

**Meeting of the Council of the Socialist International**  
**Mexico City, 30 June – 1 July 2014**

**DECLARATION ON PRIORITIES IN THE GLOBAL ECONOMY**

The financial crash of 2008 continues to be felt around the world. Meeting in Mexico City on 30 June-1 July 2014, the Council of the Socialist International discussed the key priorities of the global social democratic movement, and identified four key issues common to all societies and nations today.

*Inequality*

First, the increasing inequality in the global economy must be addressed. For far too long the success or failure of a country's economy has been measured in terms of GDP, without recognising relative wealth and distribution of economic growth across all income levels. This has been largely due to the now discredited notion that 'a rising tide lifts all boats', and that economic growth will benefit all. What we have consistently seen over the last 30 years is that economic growth can in fact exacerbate existing inequalities in society, doing very little for those in most need of increased incomes. This has become even more evident since the financial crisis, as more than 90 per cent of income increases have gone to the top one per cent.

In order to build more prosperous, egalitarian societies—where the needs of all citizens are met—we need measures other than GDP such as the Gini coefficient raised to a status equivalent to GDP that will ensure that the public's attention is drawn to the ways wealth is concentrated in the hands of the few, and so that we create economic policies that reduce inequality while enhancing growth. Making sure that governments publish their Gini coefficient annually alongside GDP and other economic indicators and of decent work in accordance with the ILO indicators will let citizens judge governments on their success in tackling inequality, thereby encouraging politicians to fulfil their democratic obligations.

On a political level, increasing inequality has allowed the ugly politics of anger and reaction to gain strength. Disaffection with 'business as usual' has manifested itself in powerful grassroots movements, but also enabled populist and extremist 'anti-system' parties to increase their support. We know that the politics of marginalisation and division cannot provide solutions to the global economic difficulties. Pitting different sectors of society against one another will only serve to deepen problems, and is fundamentally at odds with the basic values of equal rights, freedoms and opportunities for all. In order to deepen and strengthen the work of the Socialist International on inequality, a Special Commission of the SI will be established in order to further study the problem and come up with proposals.

*Corruption and Financial Deregulation*

Tackling corruption and pursuing those engaged in corrupt behaviour with persistence and vigour is also a priority in the global economy. Corruption is a cancer that eats away at our societies, and the global financial collapse of 2008 laid bare the extent to which the world of finance had become corrupted. The reckless behaviour of financial institutions and their risk-taking in the derivatives markets perpetuated the crash, while the exposure of LIBOR fixing and money laundering by prominent financial institutions has only added to the public's distrust and the fundamental instability of the system has not been

solved. The SI stands for regulation of capital flows and financial institutions at a supranational and national level.

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Corruption must also be tackled at a political level. Corruption not only prevents good governance but also results in needless waste and inefficiency, because both its existence and the perception of it taint the political process and result in a loss of faith in the parties and systems by which our societies are governed.

### *Big data*

We are now irreversibly in the age of big data, and there is much justified concern about mass surveillance and the inherent threat to privacy posed by the seemingly unfettered access that governments and corporations have to personal data. The Socialist International remains firmly opposed to unregulated invasion of personal privacy exposed by global surveillance disclosures over the last year.

The power of big data is undeniable, but it can also be harnessed for democratic accountability, especially for fighting corruption and tax enforcement. Effective monitoring of financial transactions and government spending could counter public fears of corruption in the political system. The scourge of tax avoidance and its impact on the ability of governments to balance their budgets in fact could be counteracted by the targeted use of big data for more effective collection of fiscal revenues. The ability to combat transfer pricing through base erosion and profit shifting (BEPS) could also eliminate the use of offshore tax havens, and better enforce tax collection from the richest in society. National states also need the power to enact measures to control the financial power of transnational capital.

### *Environment*

Human development is inflicting irreversible damage on the planet we all inhabit at a staggering rate, as the SI has repeatedly highlighted through the work of its Commission on Climate Change. The market economy has been proven consistently ineffective in the regulation of unsustainable demand, because neoclassical economics cannot account for severely diminishing returns.

The lack of action to date has made the situation drastic as far as climate change is concerned. Yet the solution could be beneficial both for the long-term survival of the planet and the global economy. The implementation of a global infrastructure project focused on transition to a post-carbon economy, coordinated at a high level, would be extremely effective in limiting long-term emissions and combatting climate change, and could be a source of well-paid, decent employment for decades to come.

Our priorities in the global economy do not exist dependent of each other but are deeply intertwined. Action in all these areas can lead to a virtuous circle, whereby investment in a global green infrastructure can create sustainable, well-paid, decent jobs that benefit more than the top one per cent and reduce inequality in society. Reducing inequality could in turn lead to a reduction in dependence on GDP as an isolated measure of economic success and a situation in which governments are more accountable to citizens. This accountability could in turn expand the uses of big data and thereby more effectively target tax evasion and fight corruption. The tackling of corruption will not only be economically beneficial, but also a means of combatting the vested interests that corrupt political parties and governments and have proved such an effective barrier to ambitious action on climate change.

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