with other responsible bodies of the UN. The aim of the negotiations should be to adapt the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights, and a third International Covenant on Ecological Rights to be formulated. Co-financing has to be offered, so that these three covenants are accepted in a Global Deal as a Charter for Sustainable Development and as mandatory process and production methods (PPMs) within the WTO.

Aus der Reihe:

FAWn - Denkanstöße
Beiträge für den offenen Dialog