

Pontifical Council for Justice and Peace

TOWARDS REFORMING THE INTERNATIONAL FINANCIAL AND MONETARY SYSTEMS IN THE CONTEXT OF GLOBAL PUBLIC AUTHORITY

Vatican City

2011

Preface

"The world situation requires the concerted effort of everyone, a thorough examination of every facet of the problem – social, economic, cultural and spiritual. The Church, which has long experience in human affairs and has no desire to be involved in the political activities of any nation, 'seeks but one goal: to carry forward the work of Christ under the lead of the befriending Spirit. And Christ entered this world to give witness to the truth; to save, not to judge; to serve, not to be served.'"

With these words, in the prophetic and always relevant Encyclical *Populorum Progressio* of 1967, Pope Paul VI outlined in a clear way "the trajectories" of the Church's close relation with the world. These trajectories or perspectives intersect with the perspectives of others outside the Church in the profound value of human dignity and the quest for the common good, which make people responsible and free to act according to their highest aspirations.

The economic and financial crisis which the world is going through summons everyone, as individuals and peoples, to examine in depth the principles and the cultural and moral values that underlie social coexistence. What is more, the crisis engages private actors and competent public authorities on the national, regional and international level in serious reflection on causes and on solutions of a political, economic and technical nature.

In this perspective, as Pope Benedict XVI teaches, the crisis "obliges us to re-plan our journey, to set ourselves new rules and to discover new forms of commitment, to build on positive experiences and to reject negative ones. The crisis thus becomes an opportunity for discernment, in which to shape a new vision for the future. In this spirit, with confidence rather than resignation, it is appropriate to address the difficulties of the present time."

The G20 leaders themselves said in the Statement they adopted in Pittsburgh in 2009: "The economic crisis demonstrates the importance of ushering in a new era of sustainable global economic activity grounded in responsibility."

The Pontifical Council for Justice and Peace now responds to the Holy Father's appeal, while making the concerns of everyone our own, especially the concerns of those who pay most dearly for the current situation. With due respect for the competent civil and political authorities, the Council hereby offers and shares its reflection: Towards reforming the international financial and monetary systems in the context of global public authority.

We hope that world leaders and all people of good will find this reflection helpful. It is an exercise of responsibility not only towards the current but above all towards future generations, so that hope for a better future and confidence in human dignity and capacity for good may never be extinguished.

Cardinal Peter K.A. Turkson +Mario Toso

President Secretary

Presupposition

Every individual and every community shares in promoting and preserving the common good. To be faithful to their ethical and religious vocation, communities of believers should take the lead in asking whether the human family has adequate means at its disposal to achieve the global common good.

The Church for her part is called to encourage in everyone without distinction, the desire to join in the “monumental amount of individual and collective effort” which men and women have made “throughout the course of the centuries ... to better the circumstances of their lives.... [T]his human activity accords with God’s will.”

1. Economic Development and Inequalities

The grave economic and financial crisis gripping the world today springs from multiple causes. Opinions on the number and significance of these causes vary widely. Some commentators focus above all on certain errors that they consider to be inherent in the economic and financial policies. Others stress the structural weaknesses of political, economic and financial institutions. Still others say that the causes are ethical breakdowns occurring at all levels of a world economy that is increasingly dominated by utilitarianism and materialism. At every stage of the crisis, one might discover particular technical errors intertwined with certain ethical orientations.

In material goods markets, natural factors and productive capacity as well as labour in all of its many forms set quantitative limits by determining relationships of costs and prices which, under certain conditions, permit an efficient allocation of available resources.

In monetary and financial markets, however, the dynamics are quite different. In recent decades, it was the banks that extended credit, which generated money, which in turn sought a further expansion of credit. In this way, the economic system was driven towards an inflationary spiral that inevitably encountered a limit in the risk that credit institutions could accept. They faced the ultimate danger of bankruptcy, with negative consequences for the entire economic and financial system

After World War II, national economies made progress, albeit with enormous sacrifices for millions, indeed billions of people who, as producers and entrepreneurs on the one hand and as savers and consumers on the other, had put their confidence in a steady and progressive expansion of money supply and investment in line with opportunities for real growth of the economy.

Since the 1990s, we have seen that money and credit instruments worldwide have grown more rapidly than the accumulation of wealth in the economy, even adjusting for inflation. From this came the formation of pockets of excessive liquidity and speculative bubbles which later turned into a series of solvency and confidence crises that have spread and followed one another over the years.

A first crisis, in the 1970s through the early 1980s, was related to the sudden sharp rises in oil prices. A series of crises in the developing world followed, for example, the first crisis in Mexico in the 1980s and those in Brazil, Russia and Korea, and then again in Mexico in the 1990s as well as in Thailand and Argentina.

The speculative bubble in real estate and the recent financial crisis have the very same origin in the excessive amount of money and the plethora of financial instruments globally.

Whereas the crises in developing countries that risked engulfing the global monetary and financial system were contained through interventions by the more developed countries, the outbreak of the crisis in 2008 was characterized by a different factor compared with the previous ones, something decisive and explosive. Generated in the context of the United States, it took place in one of the most important zones for the global economy and finances. It directly affected what is still the currency of reference for the great majority of international trade transactions.

A liberalist approach, unsympathetic towards public intervention in markets, chose to allow an important international financial institution to fall into bankruptcy, on the assumption that this would contain the crisis and its effects. Unfortunately, this spawned a widespread lack of confidence and a sudden change in attitudes. Various public interventions of enormous scope (more than 20% of gross national product) were urgently requested in order to ward off the negative effects that could have overwhelmed the entire international financial system.

The consequences for the real economy, what with grave difficulties in some sectors – in the first place construction – and widespread communication of pessimistic economic forecasts, have generated a negative trend in production and international trade. This has led to very serious repercussions for employment as well as other effects that have probably not yet seen their full impact. The costs are extremely onerous for millions in the developed countries, but also and above all for billions in the developing ones.

In countries and areas where the most elementary goods such as health, food and shelter are still lacking, more than a billion people are forced to survive on an average income of less than a dollar a day.

Global economic well-being, traditionally measured by national income and also by levels of capacities, grew during the second half of the twentieth century, to an extent and with a speed never experienced in the history of humankind.

But the inequalities within and between various countries have also grown significantly. While some of the more industrialized and developed countries and economic zones – the ones that are most industrialized and developed – have seen their income grow considerably, other countries have in fact been excluded from the overall improvement of the economy and their situation has even worsened.

After the Second Vatican Council, in his Encyclical Letter *Populorum Progressio* of 1967, Pope Paul VI already clearly and prophetically denounced the dangers of a liberalist conception of economic development because of its harmful consequences for world equilibrium and peace. The Pontiff asserted that the defence of life and the promotion of people's cultural and moral development are the essential conditions for the promotion of authentic development. On these grounds, Paul VI said that full and global development is "the new name of peace".

Forty years later, in its annual Report of 2007, the International Monetary Fund recognized the close connection between an inadequately managed process of globalization on the one hand, and the world's great inequalities on the other. Today the modern means of communication make these great economic, social and cultural inequalities obvious to everyone, rich and poor alike, giving rise to tensions and to massive migratory movements.

Nonetheless, it should be reiterated that the process of globalisation with its positive aspects is at the root of the great development of the world economy in the twentieth century. It is worth recalling that between 1900 and 2000 the world population increased almost fourfold while the growth in wealth produced worldwide was much greater, resulting in a significant rise of average per capita income. At the same time, however, the distribution of wealth did not become fairer but in many cases worsened.

What has driven the world in such a problematic direction for its economy and also for peace?

First and foremost, an economic liberalism that spurns rules and controls. Economic liberalism is a theoretical system of thought, a form of "economic apriorism." It purports to derive the laws for how markets function from theory, these being laws of capitalistic development, but it exaggerates certain

aspects of markets and downplays or ignores others. An economic system of thought that sets down a priori the laws of market functioning and economic development, without measuring them against reality, risks becoming a tool subordinated to the interests of the countries that effectively enjoy a position of economic and financial advantage.

Regulations and controls, imperfect though they may be, already often exist at the national and regional levels; whereas on the international level, it is hard to apply and consolidate such controls and rules.

The inequalities and distortions of capitalist development are often an expression not only of economic liberalism but also of utilitarian thinking: that is, theoretical and practical approaches according to which what is useful for the individual leads to the good of the community. This saying has a core of truth, but it cannot be ignored that individual utility – even where it is legitimate – does not always favour the common good. In many cases a spirit of solidarity is called for that transcends personal utility for the good of the community.

In the 1920s, some economists had already warned about giving too much weight, in the absence of regulations and controls, to theories which have since become prevailing ideologies and practices on the international level.

One devastating effect of these ideologies, especially in the last decades of the past century and the first years of the current one, has been the outbreak of the crisis in which the world is still immersed.

In his social encyclical, Pope Benedict XVI precisely identified the roots of a crisis that is not only economic and financial but above all moral in nature. In fact, as the Pontiff notes, to function correctly the economy needs ethics; and not just of any kind but one that is people-centred. He goes on to denounce the role played by utilitarianism and individualism and the responsibilities of those who have adopted and promoted them as the parameters for the optimal behaviour of all economic and political agents who operate and interact in the social context. In addition, Benedict XVI also identifies and denounces a new ideology, that of “technocracy”.

2. The Role of Technology and the Ethical Challenge

The great economic and social developments of the past century, with their bright spots and serious shadows, can also be attributed in large part to the continued development of technology and more recently to advances in information technologies, and especially to their applications in the economy and most significantly in finance.

However, if we are to think clearly about the current new social question, we must avoid the error – itself a product of neo-liberal thinking – of regarding all the problems that need tackling as exclusively technical in nature. In such a guise, the problems evade the discernment and ethical evaluation that are urgently required. In this context Benedict XVI’s encyclical warns about the dangers of the technocracy ideology: that is, of making technology absolute, which “tends to prevent people from recognizing anything that cannot be explained in terms of matter alone”. It also minimizes the value of the choices made by the concrete human individual who works in the economic-financial system by reducing them to mere technical variables. Being closed to a “beyond” in the sense of something more than technology, not only makes it impossible to find adequate solutions to the problems, but it impoverishes the principal victims of the crisis more and more from the material standpoint.

Given the complexity of the phenomena of concern, the importance of ethical and cultural factors

cannot be overlooked or underestimated. In fact, the crisis has exposed behaviours such as selfishness, collective greed and the hoarding of goods on a mammoth scale. No one can be content with seeing man live like a wolf to his fellow man, according to the concept discussed by Hobbes. No one can in good conscience accept the development of some countries to the detriment of others. If no solutions are found to the various forms of injustice, the negative effects that follow on the social, political and economic level are destined to create a climate of growing hostility and even violence, and ultimately undermine the very foundations of democratic institutions, even the ones considered most solid.

Recognizing the primacy of being over having and of ethics over the economy, the world's peoples ought to adopt an ethic of solidarity to fuel their action. This implies abandoning all forms of petty selfishness and embracing the logic of the global common good which transcends merely passing and limited interests. In a word, they ought to have a keen sense of belonging to the human family, which means sharing in the common dignity of all human beings: "Even prior to the logic of a fair exchange of goods and the forms of justice appropriate to it, there exists something which is due to man because he is man, by reason of his lofty dignity."

In 1991, after the failure of Marxist communism, Blessed John Paul II had already warned of the risk of an "idolatry of the market, an idolatry which ignores the existence of goods which by their nature are not and cannot be mere commodities." Today his warning needs to be heeded without delay and a road must be taken that is in greater harmony with the dignity and transcendent vocation of the person and the human family.

3. An Authority over Globalization

On the way to building a more fraternal and just human family and, even prior to that, a new humanism open to transcendence, Blessed John XXIII's teaching seems especially timely. In the prophetic Encyclical Letter *Pacem in Terris* of 1963, he observed that the world was heading towards ever greater unification. He then acknowledged the lack of correspondence in the human community between political organization "on a world level and the objective needs of the universal common good". He also expressed the hope that one day "a true world political authority" would be created.

In view of the unification of the world engendered by the complex phenomenon of globalization, and of the importance of guaranteeing, in addition to other collective goods, the good of a free, stable world economic and financial system at the service of the real economy – in this perspective, the teaching of *Pacem in Terris* appears to be even more vital today and worthy of urgent implementation.

Consistent with the spirit of *Pacem in Terris*, Benedict XVI himself expressed the need to create a world political authority. This seems obvious if we consider the fact that the agenda of questions to be dealt with globally is becoming ever longer. Think, for example, of peace and security; disarmament and arms control; promotion and protection of fundamental human rights; management of the economy and development policies; management of migratory flows and food security; and protection of the environment. In all these areas, the growing interdependence between States and regions of the world becomes more and more obvious as well as the need for answers that are not just sectorial and isolated, but systematic and integrated, rich in solidarity and subsidiarity and geared to the universal common good.

As the Pope reminds us, if this road is not followed, "despite the great progress accomplished in various sectors, international law would risk being conditioned by the balance of power among the strongest nations".

The purpose of a public authority, as John XXIII reminded us in *Pacem in Terris*, is first and foremost to serve the common good. Therefore, it should be endowed with structures and adequate, effective mechanisms equal to its mission and the expectations placed in it. This is especially true in a globalized world which makes individuals and peoples increasingly interconnected and interdependent, but which also displays the existence of monetary and financial markets of a predominantly speculative sort that are harmful for the real economy, especially of the weaker countries.

This is a complex and delicate process. A supranational Authority in this arena should have a realistic structure and be set up gradually. It should be favourable to the existence of efficient and effective monetary and financial systems; that is, free and stable markets overseen by a suitable legal framework, well-functioning in support of sustainable development and social progress of all, and inspired by the values of charity and truth. It is a matter of an Authority with a global reach that cannot be imposed by force, coercion or violence, but should be the outcome of a free and shared agreement and a reflection of the permanent and historic needs of the world common good. It ought to arise from a process of progressive maturation of consciences and advances in freedoms as well as awareness of growing responsibilities. Consequently, reciprocal trust, autonomy and participation cannot be overlooked as if they were superfluous elements. Consent should engage an ever greater number of countries that adhere with conviction, through a sincere dialogue that values the minority opinions rather than marginalizing them. So the world Authority should consistently involve all peoples in a collaboration in which they are called to contribute, bringing to it the heritage of their virtues and their civilizations.

The establishment of a world political Authority should be preceded by a preliminary phase of consultation from which a legitimated institution will emerge that is in a position to be an effective guide and, at the same time, can allow each country to express and pursue its own particular good. The exercise of this Authority at the service of the good of each and every one will necessarily be *super partes*: that is, above any partial vision or particular good, with a view to achieving the common good. Its decisions should not be the result of the more developed countries' superior power over weaker countries. Instead, they should be made in the interest of all, not only to the advantage of some groups, whether they are formed by private lobbies or national governments.

A supranational Institution, the expression of a "community of nations", will not last long, however, if the countries' differences from the standpoint of cultures, material and immaterial resources and historic and geographic conditions, are not recognized and fully respected. The lack of a convinced consensus, nourished by an unceasing moral communion on the part of the world community, would also reduce the effectiveness of such an Authority.

What is valid on the national level is also valid on the global level. A person is not made to serve authority unconditionally. Rather, it is the task of authority to be at the service of the person, consistent with the pre-eminent value of human dignity. Likewise, governments should not serve the world Authority unconditionally. Instead, it is the world Authority that should put itself at the service of the various member countries, according to the principle of subsidiarity. Among the ways it should do this is by creating the socio-economic, political and legal conditions essential for the existence of markets that are efficient and efficacious precisely because they are not over-protected by paternalistic national policies and not weakened by systematic deficits in public finances and of the gross national products – indeed, such policies and deficits actually hamper the markets themselves in acting on the world stage as open and competitive institutions.

In the tradition of the Church's Magisterium which Benedict XVI has vigorously embraced, the principle of subsidiarity should regulate relations between the State and local communities and between public

and private institutions, not excluding the monetary and financial institutions. Likewise, on a higher level, it ought to govern the relationships between a possible future global public Authority and regional and national institutions. This principle guarantees both democratic legitimacy and the efficacy of the decisions of those called to make them. It allows respect for the freedom of people, individually and in communities, and allows them at the same time to take responsibility for the objectives and duties that pertain to them.

According to the logic of subsidiarity, the higher Authority offers its subsidium, that is, its aid, only when individual, social or financial actors are intrinsically deficient in capacity, or cannot manage by themselves to do what is required of them. Thanks to the principle of solidarity, a lasting and fruitful relationship would build up between global civil society and a world public Authority as States, intermediate bodies, various institutions – including economic and financial ones – and citizens make their decisions with a view to the global common good, which transcends national goods.

As we read in *Caritas in Veritate*, “The governance of globalization must be marked by subsidiarity, articulated into several layers and involving different levels that can work together.” Only in this way can the danger of a central Authority’s bureaucratic isolation be avoided – an isolation that would risk its being delegitimized by an excessive distance from the realities which underlie its existence, and easily falling prey to paternalistic, technocratic or hegemonic temptations.

However, a long road still needs to be travelled before arriving at the creation of a public Authority with universal jurisdiction. It would seem logical for the reform process to proceed with the United Nations as its reference because of the worldwide scope of the UN’s responsibilities, its ability to bring together the nations of the world, and the diversity of its tasks and those of its specialized Agencies. The fruit of such reforms ought to be a greater ability to adopt policies and choices that are binding because they are aimed at achieving the common good on the local, regional and world levels. Among the policies, those regarding global social justice seem most urgent: financial and monetary policies that will not damage the weakest countries; and policies aimed at achieving free and stable markets and a fair distribution of world wealth, which may also derive from unprecedented forms of global fiscal solidarity, which will be dealt with later.

On the way to creating a world political Authority, questions of governance (that is, a system of merely horizontal coordination without a higher authority *super partes*) cannot be separated from those of a shared government (that is, a system which in addition to horizontal coordination establishes a higher authority *super partes*) which is functional and proportionate to the gradual development of a global political society. The establishment of a global political Authority cannot be achieved without an already functioning multilateralism, not only on a diplomatic level, but also and above all in relation to programs for sustainable development and peace. It is not possible to arrive at global Government without giving political expression to pre-existing forms of interdependence and cooperation.

4. Towards Reforming the International Financial and Monetary Systems in a way that Responds to the Needs of all Peoples

In economic and financial matters, the most significant difficulties come from the lack of an effective set of structures that can guarantee, in addition to a system of governance, a system of government for the economy and international finance.

What can be said about this prospect? What steps can be taken concretely?

With regard to the current global economic and financial systems, two decisive factors should be stressed. The first is the gradual decline in efficacy of the Bretton Woods institutions beginning in the early 1970s. In particular, the International Monetary Fund has lost an essential element for stabilizing world finance, that of regulating the overall money supply and vigilance over the amount of credit risk taken on by the system. That is, stabilizing the world monetary system is no longer a “universal public good” within its reach.

The second factor is the need for a minimum, shared body of rules to manage the global financial market which has grown much more rapidly than the real economy. This situation of rapid, uneven

growth has come about, on the one hand, because of the overall abrogation of controls on capital movements and the tendency to deregulate banking and financial activities; and on the other, because of advances in financial technology, due largely to information technology.

On the structural level, in the latter part of the last century, monetary and financial activities worldwide grew much more rapidly than the production of goods and services. In this context, the quality of credit tended to decrease to the point that it exposed the credit institutions to more risk than could reasonably be sustained. It is sufficient to look at the fate of large and small credit institutions during the crises that broke out in the 1980s and 1990s, and finally in the 2008 crisis. Again in the last part of the twentieth century, there was a growing tendency to define the strategic directions of economic and financial policy in terms of 'clubs' and of larger or smaller groups of more developed countries. While not denying the positive aspects of this approach, it is impossible to overlook that it did not appear to respect the representative principle fully, in particular where the less developed or emerging countries are concerned.

The need to heed the voices of a greater number of countries has led to expanding the relevant groups; for instance, there is now a G20 where there was once just a G7. This has been a positive development because it became possible to include developing and emerging countries with larger populations in shaping the economy and global finance.

In the area of the G20, concrete tendencies can thus mature which, when worked out properly in the appropriate technical centres, will be able to guide the competent bodies on the national and regional level towards consolidating existing institutions and creating new ones with appropriate and effective instruments on the international level.

Moreover, the G20 leaders themselves said in their final Statement in Pittsburgh 2009: "The economic crisis demonstrates the importance of ushering in a new era of sustainable global economic activity grounded in responsibility." To tackle the crisis and open up a new era of responsibility, in addition to technical and short-term measures, the leaders put forth a proposal "to reform the global architecture to meet the needs of the 21st century," and later a proposal "to launch a framework that lays out the policies and the way we act together to generate strong, sustainable and balanced global growth". Therefore, a process of reflection and reforms needs to be launched that will explore creative and realistic avenues for taking advantage of the positive aspects of forums that already exist.

Specific attention should be paid to the reform of the international monetary system and, in particular, the commitment to create some form of global monetary management, something that is already implicit in the Statutes of the International Monetary Fund. It is obvious that to some extent this is equivalent to putting the existing exchange systems up for discussion in order to find effective means of coordination and supervision. This process must also involve the emerging and developing countries in defining the stages for a gradual adaptation of the existing instruments.

In fact, one can see an emerging requirement for a body that will carry out the functions of a kind of "central world bank" that regulates the flow and system of monetary exchanges, as do the national central banks. The underlying logic of peace, coordination and common vision which led to the Bretton Woods Agreements needs to be dusted off in order to provide adequate answers to the current questions. On the regional level, this process could begin by strengthening the existing institutions, such as the European Central Bank. However, this would require not only a reflection on the economic and financial level, but also and first of all on the political level, so as to create the set of public institutions that will guarantee the unity and consistency of the common decisions.

These measures ought to be conceived of as some of the first steps towards a public Authority with universal jurisdiction; as a first stage in a longer effort by the global community to steer its institutions towards achieving the common good. Other stages will have to follow in which the dynamics familiar to us may become more marked, but they may also be accompanied by changes which it would be useless to try to predict today.

In this process, the primacy of the spiritual and of ethics needs to be restored and, with them, the primacy of politics – which is responsible for the common good – over the economy and finance.

Economics and finance need to be brought back within the boundaries of their real vocation and function, including their social function, in consideration of their obvious responsibilities to society – for example, that of nourishing markets and financial institutions which are really at the service of the person and are capable of responding to the needs of the common good and universal brotherhood. Clearly, this vocation, this function has nothing to do with the shallow and crass economism for which money and marketplace success are the only measure of social value.

On the basis of this sort of ethical approach, it seems advisable to reflect, for example, on:

- a) taxation measures on financial transactions with fair rates modulated in proportion to the complexity of operations, especially those made on the “secondary” market. Such taxation would be very useful in promoting global development and sustainability according to the principles of social justice and solidarity. It could also contribute to the creation of a world reserve fund to support the economies of the countries hit by crisis as well as the recovery of their monetary and financial systems;
- b) forms of recapitalization of banks with public funds, making the support conditional on “virtuous” behaviours aimed at developing the “real economy”;
- c) the definition of the two domains of ordinary credit and of Investment Banking. This distinction would allow a more effective management of the “shadow markets” which have no controls and limits. It is sensible and realistic to allow the necessary time to build up broad consensus, but the goal of the universal common good with its inescapable demands is waiting on the horizon. Moreover, it is hoped that those in universities and other institutions who educate tomorrow’s leadership will work hard to prepare them for their responsibilities to discern the global public good and to serve it in a constantly changing world. The gap between ethical training and technical preparation needs to be filled by highlighting in a particular way the perpetual synergy between the two levels of practical doing (praxis) and of boundless human striving (poiësis).

The same effort is required from all those who are in a position to enlighten world public opinion in order to help it to brave this new world, no longer with anxiety but in hope and solidarity.

Conclusions

Under the current uncertainties, in a society capable of mobilizing immense means but whose cultural and moral reflection is still inadequate with regard to their use in achieving the appropriate ends, we are urged to not give in. We are asked above all to build a meaningful future for the generations to come. We should not be afraid to propose new ideas, even if they might destabilize pre-existing balances of power that prevail over the weakest. These ideas are seeds thrown to the ground that will sprout and hurry towards bearing fruit.

As Benedict XVI exhorts us, agents on all levels – social, political, economic, professional – are urgently needed who have the courage to serve and to promote the common good through an upright life. Only they will succeed in living and seeing beyond the appearances of things and perceiving the gap between existing reality and untried possibilities.

Paul VI emphasized the revolutionary power of a “forward-looking imagination” that can perceive the possibilities inscribed in the present and guide people towards a new future. By freeing their imagination, humans free their existence. Through an effort of community imagination, it is possible to transform not only institutions but also lifestyles and encourage a better future for all peoples.

Modern States became structured wholes over time and reinforced sovereignty within their own territory. But social, cultural and political conditions have gradually changed. Their interdependence has grown – so it has become natural to think of an international community that is integrated and increasingly ruled by a shared system – but a worse form of nationalism has lingered on, according to which the State feels it can achieve the good of its own citizens in a self-sufficient way.

Today all of this seems anachronistic and surreal, and all nations, great or small, together with their governments, are called to go beyond the “state of nature” which would keep States in a never-ending struggle with one another. Globalization, despite some of its negative aspects, is unifying peoples more and prompting them to move towards a new “rule of law” on the supranational level, supported

by more intense and fruitful modes of collaboration. With dynamics similar to those that put an end in the past to the "anarchical" struggle between rival clans and kingdoms with regard to the creation of national states, today humanity needs to be committed to the transition from a situation of archaic struggles between national entities, to a new model of a more cohesive, polyarchic international society that respects every people's identity within the multifaceted riches of a single humanity. Such a passage, which is already timidly under way, would ensure peace and security, development, and free, stable and transparent markets for the citizens of all countries, regardless of their size or power. As John Paul II warns us, "Just as the time has finally come when in individual States a system of private vendetta and reprisal has given way to the rule of law, so too a similar step forward is now urgently needed in the international community."

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.

It is the task of today's generation to recognize and consciously to accept these new world dynamics for the achievement of a universal common good. Of course, this transformation will be made at the cost of a gradual, balanced transfer of a part of each nation's powers to a world Authority and to regional Authorities, but this is necessary at a time when the dynamism of human society and the economy and the progress of technology are transcending borders, which are in fact already very eroded in a globalized world.

The birth of a new society and the building of new institutions with a universal vocation and competence are a prerogative and a duty for everyone, without distinction. What is at stake is the common good of humanity and the future itself.

In this context, for every Christian there is a special call of the Spirit to become committed decisively and generously so that the many dynamics under way will be channelled towards prospects of fraternity and the common good. An immense amount of work is to be done towards the integral development of peoples and of every person. As the Fathers said at the Second Vatican Council, this is a mission that is both social and spiritual, which "to the extent that the former can contribute to the better ordering of human society, it is of vital concern to the Kingdom of God."

In a world on its way to rapid globalization, orientation towards a world Authority becomes the only horizon compatible with the new realities of our time and the needs of humankind. However, it should not be forgotten that this development, given wounded human nature, will not come about without anguish and suffering.

Through the account of the Tower of Babel (Genesis 11:1-9), the Bible warns us how the "diversity" of peoples can turn into a vehicle for selfishness and an instrument of division. In humanity there is a real risk that peoples will end up not understanding each other and that cultural differences will lead to irremediable oppositions. The image of the Tower of Babel also warns us that we must avoid a "unity" that is only apparent, where selfishness and divisions endure because the foundations of the society are not stable. In both cases, Babel is the image of what peoples and individuals can become when they do not recognize their intrinsic, transcendent dignity and brotherhood.

The spirit of Babel is the antithesis of the Spirit of Pentecost (Acts 2:1-12), of God's design for the whole of humanity: that is, unity in truth. Only a spirit of concord that rises above divisions and conflicts will allow humanity to be authentically one family and to conceive of a new world with the creation of a world public Authority at the service of the common good.