

Responses From The South To The Global Economic Crisis

International Political Economy Conference Final declaration

By [Global Research](#)

Theme: [Global Economy](#)

Global Research, October 21, 2008

21 October 2008

Caracas, October 11, 2008

Academics and researchers from Argentina, Australia, Belgium, Canada, Chile, China, Cuba, Ecuador, France, Mexico, Peru, Phillipines, South Korea, Spain, United Kingdom, United States, Uruguay and Venezuela participated in **The International Political Economy Conference: Responses from the South to the Global Economic Crisis**, held in Caracas from the 8 to 11 October 2008. The conference stimulated a wide ranging debate on the current economic and financial health of the global economy, the new perspectives and the challenges to the governments and peoples of the South posed by the international financial crisis.

The meeting concluded that the situation has worsened in the last few weeks. It has progressed rapidly from being a series of crises in the financial markets of countries in the centre and has turned into an extremely serious international crisis. This meant that countries in the South are in a very difficult situation.

The crisis threatens the real economy and, if energetic and effective actions are not taken immediately, all peoples in the world could be drastically punished; especially the least protected and most neglected sectors.

The vulnerability of our currencies, the financial imbalances and the serious recession that looms large give the lie to the neoliberal myth about the benefits of deregulating markets and the solidity and trustworthiness of the existing financial institutions; the former also clearly bring into question the foundations of the current capitalist system.

The contributions made to the conference shone the spotlight on the way the crisis, which began in August 2007, has developed and on the failure of the ever larger concessions, bailouts and privileges provided by state intervention in developed capitalist countries to save the dregs of an already non-functional world financial system.

We denounce the attempt to make the overall world system carry the cost of the financial bailout thus aggravating the situation of poverty, unemployment and exploitation experienced by the world's workers and peoples.

Neither the colossal state interventionism seen over the last few weeks to rescue institutions dismembered and drained dry by speculation, nor massive public indebtedness are plausible ways to get out of the crisis. The existing dynamic encourages new rounds of

capital concentration and, if the peoples do not firmly oppose this, it is becoming perilously likely that restructuring will occur simply to save privileged sectors. This could mean there is a danger of capitalism returning to an authoritarian way of functioning, since in the North an increase in discrimination and racism towards immigrants from countries in the South has already been noted – which is something extremely regressive.

If the current restructuring the capitalist system continues down the same road, there will be enormous productive and social costs and the already fragile sustainability of the environment may suffer even more damage.

The need to reform the international economic and financial structure is today unavoidable. Those who think this also believe that it is necessary to find a post-capitalist solution; in Venezuela this is referred to as Twenty First Century Socialism.

In a moment as critical as this, national and regional policies must give priority to social spending and to protecting natural and productive resources. States must introduce urgent financial regulation measures to protect savings, to keep stimulating production and must fight off the dangers implicit in a lack of regulation by immediately implementing exchange and capital movement controls.

It will therefore be essential to develop the highest possible degree of balanced regional complementation and trade integration by reinforcing industrial, agricultural, energy and infrastructural capacities. Initiatives such as ALBA and the Bank of the South must extend their radius of action and move their perspective towards that of a alternative form of greater integration which includes a new common currency. This is so we can move towards creating a new world financial architecture which will make it viable for the south to be involved in a different way in the international division of labour.

In this context it is necessary to evaluate a series of contributions and proposals from the social economy which seek to dignify labour and encourage local coordination to combat the impact of the crisis.

On an international level, we must not cease to demand a far-reaching reform of the international monetary and financial system; this entails defending savings and channelling investments into serving the Peoples' essential needs. The continued re-emergence of a system which favours the central role of speculation, increases economic differences and especially punishes those countries and sectors which are least protected must be prevented.

Therefore new (multilateral) economic institutions must be created on new bases; they must have the authority and the instruments to be able to act against the anarchy of speculation. Hence it has become indispensable that national authorities intervene urgently in ways that challenge the basic workings of the market and protect the finances of the peoples affected. The crisis has created common interests among the peoples of all nations.

Based on these analyses and considerations, **The International Political Economy Conference: Responses from the South to the Global Economic Crisis** has reached the following

Conclusions and Recommendations for Action

We begin with the following characterisation of the international economic situation;

1. We find ourselves in an unprecedented international situation. The economic and financial crisis has worsened and accelerated greatly in the last few days. **Its future development, as well as being difficult to foresee could take on, from one day to the next, dramatic overtones.**
2. The initial epicentre of the crisis was in the United States and on the stock markets but the crisis is now a world crisis which is affecting the whole financial system and is increasingly contaminating the productive apparatus. The crisis is having a particular impact now on Eastern and Western Europe.
3. In spite of the initial expectations that **Latin America** could remain outside the crisis and that it is “shielded,” **there are already very convincing signs that the sub continent is certain to be affected. We can not only expect a prolonged decrease in foreign trade but are certain to be hit by a very violent financial crash - and soon.** The more internationalised the banking system and stock exchange the greater its fragility.

We are making these suggestions well aware that **in any crisis there are always winners and losers.** We are strongly in favour of taking those measures which **ensure the welfare and rights of our peoples**, of citizens in general and not in favour of coming to the aid of the bankers responsible for the crisis as they are doing in Europe and the United States.

Given this new situation and the fact that it is worsening at an accelerated rate we think it is necessary to make the following **recommendations for action**, some of which will have to be implemented **by taking urgent political decisions at the very highest levels.**

Therefore, consideration should be given to calling an immediate Extraordinary Summit of Latin American and Caribbean presidents or at least of those of UNASUR. Either or both of these would be presided over by a large popular mobilisation of our peoples.

ON THE BANKING SYSTEM

- Given the collapse of the international financial system, states in the region **should immediately take charge of their banking systems** using controls, intervention and nationalisation without compensation following the principle enshrined in the new Ecuadorian constitution which forbids the state to accept responsibility for private debts. (Article 290, point 7: “it is forbidden for the state to accept responsibility for private debts”).
- The reason for these measures is **to prevent capital fleeing abroad**, a run on currencies, the transference of funds from the branches of foreign banks to their head offices and to prevent banks from freezing credit by not lending the funds they receive.

- The **off shore banking systems of every country must be shut down**, for under current circumstances, when liquidity problems are causing money to be siphoned off from the periphery, they are an extremely dangerous haven from regulations and fiscal controls.
- **The banks' books must be opened; bank oversight must be strengthened as must the mechanisms of strict regulation which make the real situation of national banking systems transparent for they are the institutions into which the populations' savings are deposited.** (Given that financial services are public services) **One of these measure must guarantee there is a minimum amount of domestic investment in the liquid assets of the system** (coefficient of domestic liquidity).
- Popular economic activities for development and not for profit must be encouraged and administered by populations living in the areas where such bodies are located.
- If the state does intervene **they must recover the costs of the bailout** from the banks' property and have the right to do so from the property of the shareholders and managers.

THE NEW FINANCIAL ARCHITECTURE

- **The lack of coordinated monetary policies causes a “competitive devaluations” war** which makes the crisis worse and unleashes rivalry between our economies thus preventing a coordinated response from the region and even **creates structural threats to the progress of initiative towards integration, such as UNASUR.** Therefore, **clear signs that there will be a Latin American monetary agreement should be given** which will straight away make evident the additional opportunities for “shielding” our macro-economies. Thus, defining **a system of payment settlements** based on a basket of Latin American monies will provide each country with additional sources of liquidity which will allow them to distance themselves from the logic of the dollar crisis.
- Along the same lines as creating institutions to “shield” our economies **we will need more coordination between our central banks** and must go beyond neoliberal dogma by managing our international reserves in a much more efficient and timely way. So it is important to move **forward on the proposal for a Fund of the South that is an alternative to the IMF** with liquidity available for emergencies in exchequers (national treasuries) or balance of payments.

Making good use of the bigger surplus reserves of each country brought about by the creation of a payment settlement system (regional credit transfer rights) and by the existence of the Common Fund of the South, resources can be mobilised **to get the Bank of the South up and running straightaway** ensuring that it will function democratically and not reproduce the logic of the multilateral financial credit organisations. This bank must be the heart of this process of transforming the already existing network of Latin American

bancos de fomento whose mission is the reproduction of productive apparatus based on fundamental human rights. We understand all of the foregoing in way something similar to what was emphasised in the Quito Ministerial Declaration of 3 May of this year where it said “The peoples gave their governments the mandate to provide the region with new tools for integration for development. These should be designed on transparent, participatory bases and accountable to those who issued the mandate.”

- It is essential to ratify **exchange controls** in the countries where they exist and to establish them where there don't to protect reserves and prevent capital outflows.
- In the context of the suspension of payments imposed by the crisis on the international financial system it is imperative that the countries of the region consider **suspending payment of public debt**. This measure is intended to temporarily protect sovereign resources threatened by the crisis and avoid an emptying out of the national treasuries

Latin America and the Caribbean should learn from what is happening in Europe where each country is trying to solve the crisis on its own. This makes it imperative to bolster the mechanisms of integration being developed in the region.

SOCIAL EMERGENCY

- **We propose that the widest possible degree of national and peoples' sovereignty be exercised over natural resources, in order that they be rationally exploited and their prices defended to benefit the peoples.**
- **We propose setting up a Regional Social Emergency Fund** to ensure food and energy sovereignty right away and to deal with the acute problems of migrations and reduction in remittances. **This fund could operate out of the Bank of the South or the Alba Bank.**
- Pursuant to the principle of not rescuing bankers but rather our populations, **public budgets must be maintained for social spending** and we must contemplate an increase in these budgets to combat the imminent effects of the international crisis on our peoples; our **priorities are employment security, universal income, public health and education, housing.**
- **Establishing anti-inflationary mechanisms, such as price controls which conserve and increment low wages and pensions, subsidies etc, which play a role in redistributing income and wealth.**

FINANCIAL ORGANISATIONS.

The international financial crisis has revealed the complicity of the IMF, the World Bank and the IDB with transnational bankers who have caused the current collapse with its horrific social consequences. The loss of prestige of these bodies is obvious. **This is the opportunity for the countries in the region to follow Bolivia's example and withdraw from ICSID** (International Centre for the Settlement of Investment Disputes) and to take up Venezuela's call to withdraw from the IMF and the World Bank and begin to help

to build a new international financial architecture.

We convene a second International Political Economy Conference: Responses from the South to the Global Economic Crisis to be held in the first four months of 2009.

Caracas, 11 October 2008

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