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Towards a Sustainable and Just Financial System

An Evangelical Perspective to Guide Reform Steps towards a Social and Ecological Transformation of the Financial Economy

english

Evangelische Kirche in Deutschland

Towards a Sustainable and Just Financial System

An Evangelical Perspective to Guide Reform Steps towards a Social and Ecological Transformation of the Financial Economy

A Discussion Paper authored by the Advisory Commission of the EKD for Sustainable Development

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Preliminary Remarks

The financial scandals of recent times, in particular the commercial transactions which became apparent in the Cum-Ex or Wirecard scandals, have clearly revealed the deficits in the financial economy's understanding of responsibility, the deficiencies in their control through politics and the constitutional state, and also the inequalities in the growing national and global economics. For many years, the Evangelical Church in Germany has advocated the guiding principle of sustainable development. In this, the dynamics, structures and guiding values of the financial system are of central importance.

The financial crisis of 2008 has already shown how dangerous developments can be in a largely unregulated international financial market. In 2009, this situation was addressed by the EKD in the much-noticed EKD Text 100 “Like a High Wall, Cracked and Bulging”. In this document, the EKD called for the consideration of ecological challenges and the fight against poverty to be included in the measures adopted to create a way out of the financial crisis. The guiding principle of the social market economy was to be extended through the use of sustainability factors. Building on this challenge, the text at hand promotes the social and ecological transformation of the financial economy.

It campaigns for a strengthening of responsibility in the relationship between the financial economy and the real economy, as well as between politics and the constitutional state, all of which must serve the common good and make the ecological carrying capacity of the earth their point of orientation.

Encouragingly, there is a growing awareness, as well as new, regulatory initiatives for a sustainable financial system. In particular at EU level, the catchword “Sustainable Finance” points to an increasingly detailed discussion as to the contribution that the financial system might offer towards its social and ecological transformation. In recent years, within the arena of ethical and sustainable investment, church investors have proved to be pioneers.

Oftentimes, the structures of the financial economy are felt to be impenetrable. The text at hand intends to bring light into the darkness of this subject matter, providing information as well as explanations. At the same time, the theological and ethical foundations of the biblical testimony, as well as those of the Reformation and ecumenical traditions, are reflected upon with regard to their relevance in this context. From these, important fundamental conclusions are drawn and explained for the diverse players that are involved in exercising responsibility. Politicians and the judiciary, as well as economic and financial players, churches and society are all reminded of their responsibility to shape the financial markets and encouraged to find practical ways to implement this responsibility. The text addresses problems without accusation or polarisation. Rather, it extends an invitation to engage with an objective and sophisticated discourse.

Thereby, the inherent understanding of the Evangelical Church becomes visible, by which, as "admonishers, mediators and drivers" of sustainable development (EKD Text 130), it desires to contribute to a social and ecological transformation, one which includes the financial system. From my viewpoint, three particular areas of the text at hand are to be highlighted:

The study examining the financial system *first* expounds the thinking behind an *ethics of responsibility* which is biblically well-founded. This is substantiated through reference to the ecumenical tradition of the concept of a "responsible society" (Plenary Session of the World Council of Churches in Nairobi, 1975). The background to this is the hypothesis that both market and state forces should be brought into the service of the people, in order to preserve their dignity and liberty. Along this line of thinking, the study on the financial system confronts an ethics of good intentions which promotes platitudinous alternatives such as the motto "God or money", or even a demonisation of the forces within the financial system. Therefore, the text attaches great importance to an ambitious interlinking between ethical reflection, economic and fiscal expertise and creative, regulatory power.

Secondly, with a view to *global ecumenical fellowship,* positions within the ecumenical world are portrayed, such as those of the Roman-Catholic tradition or the World Council of Churches. Thereby, the Evangelical Church in Germany listens to the voices of many ecumenical sister churches in the countries of the South that are affected by the consequences of the global financial system far more seriously than people in Germany and Europe. In an impressive manner, these point out the level of suffering from the debt crisis, as well as the economic injustices and inequalities which have intensified in the corona crisis.

Thirdly, the text emphasises the exemplary role of institutional investors within the sphere of the Evangelical Church and Diaconia. As “drivers”, they advance ethical and sustainable investments within Germany. This is particularly visible during the ten or more years of work undertaken by the working Group of Church Investors (Arbeitskreis Kirchlicher Investoren) within the German Protestant Church.

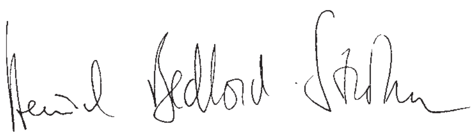
That the EKD is continuously offering new ideas as guidance for financial and economic issues is revealed in the wealth of its statements on the collection of themes that have been published in recent years and are referenced in this paper.

First and foremost, the aim of the text is to reach a professional audience within the sphere of financial management, as well as decision-makers within politics and business finance at European, national and county level. Above and beyond this, I would be delighted if the text were also appreciated by members of the public who are interested in the subject matter.

For me, this text is a strong voice advocating the necessary restructuring of the economic and financial systems in the sense of a “Great Transformation” towards a sustainable society, such as the churches have demanded for decades, driving and accelerating the process.

I would like to thank the members and guests of the Advisory Commission for Sustainable Development, for developing this discerning and sophisticated text. May it find its way into the hands of attentive readers and gain a broad and lively reception within the realms of politics, financial economy, churches and society.

Hanover, June 2021



Bishop Dr Heinrich Bedford-Strohm
Chair of the EKD-Council

1. Introduction: Wealth Disparities, Tax Evasion and the Shadow Economy – Aspects of an Unresolved Financial Crisis

1.1 Causes of Anxiety

Although it is the corona pandemic which is currently causing the most stress and anxiety in people across the globe, many are also troubled about the risk of a potential new financial crisis, as well as the effects of negative interest and financial crime. Often, these are accompanied by feelings of political powerlessness and fatalism: The financial system appears to be all too complicated, overpowering and obscure, as well as far too removed from everyday life. Although the financial and tax system affects almost all areas of the economy and society, in the political sphere, as well as within society at large, questions such as "What kind of financial system do we want?", "Which form of banking and which financial system will actually serve life?", "How can our tax system advance sustainability?" have not been adequately discussed. Certainly, one reason for the lack of interest is a lack of knowledge. We need to invest in a broad literacy programme concerning financial issues: What is it that the financial economy is achieving, and what would we want it to accomplish? Who are the relevant players? What can they contribute to a sustainable and just development of economy and society – and what can't they offer? What would make them more resilient in times of crisis, and what is it that jeopardizes their stability?

The central argument of this paper is: Without a functioning, sustainable and just financial system, it is not possible to transform the whole of society towards a sustainability which affects the economic, ecological and political dimension of society. With regards to their systems, the regulation and taxation of the financial sector are independent of each other, however, in this discussion paper, both aspects are deliberately addressed and set in relation to one another. Thus, the following question is relevant: How can the functionality and stability of the financial sector be strengthened, and its taxation be adequately structured, in order to promote such a transformation towards more sustainability and justice, if, at the same time, trust in the international financial architecture is called into question?

No-one can exclude the possibility of another financial crisis. The corona pandemic has brought with it additional risks for the international financial system, which have overshadowed the old instabilities; however, the pre-existent problems have not disappeared. Deceit and longstanding accounting fraud on the side of the payment service provider and former DAX company, Wirecard, constitute one of the biggest financial scandals in the history of the Federal Republic of Germany and have greatly undermined confidence in the public auditors, the banking regulatory authority and the state's control mechanisms. Some states have incurred debts in order to bailout businesses in the financial market (i. a. banks and insurance companies) and the real economy, as well as private savings deposits.

In addition, tax privileges for global enterprises and financial crime have generated feelings of anxiety and worry; outrage as well as resignation. It is, in particular, small states which create and maintain tax havens in order to gain advantages in the international competition between countries. States depend upon tax revenues to respond to crises such as the financial crisis and the corona pandemic. However, some engage in cutthroat competition in order to attract businesses and jobs into their own country. Thereby, they enable enterprises with global operations to avoid contributing to the provision of finance for the local community more effectively than is possible for companies which are exclusively active in national markets. Nationally and internationally, efforts are being made to gain control over this problem which affects nations. However, these attempts often fall to the ground due to a lack of harmonization in tax law, as well as antiquated principles of taxation which are left untouched for the preservation of national sovereignty. "In a globalized world, it is becoming more apparent how unjust this system … is. In spite of the high degree of tax losses resulting from the lack of interstate harmonization of the tax systems, the governments are continuing to ignore these issues for the preservation of their own tax sovereignty. At the same time, it is quite clear that this attitude will never enable global justice between taxpayers to be established, even to a rudimentary degree."[1] In this way, multinational corporations, often following the advice of auditors, will frequently take advantage of opportunities to minimize their tax burden via questionable tax constructions. For many taxpayers, such avenues are barred, which leads to resentment time and time again.

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1 Karpa, Jennifer Lena (2018): "Aggressive Steuerplanung" – Gestaltungsfreiheit multinational agierender Unternehmen vor dem Hintergrund des internationalen Steuerwettbewerbes, Dissertation 2018; https://epub.uni-regensburg.de/38378/1/21122018.pdf.

In addition, a number of people observe with a sense of disenchantment that some bank managers residing in the corridors of power are rewarded with a high income and bonusses. They are aware of substantial government bail-out programmes for banks, as well as for their customers, and watch award-winning TV series such as Bad Banks. “There is nothing one can do”, “This is too complex”, many say. The reputation of the financial industry is not good. According to representative surveys, more than ten years after the financial crisis, every second German has no confidence in banks or financial firms in general.[2] On the other hand, the degree of people’s confidence in their own local bank remains high.[3] Thus, it is rarely an individual’s bad experience which causes a loss of respect for the banking sector, but rather, it comes from images gleaned from diverse media, which, in part, even lag behind reality. Generally, it is not understood that many bank staff do not receive privileged salaries, but have to deal with an increasing number of tasks whilst laboring under the bad image and difficult economic climate of the banking sector; and this on top of the frequent fear of losing their own job. However, even though some perceptions might deviate from reality, a lack of trust in institutions – including financial institutions and players – poses a serious problem and can even become a problem for democracy.

It is for this reason that it is necessary for there to be a broad discourse in society – at a national, as well as a global, level – to find solutions for the challenges posed by the implementation of a sustainable financial and fair tax system. The legislative proposals to promote Sustainable Finance at EU and national level are being advanced at unbridled speed in spite of – or perhaps on account of – the corona crisis, whilst the political debates about the extent of their application, as well as their definitions and indicators, are in full swing.[4]

The discussion paper at hand wishes to contribute[5] to these debates and thereby strengthen the role of the Church as admonisher, mediator and driver in the promotion of

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2 Cf. the following survey: Umfrage: Jeder Zweite hat kein Vertrauen in Banken, in: Handelsblatt 01.09.2020; https://www.handelsblatt.com/finanzen/banken-versicherungen/umfrage-jeder-zweite-hat-kein-vertrauen-in-banken/24070030.html?ticket=ST-7838431-isflxSwVVXVbwAwTNPoV-ap3.

3 Cf. Börse online, 17.10.2016; https://www.boerse-online.de/nachrichten/aktien/deutsche-vertrauen-ihrer-hausbank-misstrauen-aber-der-branche-1001460068.

4 The following might serve as a topical example: On 20.11.2020, the European Commission published the first Draft Delegated Act under the taxonomy regulation, specifying the technical screening criteria on climate-change mitigation and climate-change adaptation, and initiating public consultation. By 18.12.2020, more than 46,000 (!) responses had been sent in, whereupon the publication of the final draft had to be deferred. https://www.forum-ng.org/de/517-eu-aktionsplan.html.

5 Due to the high dynamic within the regulations applying to Sustainable Finance, the argumentation of the paper at hand can only discuss a state of affairs which is already obsolete at the time of the publication. However, the fundamental issues of a sustainable financial and just taxation system remain the same. Therefore, statements made at this higher level of engagement should be given more weight than statements referring to individual issues.

sustainable development[6] within the sphere of the financial economy. It wishes to make the case for increased sustainability within the financial arena, to mediate in situations where there is a conflict of targets along the way, and is eager to see churches becoming drivers of sustainable development in their own practice. It is thus part of a series of pronouncements made by the churches on this topic. Shortly before the peak of the financial crisis in 2008/2009, the EKD published a memorandum "Entrepreneurial Action in a Protestant Perspective" (Unternehmerisches Handeln in evangelischer Perspektive; 2008)[7], as well as the statement of the EKD Council on the global financial and economic crisis, "Like a High Wall, Cracked and Bulging" (Wie ein Riss in einer hohen Mauer; 2009)[8].

The latter statement regarding a global regulatory framework for a sustainable social market economy, pronounced by the EKD Council, contains objectives which still provide valid orientation. These goals are summarized as follows:

> *… an economy which serves the people of today without destroying the natural basis of sustainable means needed by future generations, as well as a (global) society which makes the improvement of the situation of its poorest and most vulnerable members its primary task, and finally, a financial system which puts itself at the service of the same.*[9]

An ecumenical word from 2014 also offers an important starting point: In their joint initiative, the EKD Council and the German Bishops' Conference called for a renewed economic and social structure:

> *Whether or not the necessary reconstitution of our economic system proves successful will be decided, in the end, by whether money is accorded the role that it should have, i. e. a strictly auxiliary function. Capital needs to serve the real economy and hence the lives of the people – all of the people. If this auxiliary charac-*

6 Cf. Evangelical Church in Germany (2018): "Lent to us is the Star on which we live" The Agenda 2030: A Challenge to the Churches, EKD Text No. 130, p. 32. German: Evangelische Kirche in Deutschland (2018): "Geliehen ist der Stern, auf dem wir leben." Die Agenda 2030 als Herausforderung für die Kirchen, EKD Text Nr. 130, p. 32 f.; https://www.ekd.de/ekd-texte-130-4-was-wir-erwarten-37366.htm.

7 Cf. Evangelical Church in Germany (2008): Entrepreneurial Action from a Protestant Perspective. A Memorandum of the Council of the EKD. German: Evangelische Kirche in Deutschland (2008): Unternehmerisches Handeln in evangelischer Perspektive. Eine Denkschrift des Rates der EKD, Gütersloh; https://www.ekd.de/unternehmerisches_handeln.htm.

8 Cf. Evangelical Church in Germany (2009): Like a High Wall, Cracked and Bulging. Statement by the Council of the Evangelical Church in Germany on the Global Financial and Economic Crisis. German: Evangelische Kirche in Deutschland (2009): Wie ein Riss in einer hohen Mauer. Wort des Rates der EKD zur globalen Finanzmarkt- und Wirtschaftskrise, EKD-Texte Nr. 100, Hannover; https://www.ekd.de/ekdtext_100.htm.

9 Ibid., p. 18.

> *ter is lost in the process, people can lose their confidence in the economy. The question remains open today as to whether we will be able to return to a balance in this regard over the coming years. While policy and regulation adjustments will be necessary, these measures cannot only occur at the national level.*[10]

In addition to the fundamental ethical requirement shared by many: "*Money should serve, not rule*!"[11], new challenges to the financial system have developed since the two great agendas focusing on sustainability were adopted in 2015 (the Paris Agreement on Climate Change and the UN Agenda 2030 with the Sustainable Development Goals). An ever-increasing part of society, including numerous protagonists in politics, the financial and real economy, have since understood that we are facing a more profound need for wide-ranging changes to our way of life, economic model and financial regulations. Even in 2009, the then Federal President of Germany, Horst Köhler, put his finger on the problem with the catchword of a "development policy for the whole planet":

> *In particular, we in the North must learn to rethink. … Security, prosperity and peace – they will be assured for the industrialized nations only if we achieve greater equity throughout the entire world. We need to have a development policy for the whole planet. This means that the industrialized nations – including Germany – must find out what changes they need to make in order to ensure there will be a good future for the world*.[12]

So how can this fundamental ethical principle of the *service function of money and finance* as well as the awareness of the need for a sustainable *"development policy for the whole planet"* be translated into concrete ethical guidelines and recommendations for political action for the current situation of our financial economy? Who has responsibility for what? Where are relevant efforts already being made? Which regulatory adjustments are particularly important today? These questions, as well as their responses, are addressed in this discussion paper.

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10 Evangelical Church in Germany, German Bishops' Conference (2014): Common Responsibility for a Just Society. Initiative of the Council of the Evangelical Church in Germany and the German Bishops' Conference for a Renewed Economic and Social Order. German: Evangelische Kirche in Deutschland, Deutsche Bischofskonferenz (2014): Gemeinsame Verantwortung für eine gerechte Gesellschaft. Initiative des Rates der Evangelischen Kirche in Deutschland und der Deutschen Bischofskonferenz für eine erneuerte Wirtschafts- und Sozialordnung, Gemeinsame Texte 22, Hannover/Bonn, p. 16.

11 The clear dissociation "No to a financial system which rules rather than serves" is also one of the four core demands in the apostolic exhortation penned by Pope Francis (2013): Joy of the Gospel. On the Proclamation of the Gospel in Today's World, Chapter Two, Paragraphs 57–58; http://www.vatican.va/content/francesco/de/apost_exhortations/documents/papa-francesco_esortazione-ap_20131124_evangelii-gaudium.html.

12 Köhler, Horst (2009): Berliner Rede in der Elisabethkirche Berlin, 24.03.2009, Berlin; http://www.bundespraesident.de/SharedDocs/Reden/DE/Horst-Koehler/Reden/2009/03/20090324_Rede.html.

1.2 The Exacerbation of Issues pertaining to the Sustainability of the Financial System through the Corona Crisis

The spreading of the corona crisis since the beginning of 2020 – in the midst of writing this discussion paper – has made a large number of the questions that are discussed here even more apparent, as well as exacerbating long-standing issues pertaining to the alignment of the financial and taxation system with sustainability criteria. The developments have since shown that the corona pandemic is a global health crisis of historical proportions, the effects of which are, simultaneously, a tremendous stress test for the economy as a whole, as well as for the financial and political systems – in particular for liberal democracy.[13] It is becoming obvious that the corona pandemic affects the poorest nations and, in particular, the most vulnerable population strata. This is a common feature of both the corona and climate crises.[14] Across the globe, the corona pandemic therefore exacerbates long-standing problems and social inequalities in terms of the economy and society, which, so far, have not been successfully addressed. These include: increasing social and economic division, a deteriorating resilience of societies and the underfunding of global development, in particular the Sustainable Development Goals related to global health issues (SDG 3 and SDG 6), as well as the underfunding of public health systems and the World Health Organization WHO.

On the other hand, the corona crisis can take on the positive role of a catalyst, which accelerates helpful developments – e.g. within the area of digitalization or the reassessment of services providing healthcare and nursing care – as well as encouraging a change of thinking towards sustainability. In addition, new opportunities in society are arising to newly recognize the value of social cohesion and, in the political realm, to tackle reforms for Europe in a more decisive manner. Similarly, President of the German Parliament, Wolfgang Schäuble, expressed that the corona crisis was a great chance, since resistance to change diminishes in a crisis: “We can now bring about the economic and fiscal union which, politically, we have not been able to achieve so far.”[15] It is the corona crisis, in particular, which has exhibited an unparalleled mo-

13 Cf. i. a. Jähnichen, Traugott (2020): Risikogesellschaft im Stresstest. Die Corona-Pandemie als Herausforderung gesellschaftlichen Krisenmanagements, in: Zeitschrift für Evangelische Ethik 3/2020, p. 163–169. Cf. Held, Benjamin / Kirchhhoff, Thomas / von Oorschot, Frederike / Stoellger, Philipp / Werkner, Ines-Jacqueline (publ.): Corona als Riss. Perspektiven für Kirche, Politik und Ökonomie, Universitätsbibliothek Heidelberg 2020.

14 See also: Diefenbacher, Hans / Foltin, Oliver / Teichert, Volker (2020): Corona-Pandemie und Klimaschutz – einige Anregungen zur Diskussion, Heidelberg, 30.04.2020; https://www.fest-heidelberg.de/wp-content/uploads/2020/04/Corona_Klimaschutz.pdf.

15 https://www.evangelisch.de/inhalte/173866/20-08-2020/schaeuble-corona-krise-ist-chance-fuer-europa.

bilization of public money. In a breathtakingly short time, the Federal Government has resolved to adopt the largest package of support measures of its entire history and decided to make a total of 353.3 billion euros of budgetary measures available, as well as guarantees of up to 819.7 billion euros.[16] The European Central Bank (ECB) has implemented a Pandemic Emergency Purchase Programme (PEPP) amounting to 750 billion euros altogether. These measures are, however, connected with a pronounced increase in national debt, the long-term ethical and national economic implications of which it has not been possible to publicly discuss in the midst of crisis management, in particular with regard to intergenerational justice.

By comparison, the means made available by the Federal Ministry for Economic Cooperation and Development (Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung; BMZ) for the undertaking of urgent measures in the countries of the South, appear to be quite moderate. The programme providing immediate relief, the Corona-Sofort-Programm of the BMZ, was of the magnitude of one billion euros. There are numerous examples to illustrate the disparity between the different preconditions for crisis intervention in the countries of the North and the countries of the South during the corona pandemic.[17]

The corona crisis magnifies an understanding of the enormous importance of institutions – including their level of trustworthiness – as well as the insight into the necessity of society, economy and the financial system being oriented towards principles of sustainability. The significance of a social and ecological transformation has risen. It was the Federal Minister for Economic Cooperation and Development, Gerd Müller, who made a step in the right direction when he termed the corona crisis a "wake-up call for humanity" and demanded: "The ever-further-ever-faster-ever-more capitalism of the last 30 years must be stopped. … The corona crisis is a clarion call to humanity, to treat nature and the environment differently … The limits of the resources are finite and we reap a multiple of that which is coming to us."[18] However, the question regarding the

16 Cf. Bundesfinanzministerium (2020): Kampf gegen Corona: Größtes Hilfspaket in der Geschichte Deutschlands, Berlin; https:// www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Schlaglichter/Corona-Schutzschild/2020-03-13-Milliarden-Schutzschild-fuer-Deutschland.html.

17 Cf. Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (2020); Das BMZ Corona-Sofortprogramm, Bonn; https://www.bmz.de/de/service/nl/BMZeit_pdf_03_2020.pdf; further to the dramatic effects of the corona pandemic in the countries of the South as a result of global recession, the disruption of supply chains, the fall in prices of raw materials and the flight of capital, cf. the study by the German Institute for Development Cooperation: "Das Coronavirus und die Internationale Entwicklungszusammenarbeit", of 2020: https://www.die-gdi.de/corona/.

18 Rheinische Post (2020): Entwicklungsminister Müller fordert Abkehr vom traditionellen Kapitalismus (30.05.2020); https:// www.presseportal.de/pm/30621/4586441.

practical consequences that such an evaluation might carry, so as to bring about a new coherency between the policy areas in Germany as well as in the global arena, is becoming ever more significant. At the same time, there is all the more pressure to find a solution to the question as to how even the financial and taxation systems can support and advance a realignment towards ecological and sustainable business practices.

This discussion paper also intends to strengthen the voices which, within the context of the corona pandemic, will admonish and advise those who will listen to engage personally in a new reflectiveness, and make use of this phase to look for a re-orientation. Together, we need to reflect upon the question as to how economies and societies can be designed in such a way as to be more sustainable and resilient, even in times of unpredictable crises.[19]

1.3 What are we speaking about? Protagonists and Mandates within the Financial and Tax System

In order to adequately discuss these topics as well as some other issues that are raised, some terms need to be defined at the outset: What is, in broad terms, the financial system? What are its functions, its components and the participating protagonists?

The responsibilities of a financial system include the efficient allocation of financial means and risks, as well as the provision of a productive and secure financial infrastructure[20]. Therefore, amongst the functions of a financial system is also the transfer of monies from providers to consumers with all their diverse needs, serving the dual purpose of financing business enterprises of the real economy (above all, this means

19 Cf. also: Diefenbacher, Hans / Foltin, Oliver / Teichert, Volker (2020): Corona-Pandemie und Klimaschutz – einige Anregungen zur Diskussion, Heidelberg, 30.04.2020; https://www.fest-heidelberg.de/wp-content/uploads/2020/04/Corona_Klimaschutz.pdf.

20 This discussion paper focusses on the “financial system” and “financial economy”. Within the main text of Chapter 1.3, at the outset, some of the diverse protagonists of the financial system are explained in the following: Whilst the term “financial system” describes the architecture and mutual interaction, or rather, regulatory systems, of the diverse actors who determine the financial market, the term “financial economy” designates all economic activities which occur within the financial market or even have a determining influence upon it. Both terms, the “financial system” as well as the “financial economy”, also denote diverse aspects of real financial interactions within our society or even worldwide, which are inter-connected in complex ways. In general, the term “financial economy” is used as a counterpart to that of the “real economy”. In particular, it points to the problems posed by financial products and transactions which do not serve as means to real economic purposes but are an end to themselves. In the paper at hand, both terms, the “financial system” and the “financial economy”, are occasionally used interchangeably.

pre-financing), as well as minimizing the risks for savers and investors involved in the reallocation of money. Thus, the most crucial accomplishment of a financial system is the transformation of money; meaning the spatial, temporal (term transformation), quantitative (batch transformation) and – of particular importance – the risk transformation.[21]

Fundamentally, the financial system consists of three components:

- Financial intermediaries (banks[22], insurances, investment companies), which mediate between the diverse needs of money providers and those in demand of money by offering, in particular, risk and term transformation as a service (savings deposits, credit-checked loans),
- Financial markets, in which there is a direct interaction between supply and demand for financial means such as money, commercial papers and derivatives (short-term funding: financial market, long-term: capital market, e. g. stock markets),
- The technical infrastructure (monetary transactions, settlement systems for trade and securities).

In addition to the financial intermediaries, central protagonists include: state institutions, central banks, supranational banks (World Bank), the International Monetary Fund (IMF) and diverse supervisory bodies. Thereby, state institutions provide the legal framework for the financial system, as well as providing testing and monitoring functions. In Germany, the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) and the German Central Bank (Bundesbank) exercise the supervision of the banking, insurance and investment companies (financial intermediaries), thereby supporting the political sphere in their regulatory function as financial services authority. In other nations, there is also a corresponding financial

21 Cf. for a brief introduction of the protagonists involved in the financial system for non-professionals, see an overview by the University of Zurich, by Liechti, Elisabeth (n. y.): Das Finanzsystem und seine Akteure; https://de.coursera.org/lecture/finanzen/das-finanzsystem-und-seine-akteure-TLFO2.

22 By comparison with other countries in Europe, the banking system in Germany is exceptional in that it consists of three pillars: credit or rather, private banks, public-sector savings banks (Sparkassen) and co-operative banks. For the EU, the unique German path interferes with efforts to achieve a harmonization of banking regulations and a banking union after the financial crisis. It is, in particular, the public-sector savings banks with their strong regional orientation, as well as the co-operative credit associations which lament that they have to comply with the same regulatory constraints as all other large European banks, although their own fallback mechanisms are already in place. Similar to medium-sized private banks, they proved to be most advantageous in the financial crisis due to their reliable lending. However, the fragmentation of the banking market in Germany also has its disadvantages, e. g. with regards to the profitability of the entire sector, which poses a risk for financial stability.

services authority at national level,[23] as well as at European level (European System of Financial Supervision; ESFS), including, amongst others, the European Securities and Market Authority (ESMA) and the European Banking Authority (EBA). At an international level, however, a legally binding authority for those operating within financial markets has not been established; this would require the surrendering of national sovereign rights. Nevertheless, the Financial Stability Board (FSB) was initiated by the G20 and endowed with an extended mandate as a reaction to the financial crisis. Its function is the co-ordination of regulatory and supervisory issues of the financial sector at international level. Members of the FSB consist of central banks, ministries of finance and supervisory authorities.

Issue or central banks are essential players within the financial system. At national German or even European level, it is the principal task of central banks such as the German Central Bank or the European Central Bank (ECB), both of which are independent of interference or instruction from the government, to guarantee price stability.[24] Interest rates for principal refinancing operations are the most important instrument in terms of fulfilling their mandate as regards *monetary* policy, through which the ECB provides the commercial banks with liquidity (money).

The state is an important player. Not only does it regulate and monitor, but it is also actively engaged in fiscal policy by administering economic measures over the government budget, whereas the power of the purse lies with Parliament. Fiscal policy includes the *fiscal* political mandate to curb cyclical volatility through implementing changes in public revenue and expenditure. An important instrument of financial or fiscal policy which has great distribution effects, is the national taxation and transfer system, the basis of which can consist of different interpretations of justice/injustice and equality/inequality.[25] Tax evasion, tax flight and the shadow economy are problems of legitimacy in the tax state. The last two aforementioned problems clearly demonstrate, especially in the example of cutthroat competition with regards to regulatory standards, that diverse states have different interests.

23 Cf. the list of national financial services authorities: https://de.wikipedia.org/wiki/Liste_von_Finanzaufsichtsbeh%C3%B6rden.

24 According to the understanding shared by many, this means that an inflation rate of slightly below 2% should be maintained. It is a very controversially discussed question as to how exactly price stability is to be defined.

25 It needs to be taken into account that, when conducting comparisons between states with regards to the issue of inequality, it is not only the distribution of monetary and non-financial assets that need to be considered, but also the retirement assets and the relevant prospective entitlements. The claims yet to be put to pensions offices and civil servants' pensions have a balancing effect upon wealth inequality in Germany.

In addition, companies that perform indispensable service functions for banks and investors, such as rating agencies and audit firms, are also to be mentioned. Rating agencies assess the credit status of states, business enterprises and financial products, and publish relevant ratings. Audit firms not only examine company accounts, but also advise businesses on issues such as tax compliance, in particular. It is characteristic for both that, on the one hand, they are commissioned and financed by those whom they are to assess and evaluate[26] (as opposed to sustainability rating agencies whereby the services are paid by the investors). On the other hand, the respective market is determined by a small number of oligopolists: Amongst the rating agencies, there are the "Big Three" (Standard & Poor's, Moody's and Fitch), and amongst the auditors, the "Big Four" (Deloitte, EY – Ernst & Young, KPMG and Pricewaterhouse-Coopers – PwC).

And finally, the demand side should not be disregarded, which also includes private investors and bank customers: Every individual who makes use of banking and insurance services, is, as a customer, part of the financial system, and helps shape it through their decisions. In addition, tax ethics – that is, the respective attitude towards tax evasion – not only applies to companies, but to all taxable persons.

1.4 Which Values and Responsibilities have a Determining Influence on the Financial System? – Why is the Evangelical Church speaking out about Issues of Sustainability and Justice within the Financial System?

The Evangelical Church in Germany has repeatedly spoken out on issues of economic justice and – at times, together with the Roman Catholic Bishops' Conference – taken a stand on questions regarding wealth inequality and fair taxation.[27] It has also

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26 However, within the accounting firms, responsibilities for consultation and inspection are usually distinct.

27 Cf. e. g. Evangelical Church in Germany, German Bishops' Conference (2014): Common Responsibility for a Just Society. Initiative of the Council of the Evangelical Church in Germany and the German Bishops' Conference for a Renewed Economic and Social Order. German: Evangelische Kirche in Deutschland, Deutsche Bischofskonferenz (1997): Wort des Rates der EKD und der Deutschen Bischofskonferenz zur wirtschaftlichen und sozialen Lage in Deutschland: Für eine Zukunft in Solidarität und Gerechtigkeit, Hannover/Bonn; https://www.ekd.de/sozialwort_1997_sozial1.html, and Evangelische Kirche in Deutschland, Deutsche Bischofskonferenz (2016): Die Sozialinitiative der evangelischen und katholischen Kirche, Hannover/Bonn; http://www.sozialinitiative-kirchen.de/, as well as: Evangelische Kirche in Deutschland (2016): Pressemitteilung vom 05.02.2016: „Im Dienst an einer gerechten Gesellschaft". Dokumentation der Diskussionsphase und Gemeinsame Feststellung zur Ökumenischen Sozialinitiative; https://www.ekd.de/pm13_2016_dokumentation_sozialinitiative.htm.

addressed financial markets and financial instruments in detail, as well as the consequences and ethical problems of the global financial crisis.[28] In addition, the Evangelical Church[29] plays a somewhat significant role as a player within the financial market as well as an investor, and therefore speaks out on issues of ethical and sustainable investment.[30] Here, we can build on this practice. Even shortly before the climax of the financial crisis in 2008, the memorandum on entrepreneurial action stated, albeit briefly: *"The changes on the capital markets contribute to a restlessness which is justified. However, well-regulated capital markets can contribute significantly to welfare gains through transparency, efficiency and an improved risk distribution."* Shortly after this, the regulation of the financial market was the topic that was on everyone's lips. In 2009, during a speech in Berlin, the then Federal President, Horst Köhler, reflected upon his failing as Managing Director of the International Monetary Fund in 2004. Even then, the developments within the financial markets had caused him to worry. He could no longer regiment the gigantic volume of finance and the all too complex financial products. His intention was to build expertise on capital market policy in the IMF and strive for guiding values and justice within the financial system. However, he encountered massive resistance on the side of the G7-states, who would only hesitatingly agree to an evaluation of their financial services industry and, at the time, were unwilling to hear the warnings regarding the growing risk of a crisis within the entire system.

> *The will to assert the primacy of politics over and against the financial markets was lacking … Now we are experiencing that the market on its own cannot bring things to order. A strong state is needed, one which lays down rules for the market and enforces them.*[31]

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28 Evangelical Church in Germany (2008): Entrepreneurial Action from a Protestant Perspective. A Memorandum of the Council of the EKD. German: Evangelische Kirche in Deutschland (2008): Unternehmerisches Handeln in evangelischer Perspektive. Eine Denkschrift des Rates der EKD, Hannover, p. 77–92; https://www.ekd.de/ekdtext_100.htm. Evangelical Church in Germany (2009): Like a High Wall, Cracked and Bulging. Statement by the Council of the Evangelical Church in Germany on the Global Financial and Economic Crisis. German: Evangelische Kirche in Deutschland (2009): Wie ein Riss in einer hohen Mauer. Wort des Rates der EKD zur globalen Finanzmarkt- und Wirtschaftskrise, EKD-Texts No. 100 (2nd edition, appendix added), Hannover; https://www.ekd.de/ekdtext_100.htm.

29 Understanding "The Church" as an economic player could mean considering the diverse corporations and organizations within the sphere of Church and Diaconia, in particular regional churches, church districts and communities, church banks, church pension funds and complementary pension schemes, as well as diaconal establishments, companies and church foundations of all shapes and sizes.

30 Evangelical Church in Germany (2019): Guideline for Ethically-Sustainable Investment in the Protestant Church, 4th updated edition, EKD-Texts No. 113, Hanover. German: Evangelische Kirche in Deutschland (2019): Leitfaden für ethisch-nachhaltige Geldanlage in der evangelischen Kirche, 4., aktualisierte Auflage, EKD-Texte Nr. 113, Hannover; https://www.ekd.de/ekd_de/ds_doc/ekd_texte_113_2019.pdf.

31 Köhler, Horst (2009): Berliner Rede in der Elisabethkirche Berlin: Die Glaubwürdigkeit der Freiheit, Berlin, 24.03.2009; http://www.bundespraesident.de/SharedDocs/Reden/DE/Horst-Koehler/Reden/2009/03/20090324_Rede.html.

On the one hand, this discussion paper wishes to take up this concern and to contribute to the accentuation of the primacy of politics with regards to the state's responsibility to establish the framework for the financial economy and strengthen the role of politics, legislation and supervision of the banking system and the financial system, in order to ensure that resignation and withdrawal or undifferentiated blanket judgements on "financial capitalism" do not determine the debate. The paper intends to encourage all parties to expedite and accelerate the necessary reorganization of the economic and financial system for which the churches have called for decades, in the sense of desiring a "great transformation" towards a sustainable society.[32] At this point, there is already an indication as to what this paper, with its limited assignment through the Council of the EKD, **cannot** achieve: The discussion paper cannot address, and certainly cannot solve, every problem of the international financial economy. Thus, any questions pertaining to alternatives to the principal system of the market economy will not be discussed here, nor will any development of alternatives that are fundamentally different to monetary theories, such as e. g. concepts of positive money, or demurrage.

Background information on the topic of **Money Creation**, see p. 159

Even the set of problems caused by the growth imperative of the world economy is touched upon several times (cf. below, 3.1), but cannot be treated comprehensively.[33] It is not the churches' responsibility to devise financial and fiscal policy.

However, wherever trust in the creative power of politics and fiscal responsibility has eroded, the Church will speak out, and has already taken a stand on several occasions with regards to a number of concrete matters – e. g. in 2010, on the financial transaction tax.[34]

On the other hand, the state's regulatory policies need to be complemented and animated through the actions of those who operate within the regulatory framework. Therefore, responsibility also lies with the protagonists involved in the financial system, the bank staff, private or institutional investors, asset or fund managers.

32 Cf. Wissenschaftlicher Beirat der Bundesregierung zur globalen Umweltveränderung (WBGU) (2011): Hauptgutachten: Welt im Wandel. Gesellschaftsvertrag für eine Große Transformation, Berlin; https://www.wbgu.de/fileadmin/user_upload/wbgu/publikationen/hauptgutachten/hg2011/pdf/wbgu_jg2011.pdf.

33 Cf., more extensively on these issues, the exzellent work by Binswanger, Martin (2019): Der Wachstumszwang: Warum die Volkswirtschaft immer weiterwachsen muss, selbst wenn wir genug haben, Wiley, Weinheim.

34 Cf. https://www.ekd.de/pm289_2010_synode_millenniumsziele.htm.

Responsibility has become a key ethical category and a fundamental word of our time. The term responsibility is, as Chapter 2 shows, a central notion of even international ecumenical discussion and ecumenical social ethics. Within the ethical discourse, it replaces the old notion of duty.[35] Global challenges and the complexity of society's systems require a key concept that is more open and more suited to practical application. Responsibility is the expression of a basic attitude that sets out what it means to take an interest in the co-operative working together of all those affected. The issue of responsibility connects the institutional and personal dimensions of action. Whoever takes on responsibility must be equipped with institutional capacities and moral, practical, life-affirming, communicative and functional abilities.

Even in complex global contexts, the call for responsibility cannot be silenced, despite critics frequently pointing to global complexities and obscurities, and to negative effects which cannot be directly attributed to a cause or functional differentiation. In the same way however, social systems will only function well if individuals participate as decision-makers. Responsibility may never be content with that which is currently legal or functional. An example is the history of the abolition of slavery. As long as the question of legitimacy is raised, the call for responsibility will be active within society. In such a way, responsibility will always be practical. Responsibility has a name, an address and a house number, as Karl Jaspers put it.[36] Responsibility is a principle of action which is based upon a procedural and situational communication of obligations and requirements. Matters of values and culture are the substructure upon which personal and systemic functional responsibilities can be interconnected.[37] Thereby, a concept of responsibility that is capable of complexity is possible. It is in this sense that the following paragraphs contain expressions of concrete responsibility displayed within various contexts.

The issue of responsibility has become an important subject, in particular for the Church itself, as well as its activities as an investor within the financial markets. In its handling of the money entrusted to it, the Evangelical Church considers itself to

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35 On the substitution of the former duty ethics (i. a. Kant) through an ethics of responsibility, see: https://www.ethik-evangelisch.de/lexikon/pflichtenethik.

36 Karl Jaspers quoted in: Mack, Susanne (2004): Schuld ist individuell. Zum 35. Todestag des Philosophen Karl Jaspers, in: Deutschlandradio Berlin, 27.02.2004; https://www.deutschlandradio.de/archiv/dlr/sendungen/merkmal/242997/index.html.

37 Cf. Heidbrink, Ludger (2011): Verantwortung in Zeiten der Ratlosigkeit. Zur Rolle des Verantwortungsprinzips in Prozessen der gesellschaftlichen Beratung. In: Kleves, Lino / Zapf, Holger (publ. 2011): Demokratie – Kultur – Moderne, 1. ed., München, p. 221–235, also Banzhaf, Günter (2002): Philosophie der Verantwortung. Entwürfe, Entwicklungen, Perspektiven, 1. ed., Heidelberg. Ferner: Heidbrink, Ludger / Langbehn, Claus / Loh, Janina (publ. 2017): Handbuch Verantwortung, Wiesbaden.

be in a position of responsibility before God and people, and has therefore, during the last ten years, become a pioneer in relation to issues of ethical and sustainable investment.[38]

Wherever trust in politics and the players within the financial market dwindles, and organized irresponsibility is denounced, the Church sees itself in a position of responsibility with a threefold effect: Firstly, it has the responsibility to look at and portray the situation in a differentiated manner and, secondly, to set a good example as a protagonist within the financial market, considering the effects of its financial activities on the natural environment, the social environment and on posterity. And finally, it is important that it lifts its voice on behalf of affected people and the endangered, created world, and asks: What do we need to do in order to make it possible for our financial system to become sustainable? No less than a new, global consensus is necessary and, in this, the Church is in agreement with the Scientific Advisory Board of the German Government on Global Environmental Issues (Wissenschaftlicher Beirat der Bundesregierung Globale Umweltveränderungen; WBGU):

> *This is, in fact, all about a new global social contract for a low-carbon and sustainable global economic system. It is based on the central concept that individuals and civil societies, states and the global community of states, as well as the economy and science, carry the joint responsibility for the avoidance of dangerous climate change, and the aversion of other threats to humankind as part of the Earth's system. The social contract consolidates a culture of attentiveness (born of a sense of ecological responsibility), a culture of participation (as a democratic responsibility), and a culture of obligation towards future generations (future responsibility).*
> *One key element of such a social contract is the 'proactive state', a state that actively sets priorities for the transformation, at the same time increasing the number of ways in which its citizens can participate, and offering the economy choices when it comes to acting with sustainability in mind.*[39]

38 In the context of the general environment within Germany, one which had a late start in its thinking about sustainable investment in general, and active engagement in particular, the AKI succeeded in establishing a 'working, Evangelical platform': Emunds, Bernhard / Patenge, Prisca (2016): Shareholder Engagement mit sozialen und ökologischen Zielen. Chancen für das ethikbezogene Investment kirchlicher Anleger. Eine Studie des Oswald von Nell-Breuning-Instituts im Auftrag der Wissenschaftlichen Arbeitsgruppe für weltkirchliche Aufgaben der Deutschen Bischofskonferenz, Bonn, p. 12.

39 Cf. German Advisory Council on Global Change (WBGU): World in Transition – A Social Contract for Sustainability. Wissenschaftlicher Beirat der Bundesregierung zur globalen Umweltveränderung (WBGU) (2011): Hauptgutachten: Welt im Wandel. Gesellschaftsvertrag für eine Große Transformation, Berlin; https://www.wbgu.de/fileadmin/user_upload/wbgu/publikationen/hauptgutachten/hg2011/pdf/wbgu_jg2011.pdf, p. 2.

The question relating to the social responsibility for sustainable development, which is carried by both, the **players** *and* the **institutions** involved in the financial system, poses itself with new alacrity to the Church as well as to others, particularly in the aftermath of the corona crisis (cf. paragraph 1.2). This discussion paper intends to spell out the dimensions of responsibility for the relevant areas of the banking and financial system.

The arguments in the paper at hand are set out within the context of the Church's role as admonisher, mediator and driver[40] for sustainable development. Politics and legislation on the one hand, and those actively involved on the other, possess the responsibility to bolster or even restore trust in the banking and financial system. This is about more than money. It is essential that effective and binding steps of reform are instigated and implemented, thereby serving to oppose a blanket dismissal of "financial capitalism" with convincing arguments, as well as with a responsibility that is lived out. It is about no less than a system of taxation and finance that is committed to sustainability.

The Evangelical Church has a long history of supporting the developments in the German and European economy through the approaches of ecumenical social thought. The programme of the social market economy was established mainly thanks to Christian and ethical ideas found in the Catholic[41] as well as the Evangelical tradition.[42] An ecological and social market economy binds powers to a legal and regulatory framework, one which is conducive to an orientation towards the common good (Wohl der Allgemeinheit; Paragr. 14 GG) and which creates sufficient maneuvering room to establish social balance. Today, it is important, on the one hand, to strengthen the further development of the existing regulatory systems of the market economy, in order to strengthen the objective of a *social and ecological* market economy. On the other hand, it is vital that the financial economy is involved in the process of social and ecological transformation which, within the horizon of

40 Cf. Evangelical Church in Germany (2018): "Lent to us is the Star on which we live" The Agenda 2030: A Challenge to the Churches, EKD Text No. 130, p. 32. German: Evangelische Kirche in Deutschland (2018): "Geliehen ist der Stern, auf dem wir leben." Die Agenda 2030 als Herausforderung für die Kirchen. Ein Impulspapier der Kammer der EKD für nachhaltige Entwicklung. EKD-Texte 130, Hannover, in particular, sections 4.2.1, 4.2.2, 4.2.3; https://www.ekd.de/ekd-texte-130-4-was-wir-erwarten-37366.htm.

41 Grein, Eberhard (2011): Für die Soziale Marktwirtschaft – Oswald von Nell-Breuning – Reformer und Jesuit, St. Ottilien.

42 Cf. Dietzfelbinger, Daniel (2011): Die evangelischen Wurzeln der Sozialen Marktwirtschaft, Online-Texte der Evangelischen Akademie Bad Boll; https://www.ev-akademie-boll.de/fileadmin/res/otg/doku/620311-Dietzfelbinger-pdf.pdf; for the general context: Brakelmann, Günter (2018): Kirche, Protestantismus und soziale Frage im 19. und 20 Jahrhundert, Münster, Vol. 1 and 2.

the UN-agenda for 2030, is imperative for sustainable development. There is an increasing demand upon those active within the banking, taxation and financial system to carry this responsibility for ecological and social sustainability in the sense of the SDGs. At EU-level, this has found its expression in relevant legislative procedures from as early as 2018. This trend needs to be supported and further advanced within the national and international context.

And finally, there is another dimension regarding ecclesial statements on economic topics in general, which needs to be considered. It has been pointed out by Wolfgang Huber:

> *For decades, our society held a kind of 'secular belief' that faith and religion had had their time. The swansongs to Christianity and religions in general could not be overheard. Now however, important signs are pointing to a different direction. Today, there is barely a cultural or social area in which one could not observe indications of a return of the religious. This necessarily has consequences for the exercising of economic responsibility. A new perception is developing, that this worldly view and one which is exclusively focused on the economy and radically centered on consumption, is too mundane and overly superficial. The more unrelentingly the European world is oriented towards the globalized economy, the more categorically determined that market and financial power, ancillary wage costs and economic competition are to govern the lives of all, the more likely people are to ask for counteraction. Most of us feel that consumption on its own cannot support us, that the economy on its own cannot provide us with meaning, and that our function will not give us significance. As we turn towards religion, it is the soul of the people that is rebelling against us being reduced to our commercial function.*[43]

In the context of a mobilization of these spiritual counterforces and basic ethical orientation, this discussion paper follows the basic intention which guided the earlier EKD statement of 2009 on the financial crisis "Like a High Wall, Cracked and Bulging":

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43 Huber, Wolfgang (2007): Gott und Geld. Christliche Ethik und wirtschaftliches Handeln. Vortrag im Langenscheidt Verlag in München, 19.10.2007; https://www.ekd.de/071019_huber_muenchen_langenscheidt.htm.

> *The guiding principle for the churches' involvement in politics is the following: The churches do not wish to instigate policies themselves; they mean to make it possible to devise policies. The tremors in the crises affecting the financial market and the economy, as well as the environmental crisis and climate change, reach far beyond their short-term mastering and call for a sea change. Christians find guidance for new ways of thinking and acting in the Bible. It is from the assurance of faith that the confidence grows that this new orientation will not come too late*.[44]

Nevertheless, in all upcoming and future debates on the reform of the financial system, it will be essential that links and interrelations can be established between core ethical beliefs, economic expertise and practical experiences. This is why, even in the making of the paper at hand, communication across disciplines was practiced by incorporating statements into the theological and political debate which were made by those in positions of responsibility in the financial world. Thereby, the paper was instrumental in bringing to the fore the insight that, without detailed economic expertise, foundational ethical positions will only lead to general moral suasion, but not to practical guidance for alternative regulatory suggestions. On the other hand, a debate focused exclusively on the financial market might come to a standstill within economic shop talk and lose sight of the shared basic ethical orientation. Critics of the ethical intervention of churches and religious groups in general have remarked that in fiscal and economic debates,

> *… ethics … [played] the role of a bicycle brake on an intercontinental plane. Thereby, they imply that the discussion of ethics had a bogus character without any influence on the real development of things*.[45]

Therefore, this discussion paper desires to (using the same metaphor) prompt important corrections to the construction plans of a jumbo jet, not merely settling for an ineffective position as a bicycle brake within the world's financial system.

44 Translated by AQ; also available: Evangelical Church in Germany (2009): Like a High Wall, Cracked and Bulging. Statement by the Council of the Evangelical Church in Germany on the Global Financial and Economic Crisis. German: Evangelische Kirche in Deutschland (2009): Wie ein Riss in einer hohen Mauer. Wort des Rates der Evangelischen Kirche in Deutschland zur globalen Finanzmarkt- und Wirtschaftskrise, EKD-Texts 100 (2nd edition, appendix added), Hanover, p. 7; https://www.ekd.de/ekdtext_100.htm.

45 Huber, Wolfgang (2007): Gott und Geld. Christliche Ethik und wirtschaftliches Handeln. Vortrag im Langenscheidt Verlag in München, 19.10.2007; https://www.ekd.de/071019_huber_muenchen_langenscheidt.htm.

1.5 What is the Political World saying? – Which Initiatives promote a new Discourse on Sustainability, Justice and the Financial System?

1.5.1 At International Level: The Paris Climate Agreement, Agenda 2030 and the Process of International Development Finance

Following the financial crisis of 2007/2008 and, in particular after adopting the two great agendas (UN Agenda for Sustainable Development and the Paris Agreement on Climate Change), as well as the Addis Ababa Action Agenda on Financing for Development in 2015, a number of important initiatives and suggestions for the reform of the financial economy have arisen. A decisive impetus for these has come from the political sphere, the regulatory and supervisory authorities, from the field of the EU, the G20, the OECD, from church groups and civil society[46], as well as from those involved in the financial markets themselves. The OECD has instigated important initiatives for the taxation of digital corporations as well as regulations to prevent the shifting of profits of multinational corporations (Base Erosion and Profit Shifting = BEPS)[47] across national boundaries. At a multilateral level, the founding of the group of 20 heads of states (G20)[48] was an important decision, which became the most important informal forum for international economic co-operation and the coordination of financial policies at a global level.[49] The G20 states represent more than 85 percent of the global gross domestic product, three quarters of world trade and about two thirds of the world's population. The International Monetary Fund and the World Bank, the United Nations and the Financial Stability Board, as well as the OECD, were regularly invited to the meetings of the G20.[50]

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46 Cf. Kairos Europa e. V. (publ. 2001): Kapital braucht Kontrolle. Die internationalen Finanzmärkte: Funktionsweise – Hintergründe – Alternativen, Heidelberg; https://kairoseuropa.de/wp-content/uploads/2015/10/Kapital_braucht_Kontrolle-3.pdf.

47 Paster, Thomas (2009): Steuervermeidung durch multinationale Unternehmen. Methoden und Gegenmaßnahmen, Roskilde; https://www.researchgate.net/publication/333479789_Steuervermeidung_durch_Multinationale_Unternehmen_Methoden_und_Gegenmassnahmen. Cf. https://www.bundesfinanzministerium.de/Web/DE/Themen/Steuern/Internationales_Steuerrecht/Beps/beps.html.

48 The group of the 20 (G20) includes the 19 most important industrial and emerging nations, as well as the European Union. Member states are the following: Argentina, Australia, Brazil, China, Germany, France, United Kingdom, India, Indonesia, Italy, Japan, Canada, Mexico, Russia, Saudi-Arabia, South Africa, South Korea, Turkey and the USA.

49 As a reaction to the financial crisis of the 1990 s in Asia, by 1999, the G7 finance ministers had already decided to form a G20 group at the level of the finance ministers and federal reserve chairmen from the most significant industrial and emerging nations. In 2009, this group convened for the first time as a gathering of the 20 heads of states of these nations.

50 Cf. Bundesfinanzministerium (2020): G7/G20, Berlin; https://www.bundesfinanzministerium.de/Web/DE/Themen/Internationales_Finanzmarkt/G7-G20/G7-G20.html.

Today, the G20 are the most important forum for international regulatory policy and regulations. Following the crisis of 2007/2008, the co-operation of the G20 was instrumental in stabilizing national economies and financial markets. Up until today, the consequences of the financial crisis have had a determining influence on the work of the G20. It will, however, be increasingly important to reach shared agreements in order to prevent potential new financial crises. Currently, under the presidency of Saudi-Arabia[51], the G20 have been taking up the challenge of agreeing upon a coordinated approach during the corona crisis. In March 2020, under the leadership of the Saudi King Salman, the G20 states agreed, amongst other things, to an investment package worth 5 trillion US dollars. Additionally, over the course of the corona crisis, the G20 resolved upon a level of debt relief which goes far beyond individual case decisions.

Background information on the topic of **National Debt**, see p. 161

An important element of the operations conducted at an international level also include the processes involved in finance development and designing financial policies:[52] In 2002, concerned by the Asian financial crisis of the 1990s, which was threatening to spread to the EU and USA, the heads of state of the global community and the international financial institutions, such as the International Monetary Fund (IMF) and World Bank, met in Monterrey, Mexico, for a conference, in order to consult with one another on ways to prevent and overcome such financial crises, and committed themselves to the mobilization of substantial financial resources to promote development.

The international economic and financial architecture was an important backbone of this summit's agenda, as it grew into a dialogue process with regular meetings under the roof of the United Nations. The mechanisms for the steering of global economic processes were recognized as being essential to prevent international financial crises and sustainable development. Even today however, the poorer developing countries are largely excluded from decision-making when it comes to the rules of the financial system, which are discussed in the International Monetary Fund and G20. Correspondingly, these countries advocated to be included in the decisions of the inter-

51 Cf. Full transcript of Saudi Arabia's Mohammed bin Salman's remarks at G20 Riyadh Summit (2021), in: All Arabiya, 02.01.2021; https://english.alarabiya.net/en/News/gulf/2020/11/22/Full-transcript-of-Saudi-Arabia-s-Mohammed-bin-Salman-s-remarks-at-G20-Riyadh-Summit.

52 Cf. United Nations: Financing; https://www.un.org/esa/ffd/.

national financial organizations. While this has still not been achieved, their efforts at least resulted in a change, in that the expansion of discussions on proposals for the regulation of the financial markets were no longer exclusively confined to the G20 level, but were also taken to the United Nations in the "Financing for Development" process. This was supported by the UN General Secretary's annual reports on the financial system and development, and the Inter-Agency Task Force (IATF Report)[53], in which the IMF, the World Bank, OECD and the UN co-operate. Sustainable development also envelops the, by now, already greatly developed efforts to instigate supply chain laws at both a national and European level, which oblige corporations to observe due diligence relating to human rights and sustainability, as they apply to the economy and to trade.[54]

1.5.2 At European Level: The Sustainable Finance Action Plan und the EU Green Deal

Amongst the significant political advances at the level of the EU, the EU Action Plan on Sustainable Finance[55] certainly needs mentioning, as do the disclosure rules for the financial products of the EU[56] as well as the Single Supervisory Mechanism (SSM) within banking supervision in Europe.[57] Although the regulations on taxonomy, benchmark and disclosure, in particular, underwent the legislative procedure at an – as yet – unprecedented speed, not all legislative acts have been fully transposed into the current national law of the member states.

In recent years, a new, political dynamic developed, even at EU level, and especially within the area of Sustainable Finance: In December 2019, the European Commission presented a European "Green Deal"[58], comprising of an initial, comprehensive

53 Cf. United Nations (2020): Europe Sustainable Development Report 2020; German: United Nations (2020): Bericht über die Finanzierung nachhaltiger Entwicklung; https://developmentfinance.un.org/ und zum Finanzsystem: United Nations (2020): Interinstitutionelle Task Force "Entwicklungsfinanzierung"; https://developmentfinance.un.org/node/9.

54 Cf. Die Arbeitsgemeinschaft der Eine Welt-Landesnetzwerke in Deutschland e.V. (agl) et al. (2020): Initiative Lieferkettengesetz; https://lieferkettengesetz.de/; https://www.globalcompact.de/.

55 Cf. European Commission (2018): Commission Action Plan on Financing Sustainable Growth; German: Europäische Kommission (2018): Aktionsplan: Finanzierung nachhaltigen Wachstums, Brüssel; https://ec.europa.eu/transparency/regdoc/rep/1/2018/DE/COM-2018-97-F1-DE-MAIN-PART-1.PDF.

56 Cf. European Commission (2018): Regulation of the European Parliament on the Disclosure of Information about Sustainable Investment and Sustainability Risks, as well as for Regulation amending the Benchmark Regulation (EU) 2016/2341, German: Brüssel; https://eur-lex.europa.eu/legal-content/DE/TXT/PDF/?uri=CELEX:52018PC0354&from=DE.

57 Cf. Europäische Zentralbank (n. y.): Der SSM. Einheitlicher Aufsichtsmechanismus, Frankfurt a. M.; https://www.bankingsupervision.europa.eu/about/thessm/html/index.de.html.

58 Cf. European Commission (2019): The European Green Deal, Brussels; https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_de.

roadmap for legislative and non-legislative measures, with which a transformation of the European economy and society into a climate-neutral EU is to be achieved by 2050. At the same time, it is necessary to bridge substantial investment gaps. In order to achieve the climate and energy targets, additional annual investments "of 260 billion euros by 2030" are necessary. In January 2020, the EU Commission published an investment plan for a Europe that is fit for the future,[59] which includes three pillars: a fund to support an equitable transition (*Just Transition Fund*), co-financing via the programme "Invest-EU" and additional credit instruments, which are to be shaped at a later date. Altogether, nearly half (about 485 billion euros) of the billion euros which are necessary for climate protection and the transition, are to come from the EU-budget. The EU-budget planned for the multi-annual financial framework from 2021 to 2027, is to appropriate 25 percent of its total amount to climate and environmental matters. A further 280 billion euros are to be generated through private and public sponsors. Existing aid schemes are to be adapted in such a way that national budgets can be used to promote green technologies. Thereby, even large enterprises could profit from state aid in future, alongside the small and medium-sized companies which have, so far, been targeted by these measures. Within the context of the investment plan, the necessary political instruments can be made available, so that the financial system might better support the economy's transition towards greater sustainability. The reviewed strategy for sustainable financing, which was planned for 2021, is to contribute to the goals of the European Green-Deal-Investment Plan by creating an advantageous framework for private investors and the public sector, in order to facilitate sustainable investment.

In October 2020, the European Commission instigated a Platform on Sustainable Finance, which provides policy advice on sustainable financing at EU-level, and appointed members and observers to the same. The Church's contribution to this body is its expertise on predominately social and human rights-related issues.[60]

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59 Cf. European Commission (2020): Commission Communication on the Sustainable Europe Investment Plan, Brussels; https://ec.europa.eu/commission/presscorner/detail/en/fs_20_48.

60 The manager of the Working Group of Church Investors (Arbeitskreis Kirchlicher Investoren; AKI), Antje Schneeweiß, also heads the subgroup of a platform which is developing a social taxonomy as a counterpart to the so-called climatetaxonomy.

1.5.3 At the German National Level: The German Government and the Federal Financial Supervisory Authority

For the national context, the new guidelines of the BaFin concerning the handling of sustainability risks[61] need to be mentioned, as well as the founding of the Sustainable Finance Committee which is to advise the government and strengthen action for sustainability, and which also involves members of the Church.[62] With their experience and expertise, the churches support the Federal Government in the implementation of the ambitious goal to become a leading location for Sustainable Finance.[63]

1.5.4 Civil Society: Voices in Civil Society calling for a Change in the Architecture of the Financial Market

Non-governmental organizations (NGOs) play a central role in the development of new concepts for a transformation of the architecture of the financial market. On the one hand, there are the NGOs which specialized in the financial system, such as "Eurodad" (international)[64], "Global Alliance for Tax Justice" (international)[65], Finance Watch (Europe)[66], Facing Finance (international)[67], Attac (international)[68] and the citizens' movement "Finanzwende" (Finance Watch) as well as WEED – World Economy, Ecology & Development, which is in Germany[69]. The Network for Pluralist Economics gathers a number of young political economists committed to critical thinking and alternative viewpoints who, together with representatives of the Federal Ministry of Finance and banks, search for ways in which the financial system can be reformed.[70] The World

61 Bundesanstalt für Finanzdienstleistungsaufsicht (2019): Merkblatt zum Umgang mit Nachhaltigkeitsrisiken, Bonn; https://www.bafin.de/SharedDocs/Downloads/DE/Merkblatt/dl_mb_umgang_mit_nachhaltigkeitsrisiken.html.

62 Cf. Bundesfinanzministerium (2020): Finanzmarktpolitik, Berlin; https://www.bundesfinanzministerium.de/Content/DE/Stan dardartikel/Themen/Internationales_Finanzmarkt/Finanzmarktpolitik/Arbeitsprogramm-Sustainable-Finance.html.

63 Cf. Der Sustainable-Finance-Beirat der Bundesregierung (2019): Selbstverständnis, Ambition und Zielsetzung, Berlin; https://gsfc-germany.com/wp-content/uploads/2019/10/Sustainable-Finance-Beirat_Thesen_final_DE.pdf.

64 Whilst Eurodad started out as a European network with a focus on the EU, today, it concentrates on issues relating to the IMF and World Bank and, due to its reliable research, is a leading and trend-setting institution for NGO-networks, for the discussion of the topics relating to the global financial market, cf. www.eurodad.org.

65 Global Alliance for Tax Justice: https://www.globaltaxjustice.org/.

66 Finance Watch (Europe): https://www.finance-watch.org/.

67 Facing Finance: https://www.facing-finance.org/de/.

68 In this respect, Attac has rather dwindled in importance and is currently working on national topics. Therefore, it is no longer lobbying for matters relating to the international financial system, cf. Attac International: https://www.attac.de/was-ist-attac/strukturen/attac-netzwerk/attac-international/.

69 Bürgerbewegung Finanzwende: https://www.finanzwende.de/ and WEED – Weltwirtschaft, Ökologie & Entwicklung – in Germany: https://www.weed-online.org/.

70 In February 2020, this network of critical lecturers on economics, economists and politicians, hosted a conference to develop perspectives for the reform of the financial system in Berlin, which was much-noticed and jointly undertaken with the association 'Finanzwende': https://www.plurale-oekonomik.de/news/singlenews/der-naechste-crash-als-chance-szenarien-und-reformpotentiale-tagung/95555ec7e1b62ecccaf231fc6a7e2c50/.

Future Council addresses i. a. issues of climate protection finance and the regulation of the financial market, as well as a sustainable monetary policy on the side of the central banks.[71] The Tax Justice Network[72] is especially important for matters relating to taxes as well as the so-called base erosion and profit shifting (BEPs)[73]. In addition, NGOs campaigning for subject matters including development, climate and environmental policies, such as Südwind, urgewald, Germanwatch and WWF, have gained great competencies in issues relating to the financial market, and have now also joined the Sustainable-Finance (SF)-Advisory Board of the Federal Government as experts. An important role is also played by CDP (formerly "Carbon Disclosure Project")[74], an international, independent (non-profit) organization, which evaluates companies annually with regard to their dedication to climate and environmental protection, volunteering the knowledge gained by their involvement within the scientific discourse in society. Meanwhile, CDP-reporting has become common practice for more than 8,000 enterprises worldwide, which inform investors, in addition to their customers, about their sustainability indicators. For ethical and sustainability-oriented investors, CDP-Scores are an important instrument for information. The churches are an essential part of civil society, and below, more will be said about their contributions to ethical investment and a change in the architecture of the financial market.[75]

1.6 What is the Intention of this Discussion Paper? – Core Issues and Fundamental Concerns relating to Four Basic Dimensions of the Financial System's Responsibilities

This Evangelical discussion paper is primarily concerned with the role that the financial and banking system might play in the great transformation, and its integration with overarching, key political objectives. This refers to goals derived from an orientation towards the overall common good, stability, sustainability and democratic control, for which adequate regulatory and monitoring instruments, as well as control mechanisms, need to be strengthened, or even found. However, this will not be

71 World Future Council: https://www.worldfuturecouncil.org/de/nachhaltige-wirtschaft/.
72 Tax Justice Network: https://www.taxjustice.net/.
73 Cf. OECD (2019): BEBs, Paris; https://www.oecd.org/tax/beps/.
74 CDP – Disclosure insight action; https://www.cdp.net/en.
75 Cf. i. a. in Chapter 2.3 to 2.5, as well as 3.2 and 3.4.

achieved without the resolution of conflicts between goals: An essential element of the great transformation is the internalization of external costs, and not only those relating to CO2-emissions. The resulting cost increases affect all involved within the economic and financial system and, in turn, gives rise to social questions. This paper intends to contribute to the discussion of such conflicting goals as they relate to justice, the orientation towards the common good and sustainability.

For more than ten years, we have had a broad (and by now even politically relevant) debate within society about human rights and the sustainability-related due diligence of economy and trade in Germany, which come together in the shaping of political and public opinion on the question of a supply chain law,[76] a debate which even the financial economy cannot evade.[77]

Being mindful of this, it is the fundamental concern of this discussion paper to set forth the fourfold task (and chance) of the optimization or rather, development of the current financial system, taking into account the basic dimensions of a just, participatory, sustainable society which is geared towards the common good,

a) with regard to the interrelated responsibilities in the relations between financial system and real economy (**economic frame of reference**),
b) with regard to the interrelated responsibilities in the relations between state, financial system, democracy and common good (**political frame of reference**),
c) with regard to the interrelated responsibilities in the relations between financial system and the constitutional state (**legal frame of reference**) and
d) with regard to the interrelated responsibilities in the relations between financial system and sustainability goals (**frame of reference related to Sustainable Finance**).

These four categorial dimensions of interrelated responsibilities will need to be considered in terms of their realization in regulatory as well as processual policies, i. e., these dimensions have implications for the political establishment of regulatory in-

76 Cf. e. g. CorA-Netzwerk für Unternehmensverantwortung / Brot für die Welt (2013): Menschenrechtliche Sorgfaltspflichten für Unternehmen: Inhaltliche Ausgestaltung und effektive Umsetzung aus zivilgesellschaftlicher Sicht, Berlin; https://www.cora-netz.de/alt/wp-content/uploads/2014/07/CorA-Herbsttagung-Sorgfaltspflichten_2013-11-05_Dokumentation.pdf.

77 Cf. Evangelical Church in Germany (2021): Responsibility in Global Supply Chains. Their Management according to Social, Ecological and Human Rights-Related Principles; an Evangelical Perspective; EKD-Texts No.135. German: Evangelische Kirche in Deutschland (2021): Verantwortung in Lieferketten. Ihre menschenrechtliche und sozial-ökologische Gestaltung aus evangelischer Perspektive, EKD-Texte Nr. 135, Hannover, 2021.

struments as well as for questions surrounding their legitimation through democratic decision-making processes. The dimensions of responsibility will need to be unfurled with regard to

- the inner economic role of the financial systems,
- the democratic legitimacy of the financial system vis-à-vis the political system and its obligation to be oriented towards the common good,
- the legal accountability relating to the fight against financial crime, as well as
- the contribution that the financial system can bring to reach the goals of sustainable development

The financial system is of elementary significance for the functionality of the economy, which includes, amongst other things, trade, security, innovation, investments and economic prosperity. Missing or misguided regulation undermines the serving function of the financial system of a macro-economy which is oriented towards the common good, impeding the sustainable development of economy and society. In addition, financial crime is not fought with enough determination. This might undermine the credibility and trust in the institutions of the financial system, as well as democracy altogether. Therefore, regulatory procedures and efforts made by all participants from the financial and real economy, which orient the financial and banking system towards the common good, as well as towards sustainability, in the sense of Agenda 2030, are necessary. For this to happen, the constitutional control mechanisms need to be improved. The German constitution (Grundgesetz) even applies to financial capital. It is only when the rule laid down in the constitution: "Property entails obligations. Its use shall also serve the public good (Art. 14 (2) GG) " also applies to the proprietors of capital, that the financial system has the acceptance within society (license to operate) that is necessary to exercise its important and – for the running of the economy – indispensable, serving function.

This discussion paper means to strengthen those who, as players within the financial market, act responsibly and accountably in their respective location, and who, as regulators, are working out and implementing an ambitious and sufficiently concrete set of measures for the ecological and social transformation of the control systems of the national and global financial economy. Thereby, the four core hypotheses applying to the interrelated responsibilities of the financial system, and all those involved, tie in with an analysis which, with the financial crisis in mind, was phrased, in 2009, by the EKD for the churches' social thought in the following way:

> *The trigger point of the financial market crisis is a lack of responsibility when dealing with risks. This deficiency can be found in financial market and commercial enterprises and in state action, as well as in the behavior of individuals: At all levels, a mindset of "getting rich quick" is gaining currency. In the medium term, it will be necessary to submit the financial markets to stronger, more efficient and global regulation. In the long term, it will be vital that the risks for future generations, poor nations and natural resources, are recognized as the centre point of future crises and counteracted at the right time. From a long-term perspective, ways out of the financial and economic crisis need to involve the ecological challenges and fight against absolute poverty worldwide.*[78]

78 Cf. Evangelical Church in Germany (2009): Like a High Wall, Cracked and Bulging. Statement by the Council of the Evangelical Church in Germany on the Global Financial and Economic Crisis. German: Evangelische Kirche in Deutschland (2009): Wie ein Riss in einer hohen Mauer. Wort des Rates der EKD zur globalen Finanzmarkt- und Wirtschaftskrise, EKD-Texte Nr. 100, Hannover, p. 18 f.; https://www.ekd.de/ekdtext_100.htm.

2. Fundamentals: Money, Justice and Faith from a Biblical-Theological and Ecumenical Perspective

Whenever the EKD comments on issues relating to the economy and the financial system, it is done within a specific ethical-theological context, to which it is committed through its statements of faith, history and ecumenical connections. It is the objective of this second chapter to portray and exemplify these biblical-theological and ecumenical foundations of the faith, in six cross sections of the theological and ethical rationale, in order to bring to mind some important core dimensions of an understanding of the ethical responsibility of humankind in this area.

2.1 Faith, Money and Justice in the Prophetic Tradition of the Bible – Core Convictions found in Written Prophecy: Responsibility for the Poor and their Liberation from Debt Bondage

The biblical tradition is characterized by God's passionate concern for equitable living conditions and relationships amongst his people. According to the accounts of the foundational tests in the Old Testament, a recollection of the people's liberation from bondage and slavery in Egypt (the Exodus motif) is a persistent identity marker of the people of God. It forms the basis of the obligation to review social, economic and political conditions, assessing the level to which they serve equitable living conditions and relationships, and respect the rights of the oppressed, the widows, orphans and poor. The experience of liberation in Exodus is the foundation of the entire legal tradition of the people of God (Dt 5:6ff.). It is the *primordial experience of the Christian-Jewish tradition* that God cares for the *weak* in a special way.[79]

The tradition of prophetic criticism regarding an inequitable property arrangement or the conditions of production and land distribution, during the time of the Old Testament, are an important origin for the critical social thinking found in the Christian tra-

79 Bedford-Strohm, Heinrich (n. y.): Wirtschaft als Thema des christlichen Glaubens, in: rpi-Material (2017), p. 2; https://material.rpi-virtuell.de/material/wirtschaft-als-thema-des-christlichen-glaubens/.

dition. The biblical prophetic realism is alert to the injustice of the current situation, as well as to its effects on the people. Therefore, the core of the biblical tradition is not an idealized, linear ideology of progress or a continuing development, but the central, development-related question, which is also a spiritual and religious one, about how and whereby foundational transformation will happen, and where an about-turn towards justice and compassion can be made possible.[80]

In the history of faith that is found in the Biblical tradition, seven aspects come together in a unique way:

a) a strong awareness that God, who liberates those that are poor and deprived of rights, is a God who is passionate for justice and compassion (*the image of God as a source of our sense of justice*);
b) the conviction that faith in God as liberator is in conflict with any tendency to totalize all claims to power on the side of money, riches and wealth – and, accordingly, an emphatic warning against the idolization of Mammon, or any unlimited financial greed (*criticism of the service of Mammon*);
c) the expectation that systems of injustice – be they within the scope of levies or taxes, lending operations, or the accumulation of houses, wealth and land, have no inner stability and are condemned to ruin (*prophetic message of judgement*);
d) the first, incipient stages of a critical social legislation which refuses to continue to privilege the mighty (e. g. the royal court), but serves the social balance with those who have no land for self-sufficiency (*social protection laws for widows, orphans, strangers and Levites*);
e) the ban on profit maximization through taking advantage of others' economic deprivation (*ban on interest-taking in the case of subsistence credit*);
f) the consistent differentiation between serving God and serving the Emperor, or even using or taxing wealth for social intervention in such a way that is oriented towards the common good (*concurrence with the critique of idolatry and tax liability*);
g) the conviction that an economic system must introduce mechanisms to limit **debt servitude**, since the liberation of the people of God from slavery in Egypt is part of their identity and therefore comes with an inherent promise that they might never again return to debt servitude *(tradition of the Year of Jubilee)*.

80 Cf. Evangelical Church in Germany: "… that they may have life, and have it abundantly": A Contribution to the Debate about new Guiding Principles for Sustainable Development. German: Evangelische Kirche in Deutschland (2008): "… damit sie das Leben und volle Genüge haben sollen." Ein Beitrag zur Debatte über neue Leitbilder für eine zukunftsfähige Entwicklung. Eine Studie der Kammer der EKD für nachhaltige Entwicklung, EKD-Texts No. 122, Hanover, p. 40; https://archiv.ekd.de/download/ekd_texte_122.pdf.

Ad a) The God of Liberation as the God of those without Rights

The language used in biblical texts speaks elaborately of God's passion for those who are poor and without rights. "For the Lord is righteous; he loves righteous deeds; the upright shall behold his face." (Ps 11:7). This verse can effectively be understood as a basic declaration of belief in the liberating God of Israel. The experience that God freed people from generations of bonded labor in Egypt will remain an inherent trait of the understanding of faith and social concept throughout Israel which, in turn, remains constituent even in the rationale of the old-Israeli body of laws.

> *If any of your kin fall into difficulty and become dependent on you, you shall support them; they shall live without as though resident aliens. Do not take interest in advance or otherwise make a profit from them, but fear your God; let them live with you. You shall not lend them your money at interest taken in advance, or provide them food at a profit. I am the Lord your God, who brought you out of the land of Egypt, to give you the land of Canaan, to be your God. (Lev 25:35–38; NRSV)*

Justice is the broad, relational term which, according to the Old Testament, is the yardstick by which all individual norms are to be measured. Also in the New Testament, the well-being of the marginalized, involving the widows, orphans and poor, is the decisive criterion for justice.[81] Protecting the rights of the weak is thus at the core of the biblical understanding of justice.[82]

Ad b) Faith in God in Critical Tension to the Idolatrous Service of Mammon

Since God has become known as the liberator from the social conditions of debt bondage and slavery, his salvific rules become the laws for the protection and defense of the freedom granted. "You shall have no other gods before me."

This most important law of the Decalogue (Dt 5:6 ff.; Ex 20:2 ff.) serves to safeguard human freedom and defend against any totalization of other gods, and even against the quasi-religious claims to power of earthly rulers and powers. Within the biblical tradition, from the very beginning, the question as to whether or not we can distinguish between God and our own capabilities, which is expressed at times, but not always, as sums of money or amounts of gold, has been a central question in relation to the obedience of faith. "Devotion to the one God and the worship of money are

81 Cf. Bieberstein, Klaus / Bormann, Lukas (2009): Gerechtigkeit/Recht, in: Sozialgeschichtliches Wörterbuch zur Bibel, p. 198 f.
82 Also Bedford-Strohm, Heinrich (2012): Positionen beziehen. Perspektiven einer öffentlichen Theologie. München, p. 64.

not compatible."[83] This is an experience which is also firmly rooted in the biblical tradition. The story of this incompatibility spans a range of incidences, from the dance around the golden calf via Jesus' parable of the rich fool or of the rich man and poor Lazarus, to Jesus' encounter with the rich young man. The latter asks what he would have to do in order to have eternal life. "… go, sell your possessions, and give the money to the poor, and you will have treasure in heaven; then come, follow me" (Mt 19 : 21; NLT), Jesus answers. The young man went away grieving, for he had many possessions. "Whatever your heart clings to and confides in, that is really your God." This is how Martin Luther comments on such an experience. The alternative is sketched out quite starkly by Jesus: "You cannot serve God and mammon" (Mt 6 : 24 b; NKJV).[84] Just as it is written in Luke 16 : 13, Mammon does not only mean money, but any type of possession.[85] Luther's interpretation in the Large Catechism, within his explanations to the first commandment, is an indispensable reading of these verses:

> *That … upon which you set your heart and put your trust is properly your god … Many a one thinks that he has God and everything in abundance when he has money and possessions; he trusts in them and boasts of them with such firmness and assurance as to care for no one. Lo, such a man also has a god, Mammon by name, i. e., money and possessions, on which he sets all his heart, … So, too, whoever trusts and boasts that he possesses great skill, prudence, power, favor, friendship and honor has also a god, but not this true and only God.*[86]

Starting from Luther's interpretation, the same critical resistance to the idolization of money and possessions which already influenced Thomas Aquinas' thinking[87], would become an important key motif in later concepts regarding Christian social ethics.[88]

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83 Huber, Wolfgang (2007): Gott und Geld. Christliche Ethik und wirtschaftliches Handeln. Vortrag im Langenscheidt Verlag in München, 19.10.2007; Para. 1: https://www.ekd.de/071019_huber_muenchen_langenscheidt.htm.

84 Cf. ibid.

85 Cf. Alkier, Stefan (2016): Der Fluss des Geldes – Münzen und Steuern, in: Alkier, Stefan / Kessler, Rainer / Rydryck, Michael (ed. 2016): Lebenswelten der Bibel. Wirtschaft und Geld, Gütersloh, p. 78.

86 In 1529, Martin Luther wrote in his explanations to the first commandment in his Large Catechism, i. a. in: Huber, Wolfgang (2007): "Whatever your heart clings to and confides in, that is really your God." Presentation at the Congress for Christian Leaders "Shaping the Future with Values" in Leipzig on 18.01.2007; https://www.ekd.de/070118_huber_fuehrungskraeftekongress.htm.

87 Previously, Thomas Aquinas supported the hypothesis that wherever man gave up the idea of God as the greatest good, he would tend to declare prosperity to be the greatest good. In: https://geldseite.wordpress.com/2012/04/14/ johannes-calvin-und-das-geldsystem/; Wittreck, Fabian (2002): Geld als Instrument der Gerechtigkeit. Die Geldrechtslehre des Hl. Thomas von Aquin in ihrem interkulturellen Kontext. Rechts- und Staatswissenschaftliche Veröffentlichungen der Görres-Gesellschaft, Volume 100, Paderborn.

88 Cf. a book penned by the Anglican Archbishop Justin Welby (2016): Dethroning Mammon. Making Money Serve Grace. The Archbishop of Canterbury's Lent Book 2017, Bloomsbury London; Brady, Thomas (1996): Zwischen Gott und Mammon. Protestantische Politik und deutsche Reformation; Nickel-Schwäbisch, Andrea (2019): Gott und Mammon: Biblische Perspektiven zum Umgang mit Geld – In go(l)d we trust.

However, the question about the nature of money and a responsible way of handling it, cannot be answered merely by recourse to Jesus' word about Mammon, which addresses the misuse of money and wealth.[89] Money acquired in legitimate ways is appreciated as rather positive in parts of the Old Testament Wisdom literature, and considered to be a sign of God's blessing,[90] just as the prosperity of the patriarchs is perceived as God's blessing and gift.[91] In the Bible, money is addressed more frequently than is often supposed: More than 2,500 texts relate to gold, silver, coins, buying and selling, levies and taxes, prices, interest, debt, salaries, bribes etc., "we encounter a whole world of mechanisms of using and investing money, as well as the risks regarding the very same – the opportunities and the problems within the canonical biblical traditions"[92]. From the very beginning, the history of money is present within the Bible. Even before the use of coins, livestock, cereals and weighed silver or stamped metal served as tradeable reference values which made it possible to compare and calculate the worth of different wares[93] – according to F. A. Walkers' dictum "Money is what money does".[94] The use of coins, which has been documented since the 6th century BC in Asia Minor, ushered in the monetarization of commercial life. Coins fulfill the four basic functions of money (measure of value, standard of deferred payment, store of value, medium of exchange) in a more effective and calculable form than any other form of money. In all the regions mentioned in the New Testament, a monetary economy was considered to be natural for centuries,[95] and the same is true of parts of the Old Testament which originated in an economic environment that had been completely monetarized. The rich biblical evidence relating to money reflects this fact. It is for this reason that the biblical and theological position on money cannot be easily summarized in a nutshell. A categorical dualism "God or money" and the sweeping demonization of money as an idol derived from this stance cannot be justified with reference

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89 Cf. on the following: Arbeitskreis Kirchlicher Investoren (AKI) (2017): Theologische Impulse zu kirchlichen Geldanlagen: Theologisches Begleitheft zum Leitfaden, Darmstadt, p. 16–24.

90 Ernst, Michael / Arzt-Grabner, Peter / Naumann, Thomas (2009): Geld/Geldwirtschaft, in: Sozialgeschichtliches Wörterbuch zur Bibel, Gütersloh, 2009, p. 193.

91 Gen 14 : 23; 24 : 35; 26 : 12–13; 30 : 43.

92 Welker, Michael (2012): Protestantismus und Globalisierung, in: Campi, Emidio / Opitz, Peter / Schmidt, Konrad (publ. 2012): Johannes Calvin und die kulturelle Prägekraft des Protestantismus, VDF Zürcher Hochschulforum Vol. 46, Zürich, p. 55.

93 Cf. Alkier, Stefan (2016): Der Fluss des Geldes – Münzen und Steuern, in: Alkier, Stefan / Kessler, Rainer / Rydryck, Michael (publ. 2016): Lebenswelten der Bibel. Wirtschaft und Geld, Gütersloh, p. 73.

94 http://www.levyinstitute.org/pubs/wp_481.pdf.

95 Cf. Alkier, Stefan (2016): Der Fluss des Geldes – Münzen und Steuern, in: Alkier, Stefan / Kessler, Rainer / Rydryck, Michael (ed. 2016): Lebenswelten der Bibel. Wirtschaft und Geld, Gütersloh, p. 73.

to the Bible.[96] It is not money and our way of handling it, but rather, the trust we place in our own capability – namely our own productivity as much as our own possessions –, which are consistently denounced in the Bible. "It is not that money or other possessions *are* in themselves problematic, but rather, the attachment to the very same which *makes* one area of our lifeworld – capital and the economy – an idol and which thereby determines our conduct."[97] Demonizing money as an anti-god is an unbiblical, restricted perspective, which distracts attention from the actual ethical challenge to identify it as a potential competition for God. An example of this is the rich young man who is not kept from following Jesus by his many assets nor by his way of dealing with money; in his case, we also find: "Selling and buying, though, and some uses of money are not only allowed, but suggested in some cases."[98]

Just as unbiblical is the opposite extreme, that of the deification of money and the totalization of its power. The latter can not only be found during the historical time of the Reformation, when there was opposition to the system of indulgences, but also in present times, in some questionable forms of the Christian faith, e. g. the "prosperity gospel", a movement in some parts of global Christianity which is less involved in ecumenical networks or dialogue and which considers financial success to be evidence of God's favor and grace. Whilst a deification of money is clearly rejected, money is understood to be defined as a human cultural achievement in the Bible, one which is interweaved within the history of humankind, as are the institutions of family or state. Just like the state and family relationships, money and possessions may bind us in such a way as to become absolute and take on destructive features, which is why our way of handling money needs to be framed according to ethically responsible criteria. Therefore, the biblical concept of money cannot be represented by any small number of verses.

What the Bible says about money can only be grasped if numerous references in the biblical tradition, which each contribute their respective perspective, are looked at in

96 Cf. von Hagen, Jürgen / Welker, Michael (2014): Money as God? The Monetization of the Market and its Impact on Religion, Politics, Law, and Ethics, Cambridge, p. 440 f.

97 Alkier, Stefan (2016): Der Fluss des Geldes – Münzen und Steuern, in: Alkier, Stefan / Kessler, Rainer / Rydryck, Michael (publ. 2016): Lebenswelten der Bibel. Wirtschaft und Geld, Gütersloh, p. 78.

98 Lupieri, Edmondo F. (2014): "Businessmen and merchants will not enter the places of my Father": early Christianity and market mentality, in: Money as God? The Monetization of the Market and its Impact on Religion, Politics, Law, and Ethics, in: von Hagen, Jürgen / Welker, Michael (2014): The impact of the market, Cambridge, p. 385.

synopsis.[99] In the biblical tradition, money is a human institution, a unit of account, a means to simplify and regulate trading relationships, a store of value as well as a medium of communication which has developed throughout the history of humankind.[100] At the same time, the biblical tradition recognizes the temptation which accompanies its gaining of independence, often termed "Mammon", and reminds us, time and time again, of the danger of our turning material gain and the accumulation of possessions into an end in itself, and thus supplanting our love and trust in God and other people with the perversion of the greed for money.

> "*For the love of money is a root of all kinds of evil, and in their eagerness to be rich some have wandered away from the faith and pierced themselves with many pains.*" (1. Tim 6 : 10).

Ad c) Instability of Illegitimate Systems and Structural Inequality

The monetary economy, as a whole, is not to be equated with the social injustices that are criticized by Old Testament prophecy. The early social criticism of the Old Testament prophets is full of words of judgement with a growing conviction that a society in which the rich enrich themselves at the expense of the poor and live extravagantly (Am 5 : 11; 6 : 4–6) cannot last, but is characterized by instability, even doomed to failure (Am 9 : 9 f.). Avarice and greed for more and ever more possessions destroy the ethical and social foundation of a community: "They covet fields, and seize them; houses, and take them away; they oppress householder and house, people and their inheritance. Therefore, thus says the Lord: Now, I am devising against this family an evil from which you cannot remove your necks; and you shall not walk haughtily, for it will be an evil time." (Mic 2 : 2–3; NRS) So, understood correctly, it is in the self-interest

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99 Examples:

As alternatives to robbery and obtaining possessions as gifts, the first part of the promised land, as well as the temple area in Jerusalem, were purchased (they were not forcefully occupied): Gen 23/Gen 33 : 19/Jos 24 : 32/2Sam 24 : 21 ff.

Buying with and without money as a prophetic sign for the future state of peace: Isa 55 : 1 f./Jer 32

Tithes as an expression of our relationship with God: Gen 14 : 20/Gen 28 : 22/Lev 23 : 33 ff./Mal 3 : 8 ff./Mat 23 : 23.

The institutions of money and state are interconnected through taxes and tariffs; according to God's will, they should not be minimized, nor evaded: Mt 22 : 15 ff./Rom 13 : 6 f.

Collection made for the mutual material and spiritual support of the churches: 1Cor 16/2Cor 8 f.

The justified and unjustified pursuit of profit: Gen 41/Gen 47/Ex 18 : 21/Jer 8 : 10b/Isa 33 : 15/Am 8 : 5/Prov 31 : 18/Jm 4 : 13.

Greed for money destroys the relationship to God and fellow humans: Ps 119 : 72/Job 31 : 24 f./Ecc 5 : 9 ff./Lk 16/Acts 5 : 1 ff./1Tim 6 : 10 ff. The termination of a debt obligation through ransom, redemption, release, salvation: Ex 21–22 : 16/Lev 27/Num 3 : 40 ff./Mark 10 : 45/1Cor 6 : 20/1Pet 1 : 18.

Wealth as means, a risk and blessing on different occasions: Gen 13 : 2/Dt 8 : 11 ff./1Kings 3 : 13/Ecc 5 : 9–6 : 9/Sir 13 : 30 ff./Mark 10 : 17 ff./Luk 12 : 16 ff./Jm 5 : 1 ff.

100 Luhmann, Niklas (1981): Die Wirtschaft der Gesellschaft, Frankfurt a. M., p. 230.

of every community to correct, in good time, the tendencies within society and its ways of dealing with wealth, money and property that are potentially harmful and destructive to the system, bringing them into the framework of a regulative social, financial and sustainability structure. Systems of injustice, i. e. systems of government and order which have an inherent logic geared towards the reinforcement of structural injustice, will certainly not be stable in the long-term, even despite the fact that its representatives might believe otherwise and deceive themselves therein – this is one of the important lessons to be learnt from the biblical tradition of faith.[101]

Ad d) Early Stages of a Critical Social Legislation as a Restriction of Destructive Inequality Dynamics

What is rather remarkable about the socio-critical tradition of the Old Testament is its reference to the Torah as a first social justice system in which an early form of social welfare for the weak is accompanied by a restriction of destructive forms of the absolutization of finance and duties. The biblical faith is never merely concerned with an individual "ethics of good intentions", but rather, it entails concrete new social legislation and a legal system, i. e. an ethics of responsibility and duty, regardless of the degree to which it was historically possible to follow and implement it in its entirety. The specific elements of the Jewish tradition consist of the tradition of legal interpretation and adjustment, rooted in the belief that God has given his people an alternative framework for legislation and peace which needs to be further developed in each given situation. This framework distinguishes God's people from those located within their environment and is connected with their calling to be an alternative society with the promise of God's justice. This involves, by way of an example, a ban on taking interest and pawned goods (Dt 23:20), or by effectively substituting the tribute for the royal court with the revolutionary (in terms of social legislation) new regulation, that a tenth part of the harvest is to be given to widows, orphans, the poor and aliens (Dt 14:22–29). Should an economic debt occur, it would, according to the provisions of the sabbath year, be rescinded after seven years at the very latest (Dt 15:2); in the same way, slaves are to be released after seven years (Dt 15:12 ff.). This is the first known social legislation in the history of the world which aims to disrupt debt history, financial dependence and a slave-based economy.[102] Certainly, in the tradition of the Book of Deuteronomy (Dtn), a distinction was also made between members of the

101 Cf. Jochum-Bortfeld, Carsten / Kessler, Rainer (2009): Wirtschaftsrecht, in: Sozialgeschichtliches Wörterbuch zur Bibel, Gütersloh, p. 661.

102 Cf. Duchrow, Ulrich (2013): Gieriges Geld. Auswege aus der Kapitalismusfalle. Befreiungstheologische Perspektiven, München, p. 59.

people of God and aliens, since Dt 15 : 3 expresses the notion that one may exact a debt from a foreigner; even the release of slaves, according to Dt 15 : 12, only applies if "a Hebrew man or a Hebrew woman, is sold to you".

Ad e) The Restriction or rather, the Ban on Interest and Profiteering – Ban on Interest in the Case of Subsistence Credits

In the ancient Near Eastern Empires and advanced civilizations around Palestine, interest on wares and money was a natural part of commercial life.[103] Within the national context of these agrarian economies, consumer and subsistence credits were widespread and led, time and time again, to the total loss of property due to harvest failures, as well as to the loss of freedom for the debtors and their families – i. e. to their enslavement and impoverishment – a set of problems which is still relevant today within the context of microfinance. Debt bondage was the gravest problem in the Middle East. Within the international context, however, trade credits and investment credits were a necessary part of long-distance trade. This was (even in ancient Israel) limited to the class of the wealthy and the elite, who congregated in the cities and at the royal courts, and did not suffer any negative social consequences which were comparable to subsistence credits; a win-win-situation. The difference between subsistence and trade credit (or rather, consumer and investment credits) consists in principle in the fact that, in the first case, the interest taken from the debtor is precisely that which the creditor receives, in the sense of a zero-sum game. With a trade credit however, additional value is created, of which the creditor gains his fair share through the interest. With regards to the economic function therefore, a consistent distinction was made between "loans which were used for the formation of capital, and consumptive loans to cover basic needs, which were already in place in the ancient Near East and during ancient times. If, for instance, a loan is taken out in the context of long-distance trade, with the hope of making a profit, this is done by choice and in the expectation that a percentage of the profit realized with the borrowed means can be transferred, without any difficulty in paying back the loaned funds as well as the interest. Consumptive loans however, which include the seed finance in the subsistence economy, are there to tide someone over in an emergency situation; they are not taken on voluntarily."[104] With this refined differen-

103 Cf. on the following: Gertz, Jan Christian (2004): Zins II. Altes und Neues Testament, in: TRE, Berlin/New York, Vol. XXXVI, 2004, p. 672–674; Bassler, Karin (2011): Ethisches Investment: Kirchenvermögen ethisch anlegen als christlicher Beitrag zu einer wirtschaftlichen Neuorientierung, in: Revista Ecumenica Sibiu, 3/2011; p. 369 ff.; Arbeitskreis Kirchlicher Investoren (AKI) (2017): Theologische Impulse zu kirchlichen Geldanlagen: Theologisches Begleitheft zum Leitfaden, Darmstadt, p. 21 ff.

104 Gertz, Jan Christian (2004): Zins II. Altes und Neues Testament, in: TRE, Berlin/New York, Vol. XXXVI, 2004, p. 672.

tiation, a theological and juridical consensus developed in the Old Testament which unmistakably distinguishes Israel from its neighbors: a divine law which protects the economic autonomy as well as the freedom of the poor, preventing others from taking advantage of their economic deprivation in order to maximize their own profit. A discussion of this topic of interest in the New Testament, which is addressed in the Parable of the Talents in Mt 25:14 ff. and Luke 19:11 ff., simply reiterates the above findings. Thus, the conclusion of the exegesis of the biblical texts on the ban on interest is the following: the risk of debt bondage is inherent in subsistence or rather, consumptive credits, and they are therefore banned in the Old and, implicitly, also in the New Testament. Due to the negative effects of exploitative consumer credits, the biblical ban on interest is a practical realization of the option for the poor. Mercantile, commercial or even productive credit for capital formation is entered into on a voluntary basis and are therefore not associated with negative social consequences and thus generally exempted from the ban. There is no wholesale condemnation of interest within the Bible – nor by Luther or Calvin – however, there is emphatic condemnation of the exploitation of others' hardship for one's own advantage and profit (cf. elaborate references to the complex biblical history and complexity of the ban on interest, contained within the appendix).

Background information on the topic of a **Ban on Interest**, see p. 167

Ad f) Service to God and Service to the Emperor – The Task of Permanent Discernment

With regard to the *New Testament* traditions in their treatment of the interrelatedness of faith, justice and money, we will have to restrict ourselves to the mention of three key texts by way of an example:

Jesus' expulsion of the moneychangers and traders in the Temple (Mark 11:15 ff.), which is, after all, passed on in all four gospels and thereby allows us to conclude that evidence of the event can be found within the memories of Jesus' historical work, and might be understood, on the one hand, as a form of resistance against the religious ideologization of our dealing with money, and on the other, as a continuation of the Old Testament prophetic criticism of ritual, targeted against the untrustworthiness and rot of the religious business and its officials.

- "'My house shall be called a house of prayer for the nations? But you have made it a den of robbers." – This word aims to re-establish an authentic practice of worship and praise, and to criticize the dominance of the trade in sacrificial animals, which had, through its connection with the cult in the temple involving animal sacrifice, become a centre of livestock trade. At the time, money changers had the duty to change the common, regular issue coins into Tyrian didrachm, which were thought to be the sole valid temple currency. It was only with these coins that the compulsory temple tax could be paid, and presumably, one also needed them to purchase sacrificial animals within the temple. Jesus' startling protest, which was both active and symbolic, was therefore probably also directed against the system of temple tax, and thereby even the connection between religion and commerce.

- It is, in particular, this New Testament story which is quoted in the Reformation opposition to the indulgence trade, as well as in the contemporary ecumenical critique of forms of the religious idealization of the pursuit of profit (prosperity gospel). Throughout the entire Jesus-tradition however, this criticism of the economic power of the temple aristocracy, or the moral legitimation of its sources of revenue remains a critical thorn in their side which has, time and time again, even until today, given reason to query the religious glorification of financial power, and prompted these questions.
- A tradition which is critical of wealth can be found, alongside the Sermon on the Mount, in other accounts, especially that of Jesus' encounter with the rich man, who was pious and had fulfilled all the requirements of the commandments, yet had a problem with the challenge that Jesus set him as a wealthy man:

> *Jesus, looking at him, loved him and said, "You lack one thing; go, sell what you own, and given the money to the poor, and you will have treasure in heaven; then come, follow me.* (Mk 10 : 21; NRSV)

Jesus' encounter with the large landowner, which leaves the question unanswered as to whether a turnaround is possible and realizable for the wealthy, yet refraining from negating wealth *per se*, has, within the history of the Church, been understood time and time again as an example and incentive for critical queries to be put to systems and powers of wealth accumulation and the cult of Mammon. In combination with the story of the good Samaritan, an alternative story, one of the diaconal conversions of wealth, is formed. Fortune is invested to care for those who are weak and injured. Thus, the critique of wealth itself is transformed in a positive way, and turned to a socially productive use which, in turn, initiates a socially responsible patronage, as well as prompting the financial establishment of diaconal foundations and hospices, as has happened in manifold instances in the later history of the Church.

A third central motif in the New Testament's grappling of the question regarding the relationship between faith and taxes (or even: Church and state or religion and economy) is Jesus' well-known dictum in Mt 22 : 15–22: *"Give therefore to the emperor the things that are the emperors', and to God the things that are God's."* (NRSV). Of course, the Pharisee's initial question as to whether one should pay taxes or not, is meant to make Jesus vulnerable and lure him into a trap. Since, if he votes for non-compliance with the tax system, he will be on a par with the fundamental opposition of the zealots who refused to co-operate with the detested occupation of the Roman Empire. Should he opt to pay the taxes, he will not be credible in the eyes of the critical Jews and thus show himself to be a false prophet and therefore unable to be the Messiah. Jesus' answer is surprising, critical and prophetic in a political sense, all at the same time: The distinction between the domains of God and the emperor, the opposition to any religious idealization of earthly rule, as well as the resistance to a categorical (in a sense: zealot), fundamental opposition to the given institutions of political governance, are the aims of his intervention. Jesus' dictum instigates a fundamental distinction between religious and political functions as well as a break with the tradition of the sacralization of political governance, which existed for centuries and was also present in Old Testament traditions. Even up until today, the idea of resisting a sacralization of political or economic power, even in Christian majority societies, is often considered to be objectionable and thus not fully implemented. The lasting impetus which arises from Jesus' statement is that of a demystification of the claim to power on the side of political authorities, emperors and institutions,[105] who face a challenge to the myth of their omnipotence and immutability. The motto "Give therefore to the emperor the things that are the emperor's, and to God the things that are God's" will not release us from the task of permanently apprising the distinction between God and the emperor, and it is not therefore a master key for the solution of all problems relating to the financial system, but it will substantially determine the spirit and inner attitude in which it is possible to develop a Christian and ethical discussion of issues pertaining to the financial market; beyond the demonization of the financial system, on the one hand, as well as beyond the totalization – or rather, religious ideologization – of the financial market, on the other.

105 Cf. on this topic, i. a.: Huffschmid, Jörg (2020): Politische Ökonomie der Finanzmärkte. Aktualisierte und erweiterte Neuauflage, Hamburg.

Ad g) The Biblical-Theological Significance of the Discharge of Debts and the Overcoming of Debt Bondage

The corona crisis has massively increased the urgency to call for a global remission of debts for nations of the South in 2020.[106] Aid agencies are demanding a significant level of debt relief for poor countries, without which many nations of the South could not achieve efficient policies to combat poverty and the consequences of the corona crisis.[107] Pope Francis, too, markedly campaigned for debt relief in his Easter message of 2020.[108]

Since the debt crisis of the 1980s, politics has not yet been sufficiently able to create a fair and efficient mechanism to guard against and, if necessary, overcome government debt crises. Given this context, a central, socio-ethical motif with regards to the problem of debts deserves to be remembered: The biblical idea of the Year of Jubilee or of release, which was to prevent extreme disparities and social conflicts in Israel, has, time and time again, been made a central reference point for debt relief campaigns; at one time, it even helped to inspire the creation of insolvency procedures for individuals and companies.[109] The topic of debt relief can be found in three prominent Bible texts in the Old Testament, in connection with three terms with which we are still familiar today: Sabbath year, year of release and year of jubilee.[110] The oldest biblical tradition is found in the book of Exodus, Chapter 23:10 ff., where there is a demand to leave the agrarian fields to lie fallow every seven years. The uncultivated land is an expression of the covenant into which God has entered with a people group. The sabbath year means: The seventh harvest year belongs to God – and thus to the poor and overlooked. In Dt 15, this tradition is developed further: There, the agrarian exodus-concept is widened in a socio-political sense: The release of agricultural produce becomes the relinquishing of all debts. The agrarian sabbath year becomes the year of release, the so-called “shmita” which, as a legal term, is still important today in Judaism and is relevant for society.[111] Herein lies a central, significant socio-ethical insight:

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106 Cf. the instructive video “Corona und die Schuldenkrise” by the Year of Release Campaign of July 2020: https://www.youtube.com/watch?v=QVSEQbMlcaw.

107 Cf. the paper with a global focus penned by 200 aid agencies and development organizations (2020): Ein Schuldenjubiläum zur Bewältigung der COVID-19-Gesundheits- und Wirtschaftskrise; https://jubileedebt.org.uk/a-debt-jubilee-to-tackle-the-covid-19-health-and-economic-crisis-2; similarly: Schilder, Klaus (2020): Corona- und Schuldenkrise: Die Zeit zum Handeln ist jetzt! https://blog.misereor.de/2020/04/14/corona-und-schuldenkrise-die-zeit-zum-handeln-ist-jetzt/.

108 Cf. Papst Franziskus (2020): Papst ruft zu Schuldenerlass für arme Staaten auf. Ostern 2020. Vatikan; https://www.dw.com/de/papst-ruft-zu-schuldenerlass-f%C3%BCr-arme-staaten-auf/a-53101661: “All nations should be enabled to take the most necessary measures by way of the debts which place a burden on their budgets, being either reduced or forgiven.”

109 Kaiser, Jürgen / Schönecke, Wolfgang / Stierle, Wolfram (2016): Vor der nächsten Krise: Biblische Impulse zur Überwindung der globalen Verschuldung, in: Herder Korrespondenz 6/2016, p. 31 ff.

110 In the following, ibid.

111 Folger, Arie (2015): Schemittat Kessafim und Prosbul, Köln; http://www.ordonline.de/aktuelles/schemittat-kessafim-und-prosbul/.

A social community can only survive if social and economic dependencies are prevented from escalating.[112] A third stage of further development are the priestly writings which, in the 6th century B.C., undertook a universal expansion of the idea of a disruption of liabilities: the book of Leviticus says in chapter 25 : 8 ff.: *"You shall count off seven weeks of years, seven times seven years … And you shall hallow the fiftieth year and you shall proclaim liberty throughout the land to all its inhabitants. It shall be a jubilee for you …"* (NRSV). This text outlines a comprehensive vision of how a just distribution of the most important production factors of a nation's agrarian society can be restored. Whatsoever it was possible to realize of this vision in historical reality was remembered in the Jewish tradition, and incorporated, or even further developed, in the Christian tradition: The liberation from debt bondage is a central element of the announcement of the dignity of humankind, connected as it is with the message of the coming of God's Kingdom: Jesus directly establishes a connection to this tradition as he quotes Isaiah in his inaugural sermon (Lk 4 : 18) and refers to himself when announcing it: "He has sent me to proclaim release to the captives…" (NRSV). Primarily, the gospel of Jesus is for the debt slaves, those facing social, economic or legal disadvantages, and the poor.

The Christian tradition permanently interlinks the recollection of four ethical and political guiding criteria for the restriction and disruption of debt bondage which, as yet, need to be translated into pragmatic and fiscal regulations: Controlling the concentration of economic power through legal means is essential for a community; the rights of the creditor is not above the dignity and freedom of the debtor; irrespective of the interests of the debtor, a debt-free new beginning needs to be made possible; God's love points to the love of one's neighbor.[113]

2.2 Criticism of Usury and Approaches towards a Just Tax System in pre-Reformation and Reformation Tradition: Responsibility for the Common Good

Even in pre-Reformation times, several critical approaches discussing the ethical value of money, or rather interest, existed: In the 13th century,[114] Thomas Aquinas

112 Cf. Kaiser, Jürgen / Schönecke, Wolfgang / Stierle, Wolfram (2016): Vor der nächsten Krise: Biblische Impulse zur Überwindung der globalen Verschuldung, in: Herder Korrespondenz 6/2016, p. 32.

113 Ibid., p. 33.

114 Here, Thomas Aquinas builds on the work of his teacher Albertus Magnus and "merely" creates new distinctions.

developed the doctrine of the just price (*justum pretium*), according to which every exchange partner is to be compensated for his expenses as calculated in accordance with his social standing. All goods have an intrinsic, inner value (*valor intrinsecus*), with the exception of money, which only has an "imposed" value (*valor impositus*). Similar to Aristoteles, money is merely a medium of exchange, which is why monetary interest ("money generated from money") is repudiated as usury.[115] Even then, a principle was articulated which remained important for centuries, but was never comprehensively implemented: that money is under the law and cannot profess to itself be the law, i.e. the principle of linking money to the law: "*denarius non est mensura per naturam, sed nomo, id est lege.*"[116]

The historical contribution of the Reformation towards economic and financial ethics was long neglected due to a narrow appreciation of the Reformation achievements which focused solely on the doctrine of the individual's justification through faith. However, the criticism of the papal church's promotion of a spirituality based on accomplishments and merits, which was prevalent in the Middle Ages, and the system of the indulgence trade connected with it, is, most strikingly, connected to an early Reformatory criticism of phenomena emanating from an uncontrolled financial economy. First and foremost, this is expressed in the following main writings: "The Long Sermon on Usury" (German: "Der große Sermon vom Wucher"; 1520), "Admonition to the Clergy that they Preach against Usury" (German: "An die Pfarrherrn, wider den Wucher zu predigen"; 1540) and "Address to the Christian Nobility of the German Nation about the Improvement of the Christian State" (German: "An den christlichen Adel deutscher Nation von des christlichen Standes Besserung"; 1520).[117] Luther's Reformation insight concerning law and grace found their first public expression in the 95 theses which, for the most part, addressed the practice of selling indulgences in his time – i.e. the question of how the Church deals with money.[118] However, the 95 theses not only convey the message that money cannot buy salvation, but also suggest

115 Pawlas, Andreas (2013): Luther zu Geld und Zins. Mit einem Vorwort über Lutherische Erwägungen zu Geld und Zins, Uppsala, p. 10f.

116 Mäkeler, Hendrik (2003): Rezension: Wittreck, Fabian: Geld als Instrument der Gerechtigkeit. Die Geldrechtslehre des Hl. Thomas von Aquin in ihrem interkulturellen Kontext. Rechts- und Staatswissenschaftliche Veröffentlichungen der Görres-Gesellschaft, N. F. 100, in: Geldgeschichtliche Nachrichten 38 (2003) 215, p. 264f.; http://www.hendrik.maekeler.eu/fabian-wittreck-geld-als-instrument-der-gerechtigkeit/; cf. also: Die Zeit No. 41 (1993): Die Zeit gehört Gott, über den Beitrag von Thomas von Aquin zur katholischen Soziallehre.

117 Cf. i.a. Duchrow, Ulrich (2017): Der verdrängte Luther. Systemische Kritik des Frühkapitalismus, in: Duchrow, Ulrich (2017): Mit Luther, Marx und Papst den Kapitalismus überwinden, Publik Forum Hamburg, p. 29ff.

118 Luther quoted in: Bassler, Karin (2016): Geld als Fluch und Segen und ethisch-nachhaltiges Investieren. Reformationstag 2016, in: Rentz, Michael (publ. 2018): Reden wir über Nachhaltigkeit. Predigten zu Frieden, Gerechtigkeit und Schöpfung, Stuttgart, p. 134f.; cf. also: Pawlas, Andreas (2000): Die lutherische Berufs- und Wirtschaftsethik. Eine Einführung, Göttingen.

ethical and sustainable alternatives to the indulgence trade:[119] Thesis 43, for instance, specifies the following: “Christians are to be taught that one who gives to the poor or lends to the needy does a better deed than one who buys indulgences.” (German: “Man muss die Christen lehren: Wer einem Armen gibt oder einem Bedürftigen leiht, handelt besser, als wenn er Ablässe kaufte.”) Or even: “Christians are to be taught that, unless they have more than they need, they must reserve enough for their family needs and by no means squander it on indulgences.” (German: “Man muss die Christen lehren: Wenn sie nicht im Überfluss schwimmen, sind sie verpflichtet, das für ihre Haushaltung Notwendige aufzubewahren und keinesfalls für Ablässe zu vergeuden.”; Thesis 46)

Luther was obviously familiar with the rules of responsible housekeeping which apply to a private household as much as to a monastery and, of course, to all church budgets: The capital that is necessary to function and maintain an existence has to be secured and should not be put at risk. This is the principle of economic sustainability – which is an essential element of good stewardship.[120] In many cities and territories, the Protestant Reformation did not primarily begin with theological confessional documents or orders of services, but with ordinances for a common chest and the poor law – thus with instruments which reflected the basic perspectives of a new financial order to counter the financial disorder of the late Middle Ages. Even in the 16th century, therefore, the Protestant Reformation was also a reform of the financial system.[121]

This criticism is sharp und poignant, it addresses a core ethical problem that exists even today: The merchants – so says Luther – have …

> *… amongst themselves a general rule, which is their principal adage and basis of all usury tricks, that is the following: I may offer my wares for as dear a price as possible. This, they believe to be their right, to make room for avarice and open all doors and windows to hell. What else are they saying but this much: I do not care for my neighbor? As long as I have my profit and my greed, what is it to me that I am thereby inflicting tenfold damage upon my neighbor? … Am I not sold my neighbor’s destitution at the same time?*[122]

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119 Ibid., p. 135; cf. also the entirety of the text of Martin Luther’s 95 Theses in: https://www.luther2017.de/martin-luther/texte-quellen/die-95-thesen/index.html.

120 Cf. Bassler, Karin (2016): Geld als Fluch und Segen und ethisch-nachhaltiges Investieren. Reformationstag 2016, in: Rentz, Michael (ed. 2018): Reden wir über Nachhaltigkeit. Predigten zu Frieden, Gerechtigkeit und Schöpfung, Stuttgart, p. 134 f.

121 Thus: Stegmann, Andreas (2017): Reformation und Geld, in: Praktische Theologie Heft 2/2017, p. 70 f.

122 Quoted in: Bedford-Strohm, Heinrich (n.y.): Wirtschaft als Thema des christlichen Glaubens, in: rpi-Material (2017), p. 2; https://material.rpi-virtuell.de/material/wirtschaft-als-thema-des-christlichen-glaubens/.

With regard to the question of the price of goods, Luther opposes the view that prices should be exclusively oriented towards the market, since it does not take into account the needs of the weak. In lieu of the price of the market as a priority, he sets an orientation towards the so-called "fair price". The strength of this approach lies in the imposition of a clear obligation to conform to ethical principles on the economy. The weakness of this approach lies in the fact that it does not anticipate (in keeping with the conditions of his time) how market processes, with a correct social framework, benefit the poor.

The essence of Luther's criticism of the incipient capitalism is his conservative insistence on a ban on interest, a stance which is guided by the notions of the traditional barter economy and which he is, however, unable to sustain consistently. Luther "always knows the exceptions from the rule, as the example of taking interest reveals"[123] – his practice of pitting statement against statement can also be termed a pattern of the "paradox relation":[124]

"There will always be usury. But woe to the usurers!"[125] Luther once defined a Christian way of conducting economic activity as, on the one hand, "giving freely to everyone who is in need", and "lending and borrowing without the compulsion of repaying the debt or paying interest". On the other hand, in several actual cases, he advises against the elimination of the interest and is able to tolerate moderate interest, particularly in the case where a small interest is charged for reasons of hardship on the side of the lender ("Notwücherlein"[126]) and where it constitutes the means of existence for orphans and widows, or if the interest is taken for reasons of equity – that is, it seems justified upon consideration of the individual case.[127] Even in the case of interest rates up to 5 % – which are, by way of a compromise, acceptable, an involvement of the lender in co-venturing needs to be warranted, so that a descent into a spiral of interest

123 Ibid., p. 41.

124 Wieland, Josef (2016): Wirtschaftsethik. Reformation heute, herausgegeben vom Sozialwissenschaftlichen Institut der EKD, Hannover, p. 9; https://www.siekd.de/wp-content/uploads/2018/07/Wirtschaftsethik.pdf.

125 Martin Luther, quoted according to Pawlas, Andreas (2013): Luther zu Geld und Zins. Mit einem Vorwort über Lutherische Erwägungen zu Geld und Zins, Uppsala, p. 24.

126 Martin Luther, quoted in: Peters, Albrecht (1990): Kommentar zu Luthers Katechismen, Göttingen, according to WA51, 372, 20: similarly, in: Prien, Hans-Jürgen (1992): Luthers Wirtschaftsethik, Göttingen, p. 229.

127 Hans-Jürgen Prien in his monograph on Luther's economic ethics: "Now, it is striking that Luther always addresses the topic of 'lending' within the context of *caritas* and does not see that, in the early capitalist economic system, commercial and production credit were continuously increasing in significance. … It is hence obvious that a substantial weakness in Luther's argumentation in this situation of change lies in the fact that he does not [differentiate] unambiguously between caritative and mercantilistic lending by banks … and that even where he understands productive credit to some extent, he holds onto thought patterns which follow on from the barter economy." Prien, Hans-Jürgen (1992): Luthers Wirtschaftsethik, Göttingen, p. 216.

and debt, on the part of the borrower, can be prevented. In the case of interest rates between seven and ten %, Luther calls for an intervention on the side of politics:

> *The rulers ought to look into this. Here, the poor common people are secretly imposed upon and severely oppressed. For this reason, these robbers and usurers often die an unnatural and sudden death, or come to a terrible end (as tyrants and robbers deserve), for God is a judge for the poor and needy, as He often says in the Old Law.*[128]

While therefore Luther‘s position is, on the one hand, characterised by vehement criticism of avarice and greed as the basic form of all sinful perversion of economic life, he, on the other hand, is aware of a more natural way of dealing with property and money on the side of Christians, since "gold and silver have been placed in the mountains so that it might be found there".[129] According to him, the wise use of all worldly goods, including money, is equal to the opposition to each and every service of Mammon, reflecting a view of the world as a sphere dedicated to a worship of God that is in line with creation, on the one hand, as well as a sphere of temptation and enslavement by evil on the other.[130] Heinrich Bedford-Strohm succinctly summarised Martin Luther's economic and financial ethics in the following way:

> *For Martin Luther, two things were inextricably linked: that is faith in God and love for one's neighbour. And the love from God that we experience, this love flows over to our neighbour – that was Luther's underlying, basic thought. And this, of course, he also applied to economic life. … If we take this basic thought seriously, that the accumulation of money can never be an end in itself, but that money must always serve the people, then one must ask how today, the financial economy can be shaped in such a way that even the weakest may profit from it …*[131]

Philipp Melanchthon also shares a position that voices categorical criticism of the interest rate system. His reasoning is that the inner stability of society and its social competence are damaged through the interest rate system:

128 Luther quoted in: Bedford-Strohm, Heinrich (n. y.): Wirtschaft als Thema des christlichen Glaubens, in: rpi-Material (2017), p. 4; https://material.rpi-virtuell.de/material/wirtschaft-als-thema-des-christlichen-glaubens/.

129 Stegmann, Andreas (2017): Reformation und Geld, in: Praktische Theologie Heft 2/2017, p. 72 f.

130 Cf. ibid., p. 73.

131 Bedford-Strohm, Heinrich (2017): Sendung des NRW am 05.03.2017: Bedford-Strohm über Luther & das liebe Geld; https://www.himmelunderdeonline.de/hue/bedford-strohm-ueber-luther-das-liebe-geld.php.

> *An examination of the biblical scriptures shows unequivocal results: God does not appreciate business conducted with the charging of interest. We are to know this and not, as some do, engage in sophistry to excuse the obvious dreadful nuisance of an interest rate system. Alongside the [sc. scriptural findings], it is also necessary to discuss the reasons accessible to any natural discernment, as to why the taking of interest does not comply with the norm of justice. The principal of which being the following: Civil society will cease to exist if, in questions of social exchange, there is no fair balance. Should, therefore, one of the partners involved in the social exchange be exhausted, then society must necessarily break down [Societas civilis non potest esse perpetua, cum non servatur aequalitas in rerum communicatione, nam altera parte exhausta, dissipari societatem necesse est]. Now truly, there is no justice in business that charges interest, if the one who has lent of his belongings receives more than what he owned in return. Rather, his counterpart, that is the borrower, is thereby burdened to exhaustion. This damages and weakens, as experience shows, equitability and social stability. Where exorbitant profits from interest have been allowed, whole people groups have been mired in poverty.*[132]

Thus, Melanchthon takes up a biblical conviction grounded within the tradition of prophetic social criticism, that societies which are characterised by an economic or financial system with a lack of justice and an excess of greed in its structures, perish and collapse due to their deficient inner stability.

From his biblical studies, John Calvin draws the conclusion that the biblical ban on interest sought to protect “essentially ‘poor people’, that it however ‘indeed allows for the taking of interest, wherever one conducts transactions with affluent people’.” Therefore, Calvin differentiates between the social foundation of the ban on interest within the Old Testament and the opportunities of his time to make use of borrowed money in productive ways; he thus distinguishes, as described above, between the zero-sum end result of subsistence credit and commercial credit which creates added value. He deduces that a sweeping ban on interest cannot be justified through biblical evidence, but that the taking of interest, under certain conditions (commercial credit), is sensible and permitted[133] – although he always advocates the smallest possible interest rate, in order not to

132 Cf. Corpus Reformatorum Serie I: Philipp Melanchthon, Opera Quae Supersunt Omnia– Volumes 1–28, therein: CRBand 16, p. 497 (Diss. de contractibus; 1545/1546), in: https://de.qwe.wiki/wiki/Corpus_Reformatorum#Series_I:_Philip_Melanchthon,_Opera_Quae_Supersunt_Omnia_-_Volumes_1-_28.

133 Cf. Jähnichen, Traugott / Kuhn, Thomas K. / Lohmann, Arno (publ. 2010): Calvin entdecken. Wirkungsgeschichte – Theologie – Sozialethik, Berlin, p. 173.

encourage social inequality. Thereby, Calvin goes beyond the circumvention of the ban on interest in the late Middle Ages through the construct of the so-called commercial investment contract which was, at times, also condoned by Luther. One could even say that he regresses or backtracks, by supporting his arguments with a careful exegesis of biblical scriptures, as well as an unbiassed analysis of the economic situation of his time.

It is a central conviction for Calvin that wealth and capital are not, in themselves, sinful, but that the right use of assets is essential. In this way, he was able to state:

> *Wealth is not to be condemned of its own account. Rather, only he falls into sin whosoever relies upon his wealth and misuses it to the satisfaction of his vicious desires.*

Thus, a successful entrepreneur must use his profits, time and time again, to make new investments.[134] For Calvin therefore, the support of the economy in the political arena was as significant and important as the organised care of the poor within the community, for which he strengthened and deployed the office of the deacons.

In his interpretation of the commandment in the Old Testament to leave a proportion of the field crops for the poor (Dt 24 : 19–22), Calvin wrote:

> *It is a privilege that God gives to people and we need to esteem this highly, that is if everyone may call his possessions his own without contradiction. Whosoever owns a field, may harvest the crops upon it and feed his family therewith. … Even if, according to our human ways, we can say: 'That belongs to me!', we should look to God who has set us into this privileged position! It should not remain in our hands in its entirety. Rather, it needs to be addressed differently – on the one side, according to our possibilities, and, on the other side, according to the needs of our neighbours.*

Here, Calvin puts three far-reaching tenets in business ethics into simple, yet precise, words: the social responsibility of ownership (agreeing with ownership, but only in connection with a duty to just distribution), a just burden sharing (e. g. distributing the tax burden according to financial capability) and needs-based resource allocation

134 Cf. Stückelberger, Christoph (2009): Keine Zinsen von den Armen. Calvins Wirtschafts- und Bankenethik, Vorlesung in Basel; https://www.calvin09.de/3649-0-0-20.html.

(allocation of the goods and services towards the fight against poverty).[135] Similarly, Calvin spoke out on the matter of interest in a very sophisticated manner and with economic expertise, thereby neither sweepingly disqualifying the taking of interest as sinful, nor taking the view that it is permissible to press the poor to pay extortionate rates of interest for the benefit of the wealthy.[136]

The conclusion to be drawn from a multi-faceted debate about interest rates and wealth, including the biblical perspective and that of church history, is the following: The biblical and ethical tradition of the Church do not make a distinction between that which is termed the real interest rate and the nominal interest. Calvin, who was a generation younger than Luther and Melanchthon, and who also worked in an urban context, presents an appraisal which is, in several ways, more compatible with today's debate. Regarding potential threats to the interest rate and economic systems through human greed and rapacity, the entire biblical and ethical tradition of the Church developed strong awareness. However, it does not condemn the taking of interest in general, regardless of context, but rather in relation to a particular historical time and a specific context, where it is used to exploit other's hardship for one's own benefit. The purpose of biblical and church historical social thought is to tame economic powers and re-orientate them towards justice and the public good. The responsibility towards the poor and preventing or even overcoming debt bondage, as well as the orientation of the real and financial economy towards the common good, remain the corner pillars of Christian social thought.

2.3 *"Oeconomicae et pecuniariae quaestiones"* – Reflections on Ethics in the Current Discussion within the Roman-Catholic Church: Responsibility for a Reformation of Global Financial Regulations and a Critique of Mammon

Preceded by several important papers on questions of global economic and financial ethics in 2013[137], the environmental encyclical "Laudato Si" by Pope Francis met

135 Cf. ibid.

136 Cf. Jähnichen, Traugott (1998): Sozialer Protestantismus und moderne Wirtschaftskultur. Sozialethische Studie zu grundlegenden anthropologischen und institutionellen Bedingungen ökonomischen Handelns, Münster; cf. also https://www.calvin.de/wirken/zinsnehmen.html.

137 Cf. the first apostolic exhortation by Pope Francis (2013): The Joy of the Gospel; German: Die Freude des Evangeliums. Über die Verkündigung des Evangeliums in der Welt von heute, Vatikan; http://www.vatican.va/content/francesco/de/apost_exhortations/documents/papa-francesco_esortazione-ap_20131124_evangelii-gaudium.html. In particular, cf. the second chapter with its four distinctive statements defining clear demarcation lines "No to an economy of exclusion; No to the new idolatry of money; No to a financial system which rules rather than serves; No to the inequality which spawns violence", Paragr. 52–60.

with great acclaim in 2015 and has featured in many discussions since. Somewhat behind the scenes, the Roman Catholic Church also published a document on issues surrounding the global concentration of wealth, the tax system and the international financial system in 2018, issues one might not associate with the Church: In the study published by the Vatican (Dicastery for Integral Human Development) in May 2018, "Oeconomicae et pecuniariae quaestiones" with the subtitle "*Considerations for an Ethical Discernment Regarding Some Aspects of the Present Economic-Financial System*",[138] a hypothesis is presented which claims that, within the international sphere, the opportunity to learn from the financial crisis of the 1990 s had been missed.[139] The financial system, it alleges, is the real driver of a hyper-globalisation, which poses a structural threat to the balance between states and international businesses.[140] Financial exploitation and speculations at the expense of those who are the weakest are, today, a prevailing reality.[141] World politics is largely powerless to confront this, barely able to protect public welfare and will, in some cases, allow itself to be corrupted. Phenomena such as credit default swaps, fixings, offshore transactions, money laundering, non-transparency, corruption and unjust burdens of risk are still common practice. National budgets and tax authorities are deprived of enormous sums.[142]

The study penned by the Vatican criticises the anthropological and economistic reductionism of the current economic and financial system:

> *This is why no economic system can be considered to be progress, if it rests exclusively on the hallmarks of quantity and efficiency in creating profit. Rather, it also needs to be evaluated according to the quality of life that it provides and the social prosperity that it distributes: a prosperity which*

138 Vatican News (2018): Vatikan: Mehr Machtkontrolle und mehr Ethik im Geldwesen, Vatikan; https://www.vaticannews.va/de/vatikan/news/2018-05/vatikan-mehr-kontrolle-der-markte-erforderlich.html.

139 German: Kongregation für die Glaubenslehre (2018): Oeconomicae et pecuniariae quaestiones, Vatikan; http://www.vatican.va/roman_curia/congregations/cfaith/documents/rc_con_cfaith_doc_20180106_oeconomicae-et-pecuniariae_ge.html; cf. also the English version: http://www.humandevelopment.va/en/risorse/documenti/oeconomicae-et-pecuniariae-quaestiones.html.

140 Cf. Turkson, Peter (2018): Vatikan: Chance zu Reform der Finanzmärkte nicht genutzt, in: Vatican News of 07.06.2018; https://www.vaticannews.va/de/vatikan/news/2018-06/kardinal-turkson-wirtschaft-uno-entwicklung-globalisierung.html.

141 Cf. also: The Vatican calls for stricter rules for the financial system, in: NRZ of 24.10.2011; https://www.nrz.de/nachrichten/vatikan-fordert-strenge-regeln-fuer-das-finanzsystem-id5194282.html; Cf.: Eissrich, Daniel (2020): Oeconomicae et pecuniariae quaestiones. Anmerkungen zu den ökonomischen Aspekten des gleichnamigen Dokuments der Kongregation für die Glaubenslehre und des Dikasteriums für die ganzheitliche Entwicklung des Menschen, Berlin; https://www.degruyter.com/document/doi/10.1515/ordo-2020-0033/html.

142 Cf. Preckel, Anne (2018): Vatikan: Mehr Machtkontrolle und mehr Ethik im Geldwesen, in: Vatican News of 17.05.2018; https://www.vaticannews.va/de/vatikan/news/2018-05/vatikan-mehr-kontrolle-der-markte-erforderlich.html.

> *cannot be reduced to merely material aspects. That is to say that every economic system does not justify its existence through purely quantitative growth of economic operations, but, first and foremost, through its aptitude in ensuring the development of the whole person and all people. Wealth and development need and support one another. This requires sustainable political measures and perspectives which far transcend the current situation.*[143]

The Vatican is most worried about the relationship between the speculative financial and real economy, which is geared towards products made from human labour and has become out of joint:

> *What was predicted more than a century ago has, unfortunately, now proven to be true: The yield from the capital is a genuine threat and risks outstripping the proceeds from labor, which is often of merely marginal importance within the economic system.*

Therefore, the financial economy needs to be brought back into the service of the real economy, and not vice versa.[144]

This critique of the global financial system was taken up and extended in 2019, on the occasion of a congress celebrating the tenth anniversary of the encyclica on human development, "Caritas in Veritate": In a speech delivered during this conference on "Theory and Practice of Development"[145], Cardinal Stefano Zamagni, the President of the Pontifical Academy for Social Sciences, explained that the core ethical challenge of the current global financial system – not dissimilar to the fundamental hypothesis of this EKD-paper – consists in the fact that a threefold disconnection, or rather, decoupling, has occurred between foundational dimensions of society which necessarily belong together: The crisis of the global economy was based on the dissolution of the vital connection between the economy and social life, between labor and wealth, as well as between market (power) and democracy – or even their gaining of independence:

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143 Kongregation für die Glaubenslehre (2018): Oeconomicae et pecuniariae quaestiones, Vatikan, Abschnitt 10; http://www.vatican.va/roman_curia/congregations/cfaith/documents/rc_con_cfaith_doc_20180106_oeconomicae-et-pecuniariae_ge.html.

144 Cf. ibid., paragraphs 15 and 16.

145 Dicastery for Promoting Integral Human Development (2019): Theory and Practice of Development, Vatican; http://www.humandevelopment.va/content/dam/sviluppoumano/eventi/caritasinveritate10anni2019/CIV10_ATTI_DEF%20(2).pdf.

The entropic crisis one finds is a triple divorce which started taking place in the last few decades: the separation between the economic and the social spheres; the separation between labor and the origin of wealth; the separation between market and democracy.[146]

This study and other papers published by the Dicastery for Integral Human Development in Rome are impressive for their amplified understanding of wealth and business finance, situated, as they are, within the context of the service of life and the common good:

Well-being must therefore be measured by criteria far more comprehensive than the Gross Domestic Product of a nation (GDP) and must instead take into account other standards, for example, safety and security, the growth of "human capital", the quality of human relationships and also work.
Profit should be pursued, but not "at any cost", nor as a totalizing objective for economic action.[147]

In the recommendations for action, the Vatican calls for the development of far clearer and more precise framework regulations for banks and the financial economy:

Experience and evidence over the last few decades have demonstrated, on the one hand, the naivety of the belief in a presumed self-sufficiency of the markets, independent of any ethics, and on the other hand, the compelling necessity of an appropriate regulation which, at the same time, unites the freedom and protection of every person and operates to create healthy and proper interactions, especially with regards to the more vulnerable.[148]

In the course of so doing, the Vatican not only makes a general appeal, but puts together several very concrete inspirations for a reform of the financial system, such as e. g.:

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146 Zamagni, Stefano (2019): When Economy Divorces from Fraternity: The Message of Caritas In Veritate, Vatican; http://www.humandevelopment.va/content/dam/sviluppoumano/eventi/caritasinveritate10anni2019/CIV10_ATTI_DEF%20(2).pdf, p. 43 ff.

147 Paragraph 11 in: Kongregation für die Glaubenslehre (2018): Oeconomicae et pecuniariae quaestiones, Vatican; http://www.vatican.va/roman_curia/congregations/cfaith/documents/rc_con_cfaith_doc_20180106_oeconomicae-et-pecuniariae_ge.html.

148 Ibid., paragraph 21.

- instituting ethical committees within the banks;
- vetting the mechanisms of business which involve high-risk derivatives;
- intensifying the supervision of banking;
- imposing strict limitations on *Credit Default Swaps* (CDS: particular insurance contracts which cover the risk of bankruptcy);
- reducing the spread of financial institutes without regulations on banking (Shadow Banking System), and imposing strict controls through the strengthened instruments of the national banking authorities;
- imposing strict controls to limit offshore transactions in tax havens outside national tax systems.

The Vatican's study on the problems and disadvantages of the current global financial system is therefore an important ecumenical challenge as well as an invitation to other churches and development agencies, to develop shared perspectives for a reform of the instruments of the current financial system. This Evangelical paper was also inspired by the concluding remark of the Vatican's study:

> *In front of the massiveness and pervasiveness of today's economic-financial systems, we could be tempted to abandon ourselves to cynicism, and to think that with our poor forces we can do very little. In reality, every one of us can do so much, especially if one does not remain alone. … Today, as never before we are all called, as sentinels, to watch over genuine life and make ourselves catalysts of a new social behaviour, shaping our actions in line with the search for the common good, and establishing it on the sound principles of solidarity and subsidiarity*.[149]

It is remarkable to see how the reorientation process of financial ethics, which began at this point within the Roman-Catholic Church, builds upon the solid foundation of Catholic economic and social ethics, and how the ideas found within the environmental ethics presented in "Laudato Si" are followed up in prominent passages. Much in keeping with the intentions of the discussion paper at hand, Cardinal Turkson called those attending the World Economic Forum in Davos, in January 2020, to a new, global "Dialogue between Faith and Finances", which is to create strategic, joint alliances in order to combine the two fundamental issues of ecological sustainability and economic justice or rather, the liberation of the poor:

149 Ibid., paragraph 34.

> *Can an alliance between faith and finance address the cry of the earth and the poor? Why can a union of religious leaders and financiers be a necessary prerequisite for progress?*[150]

The Vatican's commitment to critical dialogue with leading representatives of the economic and financial system, which, at present, is unparalleled at WCC-level, is substantial.[151] It is also impressive that, with the motto "Economy of Francesco", the Pope initiated a global movement of young economists, artists and social activists, who have joined the quest to jointly seek ways out of the pathologies of global capitalism and to pursue models of an alternative economy in the service of life, following the footsteps of St. Francis and the environmental encyclical "Laudato Si", and who had arranged to meet at an international conference in Assisi, in November 2020.[152]

Of course, the ecumenical world will be eager to hear which concrete recommendations for a re-organization of the global financial system, and which consequences for the handling of the churches' finances, in particular in terms of their investment of capital, will be formulated from the Roman-Catholic findings. Both large churches in Germany have already made it clear in their joint statement on social issues, published in 1997, that it is necessary to move forward from a position outside (as well as over and above) the world when uttering abstract, prophetic criticism or making demands upon others:

> *It is not enough for churches to make an issue of economic and social structures and the behavior of people involved in them. They also have to consider their own action in economic and social respects. Church commitment to changes within society will be all the more convincing if it is visible in the Church itself. … Churches are employers, owners of financial assets and landed property or economic actors, when they build or operate institutions and centres. They cannot formulate and propound criteria for economic ac-*

150 Cf. Dicastery for Promoting Integral Human Development (2020): World Economic Forum 2020 Davos, Vatican; http://www.humandevelopment.va/en/news/the-pope-to-the-world-economic-forum-in-davos-placing-the-person.html.

151 Cf. Pope Francis' public statement in favor of basic steps to establish a new, global financial architecture at a seminar of the Pontifical Academy of Social Sciences, on 05.02.2020, with high-ranking representatives of business and finance (i. a. Joseph Stiglitz): https://www.vaticannews.va/de/papst/news/2020-02/papst-franziskus-ungleichheit-wirtschaft-konferenz-vatikan.html; https://www.handelsblatt.com/politik/international/wirtschaftstreffen-im-vatikan-neue-formen-der-solidaritaet-top-oekonomen-zu-besuch-bei-papst-franziskus/25510502.html?ticket=ST-673686-DdUEhsaEu1gb2rTOmP6x-ap3; including the Pope's impressive address: http://www.vatican.va/content/francesco/fr/speeches/2020/february/documents/papa-francesco_20200205_nuoveforme-disolidarieta.html.

152 Note from the editor: Due to the corona pandemic, the conference did not take place at the appointed time. Cf. the document from October 2020: https://www.vaticannews.va/de/vatikan/news/2020-10/vatikan-tagung-zu-nachhaltigkeit-und-ethik-in-finanzwelt.html.

tion without applying the same standards to themselves. This is rightly seen as a question of credibility.[153]

2.4 Towards a New Global Financial Regulation – Inspired by the "WWC-Discussion on a "Responsible Society" and an "Economy of Life": Responsibility over against the nations and the burden of history

In the history of the international ecumenical movement, a long tradition of ecumenical social thought has already set down milestones by way of its interdisciplinary work on the foundation pillars of a first, Christian socio-ethical encyclopaedia (12 volumes of collective reports!) as a result of the COPEC Conference in Birmingham, in 1924, (Conference on Christian Politics, Economics and Citizenship), in addition to the subsequent World Conference on Life and Work in Stockholm, in 1925.[154] The guiding motto of a "Responsible Society" was developed at the constituting conference of the WCC in Amsterdam, in 1948, in the aftermath of two world wars, on account of the relevant question as to the ethical guiding concepts with which a new social order that is oriented towards the dignity of humankind, could be instituted. It attempted to articulate an alternative between totalitarian communism and unregulated, Western "laissez-faire capitalism". From its inception, the restraint of the powers in the areas of the economy, trade and capital was an important motif.[155] In the early years, much attention was focussed on an ethical reflection of the relations between labour and capital, in the sense of traditional compensatory ethics between employees and employers. Basic outlines of an ethics for a social market economy and participative management, such as that which subsequently proved influential in Germany, were developed during this time. Within the context of the global development crisis in the 1970s, however, it was increasingly recognised that, within the financial powers and markets which were becoming more and more independent, a "fourth power" (more of an unseen power alongside entrepreneurs, employ-

153 Evangelische Kirche in Deutschland, Deutsche Bischofskonferenz (1997): Wort des Rates der EKD und der Deutschen Bischofskonferenz zur wirtschaftlichen und sozialen Lage in Deutschland: Für eine Zukunft in Solidarität und Gerechtigkeit, Hannover/Bonn, p. 99; https://www.ekd.de/sozialwort_1997_sozial1.html.

154 On the history, cf. Stierle, Wolfram / Werner, Dietrich / Heider, Martin (1996): Ethik für das Leben. 100 Jahre Ökumenische Wirtschafts- und Sozialethik, Quellenedition ökumenischer Erklärungen. Studientexte und Sektionsberichte des ÖRK von den Anfängen bis 1996. Ökumenische Studien Vol. 5, Ernst Lange Institut für ökumenische Studien, Rothenburg o. d. Tauber, p. 5 ff.

155 Cf. Schlossberg, Herbert / Samuel, Vinay / Sider, Ronald (1994): Christianity and Economics in the Post-cold War Era: The Oxford Declaration. The Oxford Declaration and Beyond, Michigan.

ees and state) had emerged from the economic events, one which seemed to be isolating its influence from other factors. The theological interpretation of the financial powers' transition to independence could thereby be presented as a manifestation of the "masterless powers", as addressed in prophetic criticism within biblical tradition.

Referring to the prophetic social criticism in the Hebrew Bible, Swiss theologian Karl Barth, who was influential in the early ecumenical movement, had already identified a core task of theological work as the participation in that which is understood to be the prophetic critique of "masterless powers".[156] In this, there is a link to the biblical theme of the "rulers and authorities" (Col 2 : 15), which can prove to be an enslaving force for an individual and their life, if they are not brought into a regulatory framework with clear boundaries and controlled. In his fight against fascism and totalitarianism, Karl Barth had developed this concept of a critique of the "masterless powers", expounded in his doctrine on reconciliation, quite revealingly in the chapter on the fight for justice.[157] The backdrop to this is a broad, biblical theological discussion about the "*stoicheia tou kosmou*", the so-called masterless powers, which are mentioned by the Apostle Paul in the apostolic epistles, as well as the authors of post-Pauline literature, which show a marked interest to support the churches in their critical defense against these rulers and authorities with their claims to power and dominion (cf. Gal 4 : 3; Col 2 : 8.20; cf. Gal 4 : 9).[158] Such criticism of the masterless powers and their claim to power reverberates within the context of the theology of the Confessing Church, in Article II of the Barmen Theological Declaration of 1934, which played an important role in the early ecumenical movement after Amsterdam.

> *As Jesus Christ is God's assurance of the forgiveness of all our sins, so, in the same way and with the same seriousness he is also God's mighty claim upon our whole life. Through him befalls us a joyful deliverance from the godless fetters of this world for a free, grateful service to his creatures.*
> *We reject the false doctrine, as though there were areas of our life in which we would not belong to Jesus Christ, but to other lords – areas in which we would not need justification and sanctification through him.*[159]

156 Hailer, Martin (2006): Gott und die Götzen. Über Gottes Macht angesichts der lebensbestimmenden Mächte, Göttingen.

157 Plonz, Sabine (1995): Die herrenlosen Gewalten. Eine Relektüre Karl Barths in befreiungstheologischer Perspektive, Mainz, especially p. 319 ff. with reference to § 78 of the Church Dogmatics.

158 Cf. i. a. Clinton, Arnold E. (1996): Returning to the Domain of the Powers: *Stoicheia* as Evil Spirits in 4 : 3,9, NT 38/1 (1996), p. 55–76; Bergmeier, Roland (2003): Der Stoicheiadienst nach Gal 4,3.9, in: Mittmann-Richert, Ulrike i. a. (publ. 2003): Der Mensch vor Gott: Forschungen zum Menschenbild in Bibel, antikem Judentum und Koran, Neukirchen-Vluyn, p. 89–98; Bundrick, David R. (1991): "ta stoicheia tou kosmou (Gal 4 : 3)", Journal Entry Tests 34 (1991), 353–364.

159 https://www.ekd.de/Barmer-Theologische-Erklarung-Thesen-11296.htm.

The reference to this theological tradition of the Confessing Church – and thereby to the prophetic critique of the unfettered powers of the global speculative financial system – has been stronger in the international ecumenical discussion and amongst individual representatives of left-wing Protestantism than within the German discussion itself.[160] In Germany, attempts to continue the Reformation tradition in the sense of a critique and revised conception of the international financial system, remained more at the margins of the public sphere.[161]

Initial steps to continue the tradition of prophetic social ethics with regards to the masterless powers can be found rather early on in the work of international ecumenical organisations such as the World Council of Churches (WCC) and the World Communion of Reformed Churches (WCRC). Amongst these is the first substantial ecumenical comprehensive study on issues relating to the international financial system "The International Financial System – An Ecumenical Critique"[162] of 1985, published by the WCC Commission for the Churches' Participation in Development (CCPD) and the Advisory Group on Economic Matters (AGEM), as well as the "Accra Confession", published by the World Communion of Reformed Churches in 1996.[163] A central element of this stream of ecumenical social thought is a radicalisation of the biblical critique of Mammon, which is developed to become a critique of the fetishism of capital and demands a fundamental systemic change.[164] The guiding principle is an "economy in the service of life", which is primarily substantiated with confessory principles: following the Accra document, the demand is made that all resist the empire and monetarisation, refusing to turn life into a commodity and subject it to an economic order under the control of the financial sector. In the sense of the Accra Confession, the empire is here understood to be the "coming together of economic, cultural, political and military power in a way that constitutes a system of domination led by powerful nations to protect and defend their own interests"[165]. One needs to bear in mind the situation of

160 Cf. e. g. Duchrow, Ulrich (2011): Brauchen wir eine europäische Befreiungstheologie? Alternativen zum marktliberalen Verständnis von Freiheit aus dem Geist des Evangeliums; in: Sammelband: 5 Jahre Evangelische Stadtakademie Aachen, Aachen, p. 51–80; https://www.stadtakademie-aachen.de/akademie/festschrift/.

161 Cf. the 94 theses put together by an international group of theologians to illustrate a radicalised understanding of the Reformation, presented by the network "Radicalising the Reformation": See: In its memorandum "*Gemeinwohl und Eigennutz*: Wirtschaftliches Handeln in Verantwortung für die Zukunft", the EKD had already formulated remarkable passages in 1997, referring to this tradition of the Confessing Church, with the title "Die Macht der Sünde in der Übermacht des Ökonomischen" (cf. ibid. paragr. 159–164).

162 The International Financial System (1984): An Ecumenical Critique: Report of the Meeting of the Advisory Group on Economic Matters, held in Geneva, November, p. 1–4.

163 Cf. Reformierter Weltbund (2004): Das Bekenntnis von Accra, Genf; http://wcrc.ch/de/accra.

164 Segbers, Franz / Wiesgickl, Simon (publ. 2015): "Diese Wirtschaft tötet." Papst Franziskus. Kirchen gemeinsam gegen Kapitalismus, Hamburg.

165 Cf. Reformierter Weltbund (2004): Das Bekenntnis von Accra, Genf; Paragr. No. 11; http://wcrc.ch/de/accra.

the structurally marginalised churches and populations in the countries of the global South that have been pushed into poverty for decades in order to adequately understand these voices, i. e. as a cry of desperation and a plea of hope for transformation.

In the ecumenical social thought of the 1990s, concepts such as these converge in the emergence of an ethics of life, in which economic perspectives of justice and participation are brought together with ecological perspectives involving a limitation of growth and a re-orientation of the economy to promote responsible stewardship. In the ecumenical world, debates about an alternative form of globalisation[166] arrive at the question as to how stability, reliability and universal justice can be made manifest in a new global financial and economic system.

In 2013, during the phase after the General Assembly in Busan, the WCC formulated an action plan in Sao Paulo, in 2014: “Economy of Life for All Now: An Ecumenical Action Plan for a New International Financial and Economic Architecture” (NIFEA), containing numerous proposals as to how churches and development agencies can further substantiate the issues of an economy in the service of life.[167] The fundamental concern here is to recover the primacy of politics and guard it against the autonomy of the economy and financial sector. Thereby, the question needs to be clarified as to how the work on socio-ethical and business ethical principles in the ecumenical world can progress beyond the stage of prophetic fundamental criticism directed towards the “systemic” nature of global injustices, so as to produce concrete suggestions for the configuration of the financial sector; ones which can be communicated in the political world. In this way, the already existing instruments by which the political and legal system, as well as the taxation system, are shaped, or even instruments which need to be created, can be used for the practical implementation of these suggestions. Otherwise, the criticism will remain a gesture of fundamental criticism and will, at best, merely achieve the effects generated by rhetorical appeals, and not the required dialogue with relevant stakeholders offering suggestions for new operational, political and legal structures.

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166 Cf. Bloomquist, Karen (ed. 2004): Lutheran World Federation: Communion. Responsibility, Accountability. Responding as Lutheran Communion to Neoliberal Globalization, Geneva; https://www.lutheranworld.org/sites/default/files/LWF-Doc-50-Economic_Globalization-EN.pdf; s. also: World Council of Churches (2006): Alternative globalization addressing people and earth – AGAPE; https://www.oikoumene.org/en/resources/documents/assembly/2006-porto-alegre/3-preparatory-and-background-documents/alternative-globalization-addressing-people-and-earth-agape.

167 Cf. WCC (2004): Economy of Life for All Now: An Ecumenical Action Plan for a New International Financial and Economic Architecture (NIFEA), Geneva; https://www.oikoumene.org/en/resources/documents/wcc-programmes/public-witness-addressing-power-affirming-peace/poverty-wealth-and-ecology/economy-of-life-for-all-now-an-ecumenical-action-plan-for-a-new-international-financial-and-economic-architecture.

In April 2018, the World Council of Churches (WCC), the Lutheran World Federation (LWF), the World Communion of Reformed Churches (WCRC) and the Council for World Mission (CWM) addressed the 3rd UN Financing Development Forum with a joint message, sharpening and summarising the criticism gathered from the understanding gained during the shared NIFEA study process:

> *Since the 2008 crisis, socio-economic divides have widened significantly in all countries, whether "developed" or "developing". Indeed, wealth concentration is today at its highest level since the 19th century. Harsh austerity measures in response to the crisis and the overall failure of the prevailing financial framework to deliver on its promise of shared prosperity are helping create the conditions for rising extremism, protectionism, racism and xenophobia. The destabilization of economies is exacerbating civil and international conflicts.*[168]

Most notably however, core demands for a new, global taxation system are hereby articulated, which address at least in note form the specific regulatory areas:

> *We particularly call for national and international systems of taxation that reward work, enable the sharing of wealth, promote gender justice and penalise "public bads" such as speculative, polluting and resource-depleting activities. These systems would include, amongst others, progressive taxes, tax relief for the poor and for ecologically-nurturing activities, capital gains taxes, financial transaction taxes and carbon taxes, as well as the elimination of tax havens.*
>
> *Equally, we call for significant investments in "public goods" such as in agro-ecology and infrastructure that create employment; in the social protection of vulnerable sectors within our societies; in health, education and the care and wellbeing of our communities; in renewable energies and the renewal of our ecosystems. We recognize that public finance raised through taxation continues to be the most sustainable form of development finance*.[169]

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168 WCC et al. (2018): Botschaft anlässlich des 3. Forums für Entwicklungsfinanzierung der Vereinten Nationen, von ÖRK, WCRC, CWM und LWB. New York, 23.–26.04.2018; https://www.oikoumene.org/en/resources/documents/other-ecumenical-bodies/message-on-the-occasion-of-the-3rd-united-nations-un-financing-for-development-forum-by-wcc-wcrc-cwm-and-lwf-new-york-23-26-april-2018.

169 https://www.oikoumene.org/en/press-centre/news/church-action-for-tax-justice-begins-in-uk.

It is a particular mark of the ecumenical work on the NIFEA project that the issues of the international financial system have been linked with the Zacchaeus campaign since 2019. The motif of Zacchaeus ("Look, half of my possessions, Lord, I will give to the poor, and if I have defrauded anyone of anything, I will pay back four times as much" (Lk 19:8; NRSV)) is not only to be interpreted as a categorical appeal for improved equity – and thereby in the sense that a reform of the financial system is to be achieved, but also, in a global context, it is reflective of the relationships between countries of the North and South, and thus an appeal for the biblical-theological support for reparation payments for colonialism and slavery to be made by the countries of the North.[170] Thereby, this ecumenical project is currently oriented towards the double demand for the introduction of a worldwide wealth tax (slogan: "1 % tax from the richest 1 % for the poorest 50 %") and a reform of the international arrangements for business taxation,[171] on the one hand, as well as, on the other, general political demands for the establishment of an "Enslavement Reparation Fund" for Africa, which is to be administered by a Global Commission for Reparatory Justice. While this campaign might be able to develop some persuasive power with regard to the gigantic dimensions of the injustice and economic exploitation of earlier centuries (the transatlantic slave trade forcibly abducted 15 million people from Africa, substantially affecting the economic productivity of the continent, while Western nations enriched themselves at its expense), the essential question remains as to how this campaign can become relevant in the context of more detailed political and legal suggestions for the re-organisation of the financial system at a global, European or national level. Within the context of the corona pandemic, some remarkable suggestions were voiced by the NIFEA initiative for debt cancellation for poorer nations, for creative measures to strengthen the churches as alternative actors for a financial reform,[172] as well as for a UN initiative to establish an extended Economic, Social and Ecological Security Council, which are quite remarkable and definitely worthy of support:

> *We call upon the United Nations (UN) to convene a UN Economic, Social and Ecological Security Council (building on the 2009 Stiglitz Commission proposal for a Global Economic Coordination Council) to provide leadership in*

170 Cf. the draft paper of the Zacchaeus campaign, in: Kairos Europa e. V. (publ. 2019): Wirtschaften im Dienst des Lebens. Für eine neue internationale Finanz- und Wirtschaftsarchitektur (NIFEA): Das Zachäus-Projekt der weltweiten Ökumene, Kairos Europa, Heidelberg, p. 11 ff.

171 Here, the demands made by the Independent Commission for the Reform of International Corporation Taxation (ICRICT) are taken up in part: ICRICT is an NGO, founded in 2015, by the Friedrich-Ebert-Stiftung New York (Sara Burke); see: https://www.icrict.com/.

172 Cf. the WCC webinar on the topic: "Churches as alternative actors in economics and finances" of August 2020: https://www.youtube.com/watch?v=LolE8PyL6Ug.

addressing interconnected economic, social and ecological crises that require coordinated international action.[173]

2.5 Church, Economy, Fair Taxation and Ethical Investment – Ideas and Models in Studies and Activities of the EKD: Responsibility for the Church as a Financial Market Operator with Ethical Principles, as well as for a Sustainable Financial System

2.5.1 Church, Economy and Fair Taxation: Ideas in Previous Studies and Publications by the EKD – Responsibility for a Sustainable and Just Financial and Taxation System

For many years, the EKD, through the instrument of the Advisory Commissions, has worked on central questions of economic justice and spoken out in public. A foundational work in terms of the EKD Council's positioning in business ethics, which was jointly published with the German Bishops' Conference in 1997, and can claim validity to this day, is the statement on the economic and social situation in Germany "For a Future Founded on Solidarity and Justice". This document was intended to further develop the welfare state within the context of mass unemployment and an increasing social divide. Key phrases define the goals of the churches' official statements within the area of business and social ethics, and are still valid today:

> *The churches are not a political party. They do not aspire to political power in order to implement a specific programme. Their mandate and their competence in the field of economic and social policy is to work for a value orientation serving the good of all. They consider themselves especially committed to advocacy for those who are easily forgotten in economic and political planning because they cannot speak out clearly themselves: the poor, the disadvantaged, and powerless, coming generations, and dumb creatures. In this way they want to set the scene for political activity inspired by solidarity and justice.*[174]

173 Cf. WCC et al. (2020): Aufruf zu einer Ökonomie des Lebens in einer Zeit der Pandemie – eine gemeinsame Botschaft von ÖRK, WCRC, LWB und CWM. Genf, 15.05.2020; https://www.oikoumene.org/en/resources/calling-for-an-economy-of-life-in-a-time-of-pandemic-a-joint-message-from-the-wcc-wcrc-lwf-and-cwm.

174 Evangelical Church in Germany, German Bishops' Conference (1997): For a Future Founded on Solidarity and Justice, A Statement on the Economic and Social Situation in Germany, paragraph (4). German: Evangelische Kirche in Deutschland, Deutsche Bischofskonferenz (1997): Wort des Rates der EKD und der Deutschen Bischofskonferenz zur wirtschaftlichen und sozialen Lage in Deutschland: Für eine Zukunft in Solidarität und Gerechtigkeit, Hannover/Bonn, paragraph 4; https://www.ekd.de/sozialwort_1997_hinfuehrung.html.

For the first time in history, the EKD explicitly addressed the financial system in its position paper “Unternehmerisches Handeln in evangelischer Perspektive” (“Entrepreneurial Action in Evangelical Perspective” of 2008. An entire chapter is dedicated to “entrepreneurial action and the capital market”[175] and describes the transition from the traditional German financial system (“Deutschland AG”) with its non-transparent structures that favour large-scale enterprises, to a more global, flexible financial system involving private equity firms, and which looks at the situation from various angles:

> *In individual cases, the measures undertaken by the associate companies may contradict the principle of sustainable entrepreneurial action and have destructive consequences. The concern however, that the new investors conduct their business in such a manner in general, is unreasonable.*[176]

Even before the height of the financial crisis in September 2008, the following was accurately stated:

> *Increasing speed and rising yield expectations lead to … new risks. Since in recent years, ever larger levels of capital were procured, in order to take advantage of the leverage effect of debt capital, higher risks now rest on the financial sector.*[177]

These risks are analysed in the following, with regard to the individual actors including banks, hedge funds, investors, rating agencies, regulators and supervisory authorities, and it is made clear that short-term profit maximisation on the side of the market participants clearly contradict “the principle of sustainable entrepreneurial action. A faster and more appropriate further development of the regulatory framework is required, as well as an international standardisation of the supervisory regulations, whilst a precursor of the financial transaction tax (Tobin Tax) is identified as a means to prevent a currency crisis.”[178] However – and this is both the general, as well as the distinctive perspective of this discussion paper – the entrepreneurial responsibility of the institutional stakeholders also comes into focus. The Christian values of the

175 Cf. Evangelische Kirche in Deutschland (2008): Unternehmerisches Handeln in evangelischer Perspektive. Eine Denkschrift des Rates der EKD, Gütersloh, p. 77 ff.; https://www.ekd.de/unternehmerisches_handeln.htm.

176 Ibid. p. 78.

177 Ibid. p. 80.

178 Ibid. p. 86 and 87.

honourable merchant are repeatedly quoted as a set of guidelines.[179] This bipolarity, which places the important role of regulatory policy for institutional framework regulations alongside the autonomous responsibility of the individual financial market players, as a resource for the sustainable development of the financial system, is also taken up in the discussion paper at hand.

Soon afterwards, yet clearly distinguishable from the forerunner paper published before the insolvency of the US investment bank Lehman Brothers on 15th September 2008, bringing the global financial system to the brink of breakdown, the Council of the EKD addressed the situation of the financial sector following the financial crisis in the paper "Like a High Wall, Cracked and Bulging". The unsettling biblical image of a cracked wall, originating from the proclamations of the old Israelite prophet Isaiah, has an important role to play here:

> *In the 30th chapter of the Book of Isaiah, the prophet illustrates his message of the fate affecting his people by using the image of a crack in a high wall, which, although at first barely visible, eats ever further until the mortar holding the stones comes crumbling out, until, in the end, the entire wall collapses. From the prophetic perspective, the downfall is inevitable for the reason that the people relied on false securities and did not follow God's life-serving commandments.*[180]

Even then, there was a call for a new, ethical foundation for the entire financial and economic system, and a link was established between the dimension of justice and that of environmental sustainability, both being leading categories of reform:

> *When applying the perspective that a turnaround is necessary, it is clear that the global crisis of the financial market and economy may not be looked at in isolation. Rather, it needs to be regarded within the horizon of sustainable development. Short-term measures need to be examined in terms of their compatibility with worldwide and intergenerational justice, as well as their environmental compatibility. A stabilisation of the markets at the cost*

179 Ibid. p. 85.

180 Cf. Evangelical Church in Germany (2009): Like a High Wall, Cracked and Bulging. Statement by the Council of the Evangelical Church in Germany on the Global Financial and Economic Crisis. German: Evangelische Kirche in Deutschland (2009): Wie ein Riss in einer hohen Mauer. Wort des Rates der EKD zur globalen Finanzmarkt- und Wirtschaftskrise, EKD-Texte Nr. 100 (2., um den Anhang erweiterte Auflage), Hannover, Vorwort; https://www.ekd.de/ekdtext_100.htm.

> *of further increasing poverty and at the expense of subsequent generations or combined with more environmental pollution, would evoke the next crisis in a short time.*[181]

Within the context of the current challenges, the following statements sound like a prophetic admonition: "It is time to agree global structural conditions for social and sustainable economic management, and to enforce the regulations necessary. This will indicate whether or not this crisis is beneficial."[182] The EKD discussion paper about the churches and the role of the Agenda for Sustainable Development "Lent to us is the Star on which we live"[183] of 2018, as well as the study about an alternative understanding of development and growth in general ("… that they may have life, and have it abundantly")[184], the latter being published during the "super year for development 2015" (the same year that the UN Agenda for Sustainable Development was brought out), have expounded some important aspects regarding the basic dimensions of the responsibility of politics, as well as the economic and financial system, with a particular focus on intergenerational, social and ecological justice together with reliability.

2.5.2 A Working Group of Church Investors within the German Protestant Church (Arbeitskreis Kirchlicher Investoren; AKI) – Responsibility of the Church as an Ethical and Sustainable Investor

A theologically as well as practically relevant concept for the ethics of finance and business, put together by those carrying responsibility for the Evangelical Church's finances, is the "Guideline for Ethically Sustainable Investment within the German Protestant Church"[185]. With this paper, penned by members of the Working Group of Church Investors (Arbeitskreis Kirchlicher Investoren; AKI) – i. e. by those who also

181 Ibid. p. 2.

182 Ibid. p. 1.

183 Cf. Evangelical Church in Germany (2018): "Lent to us is the Star on which we live" The Agenda 2030: A Challenge to the Churches, EKD Text No. 130. German: Evangelische Kirche in Deutschland (2018): "Geliehen ist der Stern, auf dem wir leben." Die Agenda 2030 als Herausforderung für die Kirchen. Ein Impulspapier der Kammer der EKD für nachhaltige Entwicklung. EKD-Texte Nr. 130, Hannover; https://www.ekd.de/ekd-texte-130-4-was-wir-erwarten-37366.htm.

184 Cf. Evangelical Church in Germany: "… that they may have life, and have it abundantly": A Contribution to the Debate about new Guiding Principles for Sustainable Development. German: Evangelische Kirche in Deutschland (2008): "… damit sie das Leben und volle Genüge haben sollen." Ein Beitrag zur Debatte über neue Leitbilder für eine zukunftsfähige Entwicklung. Eine Studie der Kammer der EKD für nachhaltige Entwicklung, EKD-Texte Nr. 122, Hannover; https://archiv.ekd.de/download/ekd_texte_122.pdf.

185 Evangelical Church in Germany (2019): Guideline for Ethically Sustainable Investment within the German Protestant Church, EKD Texts No. 113; German: Evangelische Kirche in Deutschland (2019): Leitfaden für ethisch-nachhaltige Geldanlage in der evangelischen Kirche, 4., aktualisierte Auflage, EKD-Texte Nr. 113, Hannover; https://www.ekd.de/ekd_de/ds_doc/ekd_texte_113_2019.pdf.

need to implement the guidelines – a common reproach of the churches' official statements on economic activities can be refuted. By way of an example, Josef Wieland might be mentioned here: In 1997, he challenged the churches saying that they did not think of themselves as economic actors, but a "'pressure group' which campaigns from the outside, in the name of the poor and marginalised, and makes demands on the business world"[186]. However, it makes "a fundamental difference, whether one makes demands in order to see other people's money redistributed or one's own. This is why Christian social ethics understands its own organisation, that is the Church, not as a bearer of competence and responsibility <u>in</u> the business world, but as an admonisher, apocalyptic horseman and so on outside of the business world (emphasis in the original)." Wieland challenges the churches to overcome the decoupling of business and morals within their own organisation, and to prove that they, in line with their theological reflections, are on the same footing as other investors, since "it is only through the restrictions and dilemmas of moral and economic practice that a reputation within society can be achieved which is based upon reasonable and proven economic and moral credibility"[187]. These demands were later met in the Guideline.

When the AKI was founded, sustainable financial investment was still a niche topic, smiled at by the mainstream. On 2nd September 2008 – two weeks before the insolvency of the US investment bank Lehman Brothers – a compilation of contributions to "Stand und Perspektiven ethischen Investments in der evangelischen Kirche" (the state and perspectives of ethical investments in the Evangelical Church) was published.[188] In this document, terms such as the environment, social issues and intergenerational justice were discussed in reference to criteria which applied to the churches' financial investments. These are required in order for the churches, as the second-largest employer after the state itself, to be able to adequately provide for their staff in their old age – and to be able to do so even if the number of church tax payers, and thereby the churches' budget, diminishes. Whilst towards the end of 2008, a new computation of time "after the financial crisis" began in the financial markets, and the consequences of an unregulated and irresponsible striving for instant riches became ever clearer,[189] the EKD Council convened a working group which was to

186 Wieland, Josef (1997): Die Kirche als ökonomischer Akteur. Einige Überlegungen am Beispiel des "Interfaith Center of Corporate Responsibility (ICCR)", in: Zeitschrift für Evangelische Ethik, 41st, 1997, 137–142, p. 137.

187 Ibid., p. 137 and 142.

188 Evangelischer Pressedienst (2008): epd-Dokumentation No. 37, 02.09.2008, Frankfurt.

189 Cf. Evangelical Church in Germany (2009): Like a High Wall, Cracked and Bulging. Statement by the Council of the Evangelical Church in Germany on the Global Financial and Economic Crisis. German: Evangelische Kirche in Deutschland (2009): Wie ein Riss in einer hohen Mauer. Wort des Rates der EKD zur globalen Finanzmarkt- und Wirtschaftskrise, EKD-Texte Nr. 100 (2., um den Anhang erweiterte Auflage), Hannover, S. 9 und S. 13; https://www.ekd.de/ekdtext_100.htm.

develop guidance for church investments. Individuals were commissioned who held positions of financial responsibility in the regional churches, Evangelical pension funds and complementary pension schemes, as well as church banks and diaconal institutions.

In 2011, the Guideline for Ethically Sustainable Investment was published, in which instruments such as exclusion and positive criteria, direct, themed and impact investments, shareholder engagement (dialogues between church investors and businesses of the shares they hold) and, in particular, exclusion and positive criteria were presented and their implementation in practice described.[190] Originally considered to be a compendium of best-practice-standards put together by those in positions of responsibility for the churches' financial management, to be used by their colleagues, it soon met with a positive response within Germany and abroad. In 2019, it was updated, expanded and published in fourth edition. The collective author is still the AKI, which now comprises of 46 active members and seven partner organisations; i. e. AKI members are, i. a., all regional churches of the EKD, the Protestant Agency for Diaconia and Development (EWDE), several missions agencies as well as the German Evangelical Church Conference; amongst the AKI's partners are the Evangelical Methodist Church in Germany, the Church Investors Group (CIG) in Great Britain, as well as the World Communion of Reformed Churches (WCRC).

Responsibility is, yet again, the keyword in this Guideline: Responsibility before God and the people who entrust their money to the Church. The investors co-operating in the AKI are agreed in their conviction that ownership has its responsibilities, "investments belong to the investor who is thus responsible for what happens to this money."[191]. This responsibility is expressed through the investigation of the effects of the investment on the natural and social environment, as well as on future generations, as the Guideline has unswervingly stated since 2011. This is why investments in line with economic principles and, at the same time, "under consideration of our Christian values, are to be undertaken in ways that are socially compatible, ecological and comply with intergenerational justice.[192] An essential conceptual framework for the understanding of sustainability in the Guideline are the Sustainable Development

190 Evangelical Church in Germany (2019): Guideline for Ethically Sustainable Investment within the German Protestant Church, EKD Texts No. 113; German: Evangelische Kirche in Deutschland (2019): Leitfaden für ethisch-nachhaltige Geldanlage in der evangelischen Kirche, 4., aktualisierte Auflage, EKD-Texte Nr. 113, Hannover; https://www.ekd.de/ekd_de/ds_doc/ekd_texte_113_2019.pdf.

191 Ibid., p. 5.

192 Ibid., p. 8.

Goals, which were passed by all member states of the United Nations, by way of a post-2015-development agenda "Transformation of our world: the Agenda 2030".

Background information on the topic **Ethical and Sustainable Investment**, see p. 171

2.5.3 Bread for the World and FairWorldFonds – Advocacy for Economic Justice and Financing for Development: Responsibility for the Overcoming of Inequality and Sustainable Development

Since 1959, Bread for the World has considered itself to be an advocate and partner of churches, church-associated non-governmental organizations and secular partners in the global South, who campaign for human rights and sustainable development. Since the first EKD memorandum on development, in 1973, the commitment to issues of global justice has also focused on the overcoming of structural causes which promote injustices across the globe.[193] Within the context debated here, problems relating to the global financial architecture, there are, in particular, four problem areas which, in recent years, have required more attention on the side of the agency or rather, to which Bread for the World have referred within the public sphere:

a) On the one hand, there is the **problem of an increasing global injustice,** which was re-enforced, perhaps even accelerated, by way of the financialization of the world economy and, worldwide, through the inadequate overcoming of the financial crisis of 2007/2008[194]:

> *[One of the main causes of] growing inequality is financialization: the increasing significance of the financial sector in relation to the real economy (i. e. financial investors in relation to entrepreneurs), which was facilitated by the deregulation and opening for former nationally regulated and restricted financial markets. The extremely rapid spread of new financial instruments, the increasing prioritization of corporate policies based on shareholder val-*

193 Cf. Diakonisches Werk der Evangelischen Kirche in Deutschland e.V. für die Aktion "Brot für die Welt" (publ. 1989): Den Armen Gerechtigkeit. Eine Erklärung von "Brot für die Welt", Stuttgart, sowie Diakonisches Werk der Evangelischen Kirche in Deutschland e.V. für die Aktion "Brot für die Welt" (publ. 2000): Den Armen Gerechtigkeit 2000. Herausforderungen und Handlungsfelder. Eine Erklärung von "Brot für die Welt", Stuttgart. These positioning papers already contained a reference to the fact that democracy is in jeopardy if social inequality is not overcome and the globalisation of social issues is not made an important topic for all governments.

194 Cf. Hanfstängl, Eva (2013): Lage der Weltwirtschaft im Zuge der Finanzkrise, Blog-Beitrag Brot für die Welt; https://www.brot-fuer-die-welt.de/blog/2013-lage-der-weltwirtschaft-im-zuge-der-finanzkrise/.

ues, the increasing significance of institutional investors on the financial markets (insurance companies, hedge funds, pension funds, etc.), the dramatic expansion of credit and investment business in the form of mortgages and securitisation of credits and deposits as well as the enormous profits from tax-free financial speculation: all these financial trends promote the unequal distribution of capital assets.[195]

b) On the other hand, the, so far, serious **underfunding of the Agenda 2030**, in particular with regards to the goals of putting an end to poverty in all its manifestations everywhere (SDG 1), as well as the reduction of inequality within and among countries (SDG 10), continues to pose a challenge, calling for new measures to enforce internationally binding development funding: It is only through an adequate regulation and taxation of global financial markets, as well as establishing reliable development funding[196] that – as Bread for the World claims – future financial crises can be prevented and investments can be channelled into the main goals of Agenda 2030 and poverty reduction. For this purpose, a reform of the international financial architecture and its institutions, as well as a stronger political management of the financial sector, are urgently required. Furthermore, criteria for responsible bank lending and borrowing need to be instituted and made binding, in order to prevent excessive indebtedness on the part of governments. In addition, rights-based mechanisms need to be established in order to solve new government debt crises. The regulation of the shadow banking system and the overall pruning of the speculative financial industry, which is increasingly diverging from the real economy, are important. Above and beyond this, an increased international co-operation or even co-ordination, for a fair taxation of international economic players are required. Tax fraud and tax evasion, capital flight and corruption would also need to be tackled decisively. Through a greater international co-operation with countries achieving a low income in their fiscal policy, the financing of social security systems and community assets could be ensured across the globe. To this end, Bread for the World undertakes a continuous monitoring of the developments within the financial market, with a particular focus on the interests of the developing countries, and in co-operation with

195 Excerpt from: Bread for the World (2019): Bridging the Gap between Rich and Poor. Social Inequality as a Development Policy Challenge, p.11; German: Brot für die Welt (2019): Die Kluft zwischen Arm und Reich überwinden. Soziale Ungleichheit als entwicklungspolitische Herausforderung, Berlin; https://www.brot-fuer-die-welt.de/fileadmin/mediapool/2_Downloads/Fachinformationen/Sonstiges/Policy_Soziale_Ungleichheit_de.pdf.

196 Cf. Brot für die Welt (2018): Pressemeldung am 02.05.2018**:** Entwicklungsfinanzierung braucht Verlässlichkeit, Berlin; https://www.brot-fuer-die-welt.de/pressemeldung/2018-entwicklungsfinanzierung-braucht-verlaesslichkeit/.

numerous networks of civil society, e. g. NGO WEED (World Economy, Ecology and Development).[197]

Background information on the topic **International Financing for Development**, see p. 175

c) A third, essential area concerns the **effects of digitalization for the employment market, democratic participation rights and products of the financial markets**. Not only does digitalisation provide opportunities for development to offer to the people of the global South, it also harbours substantial dangers – including the risk of digital colonialism. It is therefore an important question as to how the digital transformation can be achieved in a fair and equitable way.[198] The study on digitalisation 4.0[199] addressed e. g. the dark sides of digitalisation with regards to microfinance in African countries. According to the study, a large part of the digital projects in developing nations is allotted to the growing sector of Digital Finance, in which banks, insurance companies, credit card and FinTech businesses are involved. For the most part, these projects do not have positive effects on poverty reduction, which can clearly be seen in the case of the widespread mobile money transfer service, M-Pesa, in Kenya. Due to inadequate consumer protection, digital credit that is marketed via mobile phone harbours high poverty risks, and consumers who took out loans via their mobile phones in East Africa, walked straight into the debt trap. For large numbers of people working in the informal sector, strategies involving a hasty abolition of cash in favour of digital payment systems are more likely to incur greater dependence and poverty risks. Thus, an ethics of responsible digitalisation within the economy and digital trade is required, in view of the consequences for developing nations.[200]

Background information on the topic **FinTech and Digital Finance**, see p. 177

d) A fourth significant, inspiring notion coming from the perspective of Bread for the World is the initiation of, and programmatic investment in, a mutual fund for the support of development policy, the **FairWorldFonds**[201], which was founded in March

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197 https://www.weed-online.org/themen/archiv/financeanddevelopment/index.html.

198 Cf. Hilbig, Sven (2019): Gerechtigkeit 4.0. Blog-Beitrag Brot für die Welt, Berlin; https://www.brot-fuer-die-welt.de/blog/2019-gerechtigkeit-40/.

199 Cf. ibid.

200 Cf. Hilbig, Sven (2019): Global Justice 4.0. Blog-Beitrag Brot für die Welt, Berlin; https://www.brot-fuer-die-welt.de/blog/2019-global-justice-40/; vgl. auch Henning, Maximilian (2019): Wie sich der Globale Süden vor digitaler Ausbeutung schützen kann, in: Netzpolitik.org, Berlin; https://netzpolitik.org/2019/wie-sich-der-globale-sueden-vor-digitaler-ausbeutung-schuetzen-kann/.

201 http://www.fairworldfonds.de/.

2010 with the involvement of the Südwind Institute, Bread for the World, the fund manager Union Investment (member of the co-operative financial syndicate), the sustainability rating agency imug, the Bank for Church and Diakonia eG (KD-Bank), as well as the GLS Bank Community. FairWorldFonds can look back on ten years of successful work in the field, work which includes their persuasive efforts.[202] It is a global mixed fund which predominantly invests in interest-bearing securities and shares worldwide. Going above and beyond the level to which other sustainability funds operate, the FairWorldFonds pursues an investment policy which entails a multi-stage selection process involving the sustainability evaluation of shares and bonds. With the motto "economic activity is to serve life", the FairWorldFonds management have showed that capital investment can be both sustainable and support development. This means, on the one hand, that exclusion criteria need to cover more than arms production or companies operating nuclear power stations. Above and beyond these, positive criteria need to be formulated for financial products, ones which are ambitious in terms of quality and can positively contribute to sustainable development.[203]

The success of the FairWorldFonds, which was issued in March 2010 and now manages a fund volume that totals more than 1.46 billion Euros (10.02.2021)[204], confirms that the understanding of sustainability implemented here, as well as that of the Guideline for ethical and sustainable investment within the Evangelical Church, contain ideas worth bringing to the table for a reconstruction of the financial system. In view of the fact that sustainable financial products in Germany are still niche products and make up barely more than 5.4 percent of the total market of capital contributions, these ideas do indeed carry weight. [205]

Background information on the subject **FairWorldFonds – A Contribution to the Financing of Sustainable Development**; see p. 180

202 On the history of the FairWorldFonds, as well as the importance of sustainable financial products for sustainable development, cf. Brot für die Welt (publ. 2020): Kriterien Nachhaltige Finanzen für eine nachhaltige Entwicklung. Wie Geldanlagen entwicklungspolitisch wirksam werden. Berlin; https://www.brot-fuer-die-welt.de/fileadmin/mediapool/2_Downloads/Fachinformationen/Profil/Profil09_Ethisches_Investment.pdf.

203 Cf. on the criteria guiding ethical investments also: Brot für die Welt (n. y.): Ethisches Investment. Orientierung für nachhaltige Geldanlagen, Berlin; https://www.brot-fuer-die-welt.de/themen/ethisches-investment/.

204 Cf. https://www.finanzen.net/fonds/fairworldfonds-lu0458538880.

205 In 2019, sustainable capital investment grew by 23 % in comparison with the previous year and amounted to 269.3 billion euro in Germany. The proportion of sustainable funds and mandates makes up about 5.4 % of the total funds market. Institutional investors are still the main driving forces, with a market share of about 89 %. Here, church institutions and charities hold 27 %, and public authorities about 17 %, cf. Forum Nachhaltige Geldanlagen (2020): Nachhaltige Geldanlagen und verantwortliche Investments in Deutschland – das Wichtigste im Überblick!; https://fng-marktbericht.org/wp-content/uploads/2020/06/FNG_Marktbericht2020_Factsheet_DE.pdf.

2.5.4 Co-operatives – Access to Fair and Reliable Financial Services with Christian Roots – Individual Responsibility for Alternative Banks

It is no co-incidence that all of the banks listed in the sections 2.5.2 and 2.5.3 include the abbreviation "eG" in their name, which stands for "registered co-operative" and points to the relevant legal form of organization. All Evangelical and Catholic church banks in Germany, as well as most of the sustainable banks, are organized as co-operatives, as well as being members of the Federal Association of German Cooperative Banks (BVR). It was first and foremost through Friedrich Wilhelm Raiffeisen, one of the two fathers of modern co-operatives, that the co-operative as an economic form has been connected inextricably with the Christian commandment to love as well as the ethical option for the poor.[206] The word "comrade" (Genosse) is derived from the Old High German word "noz" (livestock) and means a person who has shared use of the livestock and pasturage of common ownership.[207] Trade guilds and craft guilds are examples of pre-modern co-operatives, which already bear two essential characteristics of the economic structure: They are participatory and not hierarchical, and their purpose is the advancement of their members.

Up until today, the history of modern co-operatives has been connected with Friedrich Wilhelm Raiffeisen (1818–1888), the "kind-hearted banker", according to the title of a biography.[208] As mayor, he fought against the social consequences of early industrialisation, including twelve-hour-days in factories, neglected children and the proliferation of crime in his communities. As a believing Protestant, he shared the objectives of the Inner Mission, which had been stirring up the churches in Germany since the programmatic speech by Hinrich Wichern in 1848, during the Church Convention in Wittenberg, which moved Christians to act in the face of impoverishment and social destitution.[209] Raiffeisen believes credit famine to be a significant problem that affects the rural population, who have no opportunity to access regular bank loans and are therefore at the mercy of moneylenders who plunge them into ruin with extortionate rates of interest. Bad harvests exacerbate the plight that results from the consumer credits taken out to meet basic needs (cf. above on the biblical ban on interest). In the 19th century, it was not difficult to obtain reliable information about the creditworthiness of small-holders and tradespeople. Since the risks of lending could not be

206 Klein, Michael (2006): Raiffeisen, Friedrich Wilhelm Heinrich, in: TRE, Berlin/New York, Vol. 28, p. 117–119.
207 Cf. Blome-Drees, Johannes / Schmale, Ingrid (20169): Artikel Genossenschaft, in: Evangelisches Soziallexikon, Stuttgart, p. 572.
208 Cf. Klein, Michael (2017): Bankier der Barmherzigkeit: Friedrich Wilhelm Raiffeisen, Neukirchen-Vluyn.
209 Cf. ibid., p. 40 f.

assessed and, also, since sufficient securities could not be provided, loans would not be granted to these clients who were at risk of poverty. Raiffeisen recognised the basic problem and believed it to be the duty of a Christian and an act of Christian love to provide a remedy. By founding small loan societies to help individuals build capacity, in which all members know one another sufficiently well to be able to assess each other's respective financial standing, participants were able to take out affordable, long-term loans, and those in need could thereby be liberated from their economic predicament.[210] His motto was "One for all – all for one", since the co-operative organisations had the objective of supplying that which will benefit all, but cannot be achieved by a solitary individual: the improvement of members' living conditions.

Today, there are co-operatives across the globe with – and oftentimes also without – church affiliation, in the economic arena and also in other sectors such as agriculture, i. a. due to the fact that their second founding father in the 19th century, Hermann Schulze-Delitzsch (1808–1883), was unchurched. Their idea, however, clearly prevailed: In 2016, Germany's first UNESCO nomination was accepted onto the list of the Intangible Cultural Heritage of Humanity: "The Idea and Practice of Cooperatives". In Germany, holding co-operative shares is the most widespread form of the population's involvement in the productive capital. During the financial crisis in particular, co-operative credit associations, such as the church banks and sustainable banks, as well as co-operative banks, have gained people's trust and also new members, since they were the only banking sector that did not require state support.[211] The legal form of the co-operative facilitates this, since they generally operate at regional level and thereby allow responsible bank managers leave to focus on something other than the share prices of their own enterprise, liberating them from the obligation to obtain short-term successes.

Within the context of the paper at hand however, it is especially interesting to note Friedrich Wilhelm Raiffeisen's tireless efforts to bring into being organisations that provide access to reliable and fair financial services, even for the economically weaker sections of society. These efforts were determined by his Christian motivation and objectives, as much as by his economic expertise. In 1879, regarding the responsibility of the loan societies, he wrote that they should …

210 Cf. Klein, Michael (2006): Raiffeisen, Friedrich Wilhelm Heinrich, in: TRE, Berlin/New York, Vol. 28, p. 117. Also: Bonus, Holger (2000): Genossenschaften, in: RGG4, 2000, Vol. 3, p. 676 ff.

211 Blome-Drees, Johannes / Schmale, Ingrid (2016): Artikel Genossenschaft in: Evangelisches Soziallexikon, Stuttgart, p. 575–578.

… be striving to improve their members' situation in every way. Their effectiveness is, essentially, practical. By pursuing Christian principles in their institutions, by raising economic prosperity and reducing poverty, as much as possible, they work, both directly and indirectly, in a moral, as well as a religious way, and thus prepare the ground for progress. While the associations are, first and foremost, financial institutes, the money is not the end in itself but a means to the end. It is the binding agent for a long-lasting association. … Complying with the prevailing spirit of the time prompts the risk of predominantly striving to make the greatest possible profit. This, however, is quite wrong and must be carefully avoided. The reckless striving for nothing but profit might even lead to losses. And besides this, it is not the duty of the loan societies to make the greatest possible profit in a short space of time, but to help their members in every way possible.[212]

Right up until the end of his life, he held on to his programme with its Christian and ethical motivation, claiming that

- support for the poor is an indispensable act of Christian love,
- solidarity needs to be complemented by personal responsibility,
- spiritual and material well-being belong together inextricably,
- money is a means to an end and has a vital, but serving role,
- stakeholder orientation goes before shareholder orientation ("make the greatest possible profit").

2.6 In Summary: Responsible Society – Responsible Financial System: Implications of an old Guiding Vision of Ecumenical Social Ethics for an Ethical Orientation to Develop a Sustainable and Just Financial System

By way of a conclusion to the multi-faceted biblical-theological and ethical debate, the following needs to be stated:

- The biblical tradition has always held a strong awareness of the potential risks to the system of interest and finance through human avarice and greed. However,

212 Klein, Michael (2006): Raiffeisen, Friedrich Wilhelm Heinrich, in: TRE, Berlin/New York, Vol. 28, p. 79 f.

it does not sweepingly condemn the taking of interest without context, but only wherever it is used to exploit the economic deprivation of others for one's own benefit. The biblical-theological legal tradition and social criticism aims to tame the economic forces and effect their re-orientation as a means to an end which is justice and the shared welfare of the general public.

- The ecumenical social thought of the global ecumenical movement takes up this tradition: The forces of the market as well as of the state need to be restricted; both should always serve the freedom and dignity of the people. This is the key notion behind the basic concept of the "responsible society", which determined the beginnings of ecumenical social thought after 1948.[213] In the definitive texts passed by the General Assembly of Amsterdam, the responsible society was defined as follows:

> *Man is created and called to be a free being, responsible to God and his neighbour. Any tendencies in State and society depriving man of the possibility of acting responsibly are a denial of God's intention for man and His work of salvation. A responsible society is one where freedom is the freedom of men who acknowledge responsibility to justice and public order, and where those who hold political authority or economic power are responsible for its exercise to God and the people whose welfare is affected by it.*[214]

- The following statements were made: "Man is not made for the state but the state for man. Man is not made for production, but production for man." [215] What was, at the time, stated in Amsterdam as a principle with regards to the relationship between the state and people or the economy and society, and more specifically regarding the relationship between capital and labour, inspired ecumenical social thought in the ensuing years to develop general regulatory provisions for the concept of a social market economy, as well as to extend the scope of the notion of responsibility, and into it increasingly integrate the financial system.

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213 Cf. i. a. Kunter, Katharina / Schilling, Annegreth (publ. 2014): Die Globalisierung der Kirchen. Der Ökumenische Rat der Kirchen und die Entdeckung der Dritten Welt in den 1960er und 1970er Jahren, Göttingen, p. 195.

214 Source: 1948 Amsterdam 1. VV, Section III: 14. The main point of the ecumenical agreement on the wording "responsible society" lies in the fact that the early ecumenical social thought is explicitly directed against the "authoritarian" acceptance of a technocratic totalitarian order. The General Assembly of the WCC in Amsterdam preferred the concept of the responsible society over and against that of the social market economy, due to their scepticism against continuity in personnel and subject matter on the side of the protagonists of the social market economy, with their totalitarian approaches from the 1930s. Cf. Stierle, Wolfram (2001): Chancen einer ökumenischen Wirtschaftsethik, Frankfurt a. M., p. 138.

215 J. H. Oldham in Amsterdam, in 1948, quoted by Konrad Raiser in: Garstecki, Joachim (2007): Die Ökumene und der Widerstand gegen Diktaturen: Nationalsozialismus und Kommunismus als Herausforderung an die Kirchen, Stuttgart, p. 24.

- Encountering the challenges of the development problems across the globe, as well as the effects of colonialism and globalisation as they relate to the economic and financial market, generated an awareness of the political and structural conditions of injustice, inequality and dependency. Calls for a new international economic and financial order emerged from the critical discussion regarding a globalisation model, one which was largely accompanied by a deregulation of the financial economy which served to facilitate it.
- In the 1970s, the debate regarding the limits of growth produced an updated understanding about the "responsible society", which was then, in Nairobi in 1976, formulated as the guiding principle of a just, participatory and sustainable society (JPSS). Within the context of the Conciliar Processes for Justice, Peace and the Integrity of Creation, the ecological perspective of sustainability is declared to be an integral factor of all ethical reflections regarding economic justice. However, the concept of a just, participatory and viable (sustainable) society (JPSS), developed within ecumenical social thought in the 1970s, clearly led the way to a different reference system and an alternative guidance for globalisation, in which its further development towards the core themes of Justice, Peace and the Integrity of Creation (JPIC) was not undertaken sufficiently consistently and sustainably within the work of the WCC.
- In connection with Roman-Catholic social doctrine, which had specifically addressed the issues of the world's financial system, ecumenical social thought articulated basic requirements for a responsible, democratic and participatory financial system, one that is underpinned by democratic legitimacy and oriented towards sustainability. Such a financial system would be taken back to its primary role as a support system for the real economy and the common good. The issues surrounding a sustainable investment which is consistent with the principles of faith, have meanwhile been brought into a broad ecumenical debate and have led to an exchange of ideas and the creation of networks between various approaches to "Faith Consistent Investment", at an international and interfaith level.[216]
- It is not only unfulfilled requirements and deficits that are dominant features of the picture. Church protagonists and those with a Christian motivation have shown, time and time again, how money can be managed in ethical, sustainable and responsible ways within the existing financial system, as can be seen within the examples of the FairWorldFonds, Church Banks and the Working Group of Church In-

216 Cf. for example the history of the ICCR: History of ICCR; https://www.iccr.org/about-iccr/history-iccr und Palmer, Martin / Moss, Pipa (publ. 2017): The Zug Guidelines to Faith-Consistent Investing: Faith in Finance. What do you do with your wealth to make a better planet? The Alliance of Religions and Conservations, Essex UK.

vestors (AKI). Some organisational forms of credit institutions (e. g. co-operatives), as well as financial instruments and investments which facilitate ethical and sustainable action, offer starting points that can be drawn out to promote a transformation of the financial system.

Against the backdrop of these different ethical and theological perspectives, the subsequent paragraphs discuss the current challenges to the financial system.

3. Challenges: Responsibility Deficits within the Relationships between Politics, the Financial Economy and Sustainability

3.1 Responsibility in the Relationship between the Financial System and the Real Economy – On the Consequences of a Financialization of the World Economy

In this first description of the interconnection of responsibilities, it is the relationship between the real economy and the financial economy which is to be discussed. The term “financial economy” can be understood to mean the financial sector, in which case, the notion of the “real economy” is to be a collective noun for all other sectors; otherwise, the word “financial economy” is to mean the finances of all sectors. Economic actors such as the state and businesses, as well as public, church and private budgets, are active in the real economy as well as the financial economy. However, there are an increasing number of financial transactions that are detached from the sphere of real commodities and operate solely within the financial system; such are certain derivatives and other speculative financial instruments. A financial and banking system has a necessary, stabilising and irreplaceable function within the economic system; one reason for this is the fact that it acts as a mediator between lenders and borrowers of capital, thereby contributing to currency stability. It offers credit for necessary innovation, thus bringing about the possibility of a positive investment climate for economy and trade.

The financial system can also become an important ally and facilitator of a social and ecological transformation of society, if the political and economic actors who determine or operate this system, configure and regulate it in such a way that it can fulfil the goals of social and ecological sustainability, thereby connecting substantial objectives and criteria with investments and the granting of credit. Ever since the “super year” for sustainability, in 2015, this insight has gained increasing acceptance. This reveals a paradigm shift within economic and fiscal policy, of which the 20th century has already seen two significant instances: After the global economic crisis in the 1930s, Keynesianism became prevalent. The crisis of the 1970 s (“stagflation”) was met with supply orientation, deregulation and globalisation, which, in turn, led to grave adverse developments. The financial crisis of 2007/2008 was the catalyst that triggered a new change of thinking to include sustainability – a process which is still underway and is already running into opposition. Therefore, the paper at hand wishes to support it.

From the 1970 s in Anglo-Saxon countries, and from the 1980 s in continental Europe, political priorities and deregulation of the financial system set a course that jeopardised the supportive role of the financial system and brought imbalance to the relationship between the real economy and the financial economy until the financial crisis in 2007/2008. Thereby, shareholder orientation and market capitalisation became the priority of many businesses in the real economy. As a document of its time, the memorandum on entrepreneurial action, published just before the end of this phase, points out the following:

> *The changes in the economic style as a result of the orientation towards the global financial markets – turning away from a stakeholder and towards a shareholder orientation – should not be undertaken at the expense of the employees.*[217]

Since the last quarter of the 20th century, up until the financial crisis, the inflation of the financial sector and the power shift to the detriment of the real economy have been referred to as the financialization of the world economy. The credit market, and the mechanisms generated for it – securitisation and swaps – made a major contribution to this development.

Background information on the topic **Securitisation and Swaps**, see p. 182

Other important protagonists of these developments were investment banks. Different to commercial banks, investment banks do not lend money and cannot therefore create money. However, they used to have special, more lucrative options: “What alchemy never managed to do – produce money from inexpensive materials, seems effortlessly realised within the credit markets: which is to have developed a procedure with which one can effortlessly make money.”[218]

This mechanism of securitisation, which changes credit into tradable commercial papers in such a way that the financial standing of the owner is greater than the

217 Evangelische Kirche in Deutschland (2008): Unternehmerisches Handeln in evangelischer Perspektive. Eine Denkschrift des Rates der EKD, Gütersloh. p. 79; https://www.ekd.de/unternehmerisches_handeln.htm.

218 Münchau, Wolfgang (2008): Vorbeben. Was die globale Finanzkrise für uns bedeutet und wie wir uns retten können, München, p. 54.

underlying loans itself, was implemented predominantly within investment banking.

The “masters of the universe”[219] one meets in these departments should not be confused with the tens of thousands of bank employees in Germany, who have an important supportive role to play in the everyday lives of private and business banking customers. The figure of the unalloyed investment banker has, by now, become rare, and the fascination which was associated with him[220] has faded. He stands for an extremely competitive elite, for whom achievements and financial successes meant everything. Ultimately, however, even these apparent “masters of the universe” failed when they had to evaluate risks purely numerically, using mathematical models. This insight only became common knowledge when it was too late; that is after the financial crisis: Due to the deregulation, for decades since the 1970s, investment bankers and rating agencies were, most notably, given the opportunity to earn vast sums without being liable for the risks connected with this. When the financial crisis arrived, the profits had already been skimmed off by individuals, whilst the losses, meanwhile, had to be socialised.

Following a report by the Club of Rome (at the end of 2017), the deregulation of the financial markets allowed the proportion of financial investments to skyrocket in comparison with the overall economic output. The portion of the total corporate profits that the financial sector holds has increased from 10 percent in the early 1980s, to 40 percent in 2006. “In September 2006, the nominal value of the financial products had reached 640 trillion USD, that is fourteen times the GDP of all the nations of the world combined.”[221] Another important contributing factor to the disproportionate

219 “Master of the Universe” is the title of a documentary film on the financial crisis, by director Marc Bauder 2013. For more information, see 4.1. Cf. Luyendijk, Joris (2015): Unter Bankern. Eine Spezies wird besichtigt, Stuttgart, p. 195 ff.

220 Dramas such as “Wall Street 1 and 2”, “Margin Call” and “Wolf of Wall Street” convey this fascination. The documentary “Master of the Universe”, with the former investment banker Rainer Voss, provides an insight into this reality.

221 von Weizsäcker, Ernst Ulrich / Wijkman, Anders i. a. (2017): Wir sind dran. Club of Rome: Der große Bericht. Was wir ändern müssen, wenn wir bleiben wollen. Eine neue Aufklärung für eine neue Welt. Gütersloh, p. 32. The statistics of the Club of Rome are guided by the earlier definition of the “financial economy (p. 50, l. 17 f.). It is not entirely clear to what the figure included in the report of the Club of Rome – 640 trillion dollars – refers. Merely a quotation from an article by Saskia Sassen from 2009 can be found, in which she – without further evidence for the origin of the figures, – wrote the following: “In global terms, the value of debt in September 2008 was $160 trillion (three times global GDP), while the value of outstanding derivatives is an almost inconceivable $640 trillion (fourteen times the GDP of all countries in the world).“ Cf. Stocker, Frank / Jost, Sebastian (2018): Die gefährlichen Produkte der Finanzbranche, in: Welt, 12.10.2008; https://www.welt.de/finanzen/article2565675/Die-gefaehrlichen-Produkte-der-Finanzbranche.html: “According to the Bank for International Settlements, the value of all derivatives amounted to 600 trillion dollars by the end of 2007. This is ten times as much as the value of all goods and services that are produced globally in a year”, https://www.welt.de/finanzen/article2565675/Die-gefaehrlichen-Produkte-der-Finanzbranche.html; cf. with similar figures: https://www.finanzen100.de/finanznachrichten/wirtschaft/risikofaktor-banken-die-tickende-zeitbombe-der-weltweiten-derivate_H842895196_74709/. An impressive visualisation of the ratio of all global derivatives to the national wealth or total debt for the more recent time period of May 2020, can be found at: Desjardins, Jeff (2020): All of the World’s Money and Markets in One Visualization; https://www.visualcapitalist.com/all-of-the-worlds-money-and-markets-in-one-visualization-2020/.

growth of the financial sector was the fact that institutional investors were given access to commodity exchanges at the beginning of the 1990s. An OECD study of 2015 revealed that, across the OECD, since 1960, the volume of credits given from financial institutions to, first of all, businesses, but also to households, had grown three times as much as the real economy and that, in 2015, they stood at 110 % of the GDP. In the long term, the expansive granting of credit caused a redistribution from bottom to top.[222] Even if it is true that the wage ratio has risen in Germany over the last three years,[223] it was at times recessionary for decades beforehand.[224] In the report of 2017, the Club of Rome agrees with this analysis regarding lending: The uncontrolled multiplication of money through credit is considered to be the systemic error with the greatest potential for destructive power to affect the aggregate economic system.

> *We have a system that generates a surplus of money, one which produces high financial gains, low social and environmental gains and, at the same time, we have a spectacular lack of money for these same social investments.* [225]

The disproportionate and all too rapid growth of the financial economy has distributive effects which lead to inequality and are counterproductive for the national economy, as has been ascertained in several studies.[226] In this, a distinction needs to be made between income and wealth inequality and, in addition, between inequality in a nation and inequality between nations. In recent decades, income inequality in many countries, especially in most industrial nations, has increased, even if globally, or from a cross-border perspective, income inequality has decreased, in line with the reduction of extreme poverty in South and East Asia. After the re-unification of

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222 Cf. OECD-Studie (2015): Expansion der Finanzmärkte schädigt das Wirtschaftswachstum, Paris/Berlin; https://www.oecd.org/berlin/presse/finanzen-und-sozialvertraegliches-wachstum.htm.

223 Cf. Statistisches Bundesamt (2020): Volkswirtschaftliche Gesamtrechnungen. Wichtige gesamtwirtschaftliche Größen in Milliarden Euro, Veränderungsrate des Bruttoinlandsprodukts (BIP), Wiesbaden; https://www.destatis.de/DE/Themen/Wirtschaft/Volkswirtschaftliche-Gesamtrechnungen-Inlandsprodukt/Tabellen/inlandsprodukt-gesamtwirtschaft.html;jsessionid=02575B013B902B3B6A013E97EF9E0100.internet8722?nn=214136.

224 Cf. Bundesfinanzministerium (2019): Kennzahlen zur gesamtwirtschaftlichen Entwicklung, Berlin; https://www.bundesfinanzministerium.de/Monatsberichte/2019/02/Inhalte/Kapitel-6-Statistiken/6-4-04-einkommensverteilung.html.

225 von Weizsäcker, Ernst Ulrich / Wijkman, Anders i. a. (2017): Wir sind dran. Club of Rome. Was wir ändern müssen, wenn wir bleiben wollen. Eine neue Aufklärung für eine neue Welt, Gütersloh, p. 33.

226 Cf. Dittli, Mark (2015): Weshalb ein zu großer Finanzsektor schädlich ist, in: Tagesanzeiger 13.03.2015; https://blog.tagesanzeiger.ch/nevermindthemarkets/index.php/36650/weshalb-ein-zu-grosser-finanzsektor-schaedlich-ist/; here, also, a reference to the study by Cecchetti, Stephen G. / Kharroubi, Enisse (2015): Why does financial sector growth crowd out real economic growth? In: Bank for International Settlements, BIS Working Papers No 490; https://www.bis.org/publ/work490.pdf; cf. also the British study by three economists of the Bank of England; https://www.faz.net/aktuell/wirtschaft/finanzsektor-masslos-aufgeblaeht-das-wunder-der-banker-11023920.html.

Germany, the inequality in terms of the disposable income in relation to the Gini coefficient[227] has risen, yet it remained stable during the second half of the 2000s. Since 2010, there have been slight increases. When compared to international standards, however, it is still relatively low in Germany on account of the taxation and transfer system.[228] Due to the availability of data, wealth is much more difficult to record than income, and a comparison is made all the more difficult since pension entitlements are not included in these inquiries, as, different to nations with capital-based pension systems, they are not capitalized in Germany. However, according to inquiries made by the German Central Bank, one may assume that, in Germany, the unequal distribution of wealth is comparatively high; the wealth inequality is, (since pension schemes are not included in the calculations) higher than in most other industrial nations.[229] According to the Federal Office of Statistics, in 2018, 18.7 % of the population were threatened by poverty or social marginalization in Germany.[230]

The relaxation of the rules for lending, as well as the substantial increase of the financial sector through securitisation and credit trading, pose a problem at several levels:

- In the USA, in particular, credits were awarded to debtors with a low degree of creditworthiness, which increased the credit default risk that had been massively underestimated up until the financial crisis.
- Unprofitable investments were financed, impairing the effective allocation of capital, which is one of the essential functions of the financial system.
- Those responsible for these decisions could not be made personally liable. The risks of overly complex financial products were not left with the suppliers and consumers of the products, but transferred to the revenue department.
- Banks were system-relevant (too big to fail) and could only be secured at high cost to the public; risks and liability were transferred to the taxpayer.
- Inflated financial markets generated additional volatility (upsurges and downturns) and damaged economic growth, thus affecting, in particular, the position of those who are socially weaker.

227 The Gini coefficient is a statistical measure that was developed by the Italian statistician Corrado Gini in order to display unequal distribution.

228 Cf. Die Bundesregierung: Gini-Koeffizient der Einkommen; https://www.gut-leben-in-deutschland.de/indikatoren/einkommen/gini-koeffizient-einkommen/.

229 Cf. Bundesfinanzministerium (2015): Soziale Ungleichheit und inklusives Wachstum im internationalen Vergleich, Berlin; https://www.bundesfinanzministerium.de/Monatsberichte/2019/05/Inhalte/Kapitel-3-Analysen/3-1-soziale-ungleichheit_pdf.pdf? blob=publicationFile&v=3.

230 Cf. Statistisches Bundesamt (2020): Anteil der von Armut und sozialer Ausgrenzung bedrohten Menschen in Deutschland stabil, Wiesbaden; https://www.destatis.de/DE/Presse/Pressemitteilungen/2019/10/PD19_419_639.html.

- Due to the 40 % or more increase in wages and additional bonuses,[231] the investment industry pulled well-trained and highly-skilled people out of research and other sectors with a greater productive potential.[232]
- Monumental wages, specifically in the investment industry, advanced income inequality by increasing the wage differentials and producing copycat-effects.

In the German financial sector, many of these problems caused by the financial crisis, have been recognised and the respective developments stopped. Especially internationally however, they continue to have an effect, and should still therefore be given critical attention.

From a global perspective, since 1990, income inequality has risen within most of the developed nations including China and India.[233] In January 2021, a study by Oxfam pointed out that global inequality had accelerated even more within the context of the corona pandemic.[234] Income inequality cannot be predominantly and exclusively attributed to the financial sector, however the sector did contribute to it.[235] It is especially in the Western industrial nations that income inequality increased, with an additional effect caused by the disproportional growth of the financial sector. However, it needs to be noted that, in Germany, the Gini coefficient, as the measure for income inequality, has remained largely stable since 2005.[236] In terms of wealth inequality at global level, the Global Inequality Report of 2018 shows an increase that can be observed in almost all countries.[237] In Germany, it makes sense to include pension entitlements in the calculation of assets, even if they cannot be equated with gold, tangible assets, or capital assets. Pension claims and rights cannot be traded nor used as securities, but they do reduce tangible wealth inequality, since they are distribut-

231 Bundeszentrale für politische Bildung (2013): Master of the Universe. Ein Dokumentarfilm von Marc Bauder, Bonn; https://www.bpb.de/mediathek/225092/master-of-the-universe.

232 Cf. Schulz, Bettina (2014): Branche auf Speed. Hohe Boni waren eine der Ursachen für die Finanzkrise. Warum schafft sie keiner ab? In: brand eins 06/2014; https://www.brandeins.de/magazine/brand-eins-wirtschaftsmagazin/2014/geld/branche-auf-speed.

233 Cf. United Nations (2020): World Social Report 2020. Inequality in a rapidly changing world, New York; https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2020/01/World-Social-Report-2020-FullReport.pdf.

234 Cf. Berkhout, Esmé / Galasso, Nick et al. (Oxfam) (2021): The Inequality Virus. Bringing together a world torn apart by coronavirus through a fair, just and sustainable economy; https://www.oxfam.org/en/research/inequality-virus.

235 On this problem cf. i. a.: Nölke, Andreas (2016): Finanzialisierung als Kernproblem eines sozialen Europas, in: WSI Mitteilungen 1/2016, S. 41 ff.; https://www.boeckler.de/data/wsimit_2016_01_noelke.pdf.

236 Cf. Bundesfinanzministerium (2019): Soziale Ungleichheit und inklusives Wachstum im internationalen Vergleich, Berlin; https://www.bundesfinanzministerium.de/Monatsberichte/2019/05/Inhalte/Kapitel-3-Analysen/3-1-soziale-ungleichheit.html.

237 Cf. World Inequality Report (2018): https://wir2018.wid.world/.

ed more evenly across the population than net assets.[238] In general, the increase in wealth inequality is linked to the increase in the value of the assets, such as private equity and real estate. The distribution of derivative financial instruments, a business policy targeted at shareholder value, the expansion of the credit and investment business in the form of mortgages and the securitization of credits and investments, as well as the vast gains from tax-free financial speculation and disproportionate gains in the value of company shares and real estate, all foster a further amplification of the unequal distribution of capital assets.

Background information on the topic of **Financial Markets and Speculation**, see p. 183

When the financial sector was at its height, it became apparent that it had lost sight of its supportive role and was typified by investment banking and shareholder values.[239] Both, however, passed their peak in recent years and are increasingly called into question within the financial industry itself. In Europe, numerous major European banks e. g. UBS, Credit Suisse and Deutsche Bank, have greatly reduced, or even given up their investment banking divisions. In the USA, in August 2019, nearly 200 businesses announced that they would turn from the exclusive orientation towards shareholder value and the pursuit of profit as the sole priority: in the future, it is not merely the corporations' owners who are to profit, but all stakeholders: customers, staff, suppliers and councils.[240] Even if, in many cases, the realization of these decisions still remains to be carried out, and could doubtlessly be achieved faster and more consistently, the turning away from the principle of shareholder value, a principle which has explicitly and exclusively been advocated since 1997, is a remarkable signal that should be heard by all.

Inside, as well as outside, the financial sector, increasing acceptance is being given to the insight that the expansion and increasing independence of the financial sector and developments of increasing social inequality in most Western industrial nations,

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238 Cf. Pennekamp, Johannes (2016): DIW-Studie: Rentenansprüche verdoppeln das Vermögen der Deutschen, in: FAZ of 07.07.2016; https://www.faz.net/aktuell/wirtschaft/arm-und-reich/diw-studie-rentenansprueche-verdoppeln-das-vermoegen-der-deutschen-14329684.html.

239 Shareholders are those who own shares, value is the net worth of the investment. The share prices mirror the value of the investment. The executive chairman of a stock corporation with a business policy that is focussed on shareholder value will endeavour to maximise the rate of the share; https://boerse.ard.de/boersenwissen/boersenlexikon/shareholder-value-100.html.

240 Cf. Corporate Governance (2019): Business Roundtable defines the purpose of a corporation, which is to support an "economy which is to serve all Americans" in fresh ways, Washington D.C.; https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans.

might have continuing effects for the future of the democratic community: They contribute a good deal to the erosion of the political system and to a perilous increase in the number of population groups who are left behind by the system and susceptible to extremism.

If national governments and parliaments were willing and prepared to push through even unpopular decisions with regards to saving the banks, granting loans and enforcing demands for budget cuts, then it was possible to deliver some of the promises made for the sustainable regulation of the global financial markets, whilst others were not realised. This applies, for instance, to the call for a financial transaction tax. In the USA, some important (albeit insufficient) regulatory procedures established by the Obama government were, however, invalidated by President Trump.[241]

These regulatory procedures were designed to prevent a new global financial crisis, the consequences of which would prove to be even more destructive for liberal and constitutional democracies, since their resilience against attacks from nationalist, illiberal and protectionist forces have already been substantially weakened. Even if the European Union has restructured their supervision of banking, there is cause for a concern that democratically legitimised institutions, economies and social security systems are insufficiently equipped should there be another global financial crisis.

Remembering the supportive role of the financial system has become relevant again, in particular with regards to the decarbonisation of the real economy and its co-responsibility for the implementation of the UN Agenda 2030. This is why the new, regulatory efforts that have been attempting to engage the financial sector in sustainable developments within the economy and society since 2015, need to receive more explicit support.

241 An example: In 2017, the Trump administration reversed the so-called Dodd-Frank Act, by which, after the last global financial crisis, the previous government, the Obama administration, had attempted to prevent a repeat of the saving of large banks through the use of tax revenue. The banks welcomed the reversal, but the taxpayers did not: https://www.handelsblatt.com/finanzen/banken-versicherungen/dodd-frank-gesetz-trump-dreht-die-bankenregulierung-zurueck/19343066.html?ticket=ST-966033-KgOFwDodYqJtxdzcuuAq-ap5; cf. also on the relaxing of banking regulations by Trump: https://www.handelsblatt.com/finanzen/banken-versicherungen/dodd-frank-us-praesident-trump-unterschreibt-lockerung-der-bankenregulierung/22602260.html.

The contribution of the financial economy to the Great Transformation will, however, only be credible if the effects of its investing activities advance sustainable development. The benchmark for the impact of the contribution towards Sustainable Finance are the 17 Sustainable Development Goals and the climate objectives of the Paris Agreement. In order to assess this, science-based measurement techniques need to be developed with which cross-sector *and* sector-specific evidence can be procured, showing that the provision of capital at least serves to prevent negative effects on sustainable development and, on the contrary, facilitates positive effects.[242] Alongside the financial gain, the social and ecological dimensions of their impact on society and the environment are an essential aspect of Sustainable Finance. Some protagonists working in the German financial sector have accepted this challenge and have followed the example of the Dutch sector in June 2020: 16 financial institutions, amongst which are both Evangelical church banks and an Evangelical institution serving occupational pension schemes, involving assets of altogether more than 5.5 trillion euros and more than 46 million customer relationships in Germany, are initial signers of a voluntary commitment to align their credit and investment portfolios to comply with the goals of the Paris Climate Agreement.

> *Through the agreed measurement, as well as publication and goal-setting to reduce the emissions connected with the credit and investment portfolios, the financial sector intends to contribute to climate protection and support the further sustainable development of the economy that is fit for the future. Thereby, the German financial centre takes another step towards the objective set by the Federal Government at the beginning of 2019, which is to make Germany into one of the leading centers for Sustainable Finance.*[243]

Background information on the topic **German Banking System**, see p. 186

242 Cf. on this i. a. the regular UN-IATF-Report: https://developmentfinance.un.org/.

243 Klimaschutz-Selbstverpflichtung des Finanzsektors (2020): Gemeinsame Maßnahmen und Ziele zur Erreichung der Klimaziele vereinbart; https://www.klima-selbstverpflichtung-finanzsektor.de/.

3.2 Responsibility in the Relationship between the Financial System, Democracy and the Common Good – On Banking Supervision, International and National Tax Legislation. Specifically: Banking Supervision, Taxation of International Businesses and Wealth, Democratic Control of International Financial Institutions

In the second sphere of responsibilities, the way in which the financial system and its regulatory instruments are subject to the primacy of politics is relevant, since this contributes towards achieving the SDGs and thereby the ability to sustain and strengthen the population's confidence in the steering capacity of democratically legitimised institutions. The SDGs promote the common good[244], i. e. basic constitutional, social and human rights such as poverty reduction, health and well-being, quality education, gender equality, decent work and peace, justice and strong institutions. In principle: *"Our financial system must serve the common good and value the interests of future generations more highly than the interest in short-term speculation …"*[245]

The global financial crisis of 2007/2008 has resulted in a loss of confidence in the ability of democratically legitimised institutions to act. This process of erosion took place despite national governments and parliaments, as well as in the face of the European Union and other multi-lateral organisations. Attempts to combine the saving of financial institutions with a sustainable regulation of the financial markets, only met with rudimentary success. What was especially drastic was the infringement upon the sovereignty of recipient states which accompanied the granting of assistance loans, the social consequences of which are still felt by the population today.

244 This discussion paper here uses the term common good (Gemeinwohl) here in the sense of an orientation towards the general good of society (*salus publica, bonum generalis*, the common good), i. e. in the sense of social sustainability, not in the narrower sense of a specific approach of the economy for the common good. It thus draws upon a general and constitutionally predefined understanding of the common good, which is oriented towards the public values of the constitution such as human dignity, freedom, legal security, peace and prosperity, and thereby towards constitutional rights, the rule of law, the principles of the social state and of democracy. It finds its foundation e. g. in the provision of the constitution in Art. 14, par. 2 GG, according to which property is to serve the common good. The orientation towards the common good is an important characteristic trait and of particular importance in the original idea underlying the Sparkasse (savings bank). Even today, Sparkassen differ from private banks in that the production of profit is not the main purpose of the business operations, but rather the obligation to serve the common good. This is laid down in the laws governing the Sparkassen and the Credit Services Act (Kreditwesengesetz KWG).

245 A quote from a hypothesis of the World Future Council; https://www.worldfuturecouncil.org/de/nachhaltige-wirtschaft/#finanzmarktregulierung.

In Germany, a set of economic measures successfully prevented the crisis from spreading from the financial to the real economy, in particular through short-time work allowances. Nevertheless, when saving the major banks, decisions had to be made under the greatest possible time pressure, which, given such dimensions, invalidated all standards of careful budgetary policy and were neither transparent nor communicable in all their particulars for the members of Parliament in every parliamentary party. The prevalent helplessness during this time was such that the expression “without alternative” was voted the “ugliest word of the year”, and slogans such as “bailout funds for people, not for banks” met with broad acceptance. On the other hand, it is difficult to imagine how great the loss of confidence would have been without the impromptu state bailout.

The origins of a resultant problem were inherently apparent in the structure of the Maastricht Treaty of 1992, which makes provisions for the creation of the European economic and monetary union without a budgetary union. In the Maastricht Treaty, it was stipulated that a nation could only participate in the monetary union if it fulfilled certain economic criteria (EU-convergence criteria, Maastricht criteria), through which the stability of the shared currency was to be secured. It was not only Greece that defaulted on these criteria, making the national debt a threat to the shared currency. When the German Federal Government had to pass the bail-out packages for Greece, largely with the extensive suspension of parliamentary participation processes, the perception of a political loss of control in Germany intensified. Consequently, in May 2010, the Federal Government had merely a few hours to pass a complex bailout package which amounted to 110 billion euros.

The power of the purse is the most important right which parliaments have to shape the policies needed. All the more serious is the suspicion that this power could have been taken away.[246]

Since, for numerous members of Parliament, this situation of having to decide upon expenses of this magnitude without sufficient preparation, was felt to be traumatic, the financial crisis of 2007 contributed substantially to the erosion of the cohesion of democratic parties both within, and outside of Parliament.

246 Cf. Bundeszentrale für politische Bildung (2020): Budgetrecht, Bonn; https://www.bpb.de/nachschlagen/lexika/das-junge-politik-lexikon/319971/budgetrecht.

In addition, the shifting of such far-reaching decisions to protagonists that were not democratically legitimised, such as the so-called “Troika”, fuelled critical attitudes in Germany, as well as elsewhere. Empirical studies, such as the Leipziger Mittestudie,[247] provide evidence that anti-democratic and anti-European ressentiments increased significantly between 2008 and 2012.

While Germany was able to cushion the effects of the financial crisis on the real economy and thereby demonstrate the political capacity to act, at least in some areas, national governments and parliaments in other European countries lost democratic control over the crisis management. This was specifically true in those locations where the social effects of previous governmental mismanagement and the then imposed demands for budget cuts destroyed the hopes of an entire generation and caused the collapse of the social security systems. The more reliable the respective governments were to fulfil their international creditors’ demands to cut their budgets, the more they undermined their own populations’ confidence in the legitimacy of democratic institutions, and the more they risked being voted out of office.[248] One of the roots of the rise of anti-European, illiberal and populist movements in many European nations can be found in such experiences.

Certainly, the roots of right-wing populism are much more complex and cannot solely be attributed to the lack of democratic control regarding financial and austerity policies in Europe. In order to develop credible, confidence-building political solutions for a common finance and tax policy in Europe, it is not only a greater decisiveness in the states’ agreement of a joint European intent that is required, but also the overcoming of concrete problems in the implementation of, and the hold-ups on the way to a European tax policy.

The issues of democratic control and sufficient political and parliamentary participation in decisions on multinational financial institutions have recently been intensified through the judgement (which, in European politics is deemed to be very controversial) by the Federal Constitutional Court in Karlsruhe, on 4th May 2020, in which the bond-buying programme of the European Central Bank was criticised. In the “Public Sector Purchase Programme” (PSPP), the ECB does not directly purchase the bonds,

247 Cf. Heinrich-Böll-Stiftung (2018): Leipziger Autoritarismus-Studie 2018. Flucht ins Autoritäre – Rechtsextreme Dynamiken in der Mitte der Gesellschaft, Berlin; https://www.boell.de/de/leipziger-autoritarismus-studie.

248 This has a historical predecessor in the requirements made by the World Bank and the IMF for the extension of credit to deeply indebted developing nations in the 1970s and 1980s.

but buys them once they have already been traded. As a result of the decision of the Federal Constitutional Court, the ECB is obliged to more carefully scrutinize the proportionality of governmental programmes that purchase bonds in order to examine their economic impact on savers, insurance policy holders, tenants, real estate owners and shareholders, and to take up these considerations in an impact assessment of the relevant decisions. Thus, notwithstanding the vote against the previous ruling of the CJEU, this decision entails a strengthening of the Federal Parliament and Government's rights regarding participation in the scrutiny of ECB decisions.[249]

Across the globe, numerous countries have been struck by the full force of the consequences of the global financial crisis on the real economy. The social dislocations connected with this have put back (even thrown back) successful democratisation processes in many countries. In addition, confidence in multilateral problem-solving and, especially, the willingness of Western democracies to take on responsibility for global social sustainability, has been damaged during this time.

Background information on the topic **National Debt**, see p. 161

Above and beyond the strengthening of the democratic control of the financial markets, however, it is important to enlist the financial economy in the progress towards the political goal of a sustainable social development. If the relationship between the financial economy and the common good is to be strengthened and become a nexus of responsibilities, then, since it is a part of society, the financial economy should not restrict itself to its core economic objectives, such as the allocation of financial resources, but needs to take on a new, key role in the financing of the Great Transformation, as has already been suggested and initiated in many instances, at EU and Federal Government level. For this, the interests of stakeholders, including those of society, need to be positioned alongside the interests of shareholders[250] and brought to bear through regulations, global governance and democratic controls.

249 Cf. On the controversial reception of the judgement: https://www.tagesspiegel.de/wirtschaft/was-bedeutet-das-urteil-zu-anleihekaeufen-der-ezb-oekonomen-sprechen-von-einer-kriegserklaerung-politiker-fuerchten-um-die-eu/25803696.html; https://www.t-online.de/finanzen/boerse/news/id_87821866/urteil-zu-ezb-aufkauf-von-staatsanleihen-teilweise-verfassungswidrig.html; https://www.sueddeutsche.de/wirtschaft/bundesverfassungsgericht-ezb-anleihekaeufe-1.4897824.

250 In the economic process, a distinction is made between four interests or interest groups: the interests of consumers (end consumers), the interests of the employees (producers), the public interests and the interests of the equity owners. The latter are also referred to as shareholders; the first three interest groups can be summarised as stakeholders, cf. Bea, Franz Xaver / Friedl, Birgit / Schweitzer, Marcell (2004): Allgemeine Betriebswirtschaftslehre, Vol. 1: Grundfragen (Grundwissen der Ökonomik), Stuttgart, p. 226 ff.

Regulators and supervisory authorities at national and EU level believe, as does this discussion paper, that a stronger orientation towards sustainability and the common good in the financial and taxation system cannot be sufficiently achieved through voluntary self-commitments or corporate social responsibility alone,[251] nor through goodwill declarations on the side of financial institutions. Rather, the authorities advocate that binding and legal obligations should be imposed upon the financial and real economy. The constitutional obligation to use property for the common good is to be developed further for the general conditions of the 21st century. A more binding obligation to use property for the common good can be achieved through the following varied measures, i. a.:

1. through transparency and the consideration of ESG risks in the extension of credit and the investment practice of banks, insurances and trusts[252];
2. through examining the advantages and disadvantages of a re-instatement of wealth tax;
3. through the overcoming of national egotism with regards to fiscal sovereignty, and an intensified fight against strategies of tax avoidance (BEPs);
4. through the introduction of a financial transaction tax;
5. through more comprehensive, and more binding financing for development;
6. through a further strengthening of financial supervision.

This is to be justified in the following:

Ad 1: Orientation towards the Common Good

A first step towards an increased common good has been suggested by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstaufsicht; BaFin) in their Guidance Notice on Dealing with Sustainability Risks. They put forward minimum requirements for risk management in the companies supervised by the Federal Financial Supervisory Authority; these are, i. a., credit institutions, insurances and pension funds.[253] In the Guidance Notice mentioned above, the BaFin identified sustainability as a topic that is "becoming ever more important" and, in line with their commission to assess risks, the guidance addresses them in terms of sustainability risks. These are then defined in detail as ESG risks and, especially within the sections on climate and environment, divided into physical, transitory and reputational risks.

251 Cf. Socialfunders Blog (2013): Was ist eigentlich CSR? Koblenz; http://blog.socialfunders.org/2013/07/was-ist-eigentlich-csr/#.XiM7Q8hKjIU.

252 In order to achieve this, transparency and the availability of data needs to be improved in the debtor companies.

253 Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) (2020): Merkblatt zum Umgang mit Nachhaltigkeitsrisiken, Bonn; https://www.bafin.de/SharedDocs/Downloads/DE/Merkblatt/dl_mb_Nachhaltigkeitsrisiken.html?nn=9021442.

The most significant aspect, however, is that sustainability risks are taken to be risk types that were previously understood to be 'purely economical' risks (credit, market, liquidity, operational, actuarial, strategic and reputational risks).

This suggests that the interpretive framework of the word "economical" needs to be extended so that it includes the reference to sustainability. Another indication of a greater orientation of regulatory requirements towards the common good is the introduction of the term double materiality in the EU CSR directive (CSR = Corporate Social Responsibility), as well as in the respective German act regarding its implementation. These address the responsibilities of companies to report on their social and ecological activities following certain guidelines. Whilst in earlier forms of accounting, materiality merely meant that facts needed to be disclosed which were essential for the operations of a company (as opposed to the insignificant ones), double materiality means that even those facts that are relevant for non-financial aspects outside the company, need to be published; amongst them are, for instance, facts relating to the climate, environment and society. In this context, the outside-in perspective (examining which social and ecological factors impact the financial position, financial performance and cash flows of the company) need to be complemented by the inside-out perspective that marks a paradigm change, since companies now need to report the effects that their activities have on the natural and social environment.

According to the BaFin Guidance Notice, examples for ESG are, i. a.:

Environmental:
- climate protection
- protection of biodiversity
- transition to a circular economy, waste prevention and recycling

Social:
- observance of recognised labour standards (no child labour, forced labour or discrimination)
- appropriate remuneration, fair working conditions, diversity, and training and development opportunities
- trade union rights and freedom of assembly
- guarantee of adequate product safety, including health protection
- application of the same requirements to entities in the supply chain

Governance:
- tax honesty
- anti-corruption measures
- board remuneration based on sustainability criteria
- the facilitation of whistle blowing[254]

Ad 2: International studies on the developments within global wealth inequality[255] (at national, as well as global level) point to a great increase of wealth concentration since the global financial crisis of 2007/2008. Though the top and bottom of the global wealth pyramid are still very far apart, this trend has not, however, continued in an unbroken line in recent years, as stated in the most recent Global Wealth Report by Credit Suisse, in 2019:

> *Wealth inequality declined within most countries during the early years of the century. … Today, the share of the bottom 90 % accounts for 18 % of global wealth, compared to 11 % in the year 2000. … While it is too early to say that wealth inequality is now in a downward phase, the prevailing evidence suggests that 2016 may have been the peak for the foreseeable future.*[256]

However, the consequences of the global recession caused by the corona crisis have not yet been included in the calculations.

The indications of a global rise in income and wealth inequality are thus also accompanied by some indications that detect a threat to democracy in numerous nations. Increasing social protests – although they are vastly diverse in their respective political contexts and goals – are, i. a., also an indicator of increasing dissatisfaction with social inequality. In all economies, inequality acts as an explosive agent within society – as seen, i. a. also in the French yellow vests movement, whose protest was directed at, i. a., the elimination of **wealth tax**, that had largely been abolished in France with the budget law for 2018. An annual wealth tax has been scrapped in many European na-

254 https://www.bafin.de/SharedDocs/Downloads/DE/Merkblatt/dl_mb_Nachhaltigkeitsrisiken.pdf;jsessionid=34E54AC4363E1B011AB5A0A591148F28.2_cid393? blob=publicationFile&v=9, p. 13.

255 Cf. Linder, Fabian (2014): Das Ende der Mittelstandsgesellschaft. Über Thomas Pikettys “Das Kapital im 21. Jahrhundert”, in: GegenBlende; http://gegenblende.dgb.de/27-2014/++co++c1c062de-eb20-11e3-b588-52540066f352. Cf. Credit Suisse (2017): Global Wealth Report 2017; https://www.mers.be/FILES/credit.pdf.

256 Credit Suisse (2019): Global Wealth Report 2019: In spite of trade disputes, worldwide wealth grows by 2.6 % – primarily thanks to the USA and China; https://www.credit-suisse.com/about-us-news/de/articles/media-releases/global-wealth-report-2019-global-wealth-rises-by-2-6-driven-by-201910.html.

tions.[257] In Germany, the Wealth Tax Act was abandoned in 1997, following a ruling of the Federal Constitutional Court. The unequal treatment of the asset classes set out in the Wealth Tax Law, which was then applicable, has now led to the curious situation whereby a Wealth Tax Law still exists and yet it is not being applied, and, in this way, there is *de facto* no wealth tax in Germany. Groups such as the Taxpayers' Association argue against the re-introduction of the wealth tax[258]. In addition, the corporate landscape in Germany predominantly consists of medium-sized businesses. There are, in particular, many family-owned enterprises that cannot apportion their wealth to separate private and business spheres. Therefore, high levels of capital drain through a wealth tax would have an immediate impact upon the current availability of qualified jobs, as well as employment in the future. This is especially relevant in acute crises, which Germany has now repeatedly been able to successfully overcome with the payment of short-time work allowance. However, the same principle also applies to investments in research and development, which are only able to ensure that family businesses and the jobs therein are fit for the future, if there is wealth that can be deployed for this purpose and is not siphoned off through taxation. In this way, businesses generally make vital contributions to social security and thereby work to oppose disenchantment with democracy and institutions. It is especially family-owned enterprises that might be strongly affected by a wealth tax who would speak out against its re-introduction.[259]

On the other hand, in relation to increasing income and wealth inequality in Germany, the Federal Ministry of Finance stated in 2019:

> *"It is the 3.5 % of top earners, in particular, that have clearly profited in recent decades from tax changes and reductions. Thus, compensation was repeatedly granted for the effects of the 'cold progression', business tax was reduced and the withholding tax introduced, as well as noticeable relief given on inheritance tax. At the same time, top incomes have risen to a far greater extent than average incomes since the 90s."*[260]

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257 Cf. Übersicht europäischer Länder: https://www.deutscheskonto.org/de/steuertipps/vermoegenssteuer-europa/.

258 Cf. Bund der Steuerzahler e. V. (2018): Vermögensteuer, Berlin; https://www.steuerzahler.de/aktuelles/detail/vermoegensteuer/?cHash=6bd4ed4e77d76390f154fdbbad123d71&L=0.

259 Cf. Leibinger-Kammüller, Nicola (2013): Was uns Wahlkampfziele kosten könnten. Die Rechnung einer Familienunternehmerin, in: Fokus Wahlen No. 521, July/August 2013, vol. 58, p. 105–108; https://www.kas.de/documents/252038/253252/7_dokument_dok_pdf_35106_1.pdf/af80d0c3-f1c1-7658-b6f9-a9fa55f810e6.

260 Federal Ministry of Finance in the deliberations on the near-complete abolition of the solidarity surcharge in 2020, which is now to be collected from merely 3.5 % of the top earners: Bundesfinanzministerium (2020): Fragen und Antworten zur weitgehenden Abschaffung des Solidaritätszuschlags; https://www.bundesfinanzministerium.de/Content/DE/FAQ/2019-08-21-faq-solidaritaetszuschlag.html.

In the academic world, recommendations for the re-introduction of the wealth tax have been put together, which accommodate the reservations of the Federal Constitutional Court and fulfil the requirements for a re-introduction.[261] In the USA, too, there are signs that a higher taxation of multi-billion dollar fortunes would be desirable: Several wealthy entrepreneurs, amongst whom are legendary investors such as George Soros and Warren Buffet, have advocated for a higher taxation of their wealth – Buffet stated famously that, as a billionaire, he was taxed less than his secretary. For the EKD, the former Head of the Council, Chairman Nikolaus Schneider, said in his time: Paying taxes is a matter of honor,[262] and, according to Schneider, “it is an utter aberration that private wealth in Germany is, in its entirety, higher than public debt”. It should not be an aspiration to smuggle as much money as possible past the tax authorities. “It is important to raise an awareness of this, since everyone needs the infrastructure of a state, even the wealthy.” The corona crisis has led to an acutely pointed emphasis on the question as to who should contribute, and how much, to overcoming it. In Germany, according to the calculations of the consulting firm PwC and major Swiss bank UBS, published in October 2020, “the net assets of the ultra-rich, after a slump at the beginning of the corona pandemic, which lasted until the end of July 2020, rose to 594.9 billion dollars. At the time of the last survey (reference date March 2019), it was 500.9 billion dollars. … Following the outbreak of the pandemic, the greatest increase was achieved by the German dollar-billionaires in the technology sector (up 46 percent), healthcare (up 12 percent) and finance (up 11 percent).”[263] Whether or not their contribution to the overcoming of the crisis will be called for in the form of a wealth tax or some other means, shall be left to the political debate – however, one would expect the billionaires to contribute in an adequate way.

It is one of the tasks of those in positions of political responsibility to think about how the general invalidation of the wealth tax can be substituted by new regulations.

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261 Cf. Kommer, Victor van / Kosters, Lambert (2013): Möglichkeiten der Wiedereinführung der Vermögensteuer in Deutschland und denkbare Alternativen, Düsseldorf: WSI/Hans-Böckler-Stiftung. Bach, Stefan / Beznoska, Martin (2012): “Vermögensteuer: Erhebliches Aufkommenspotential trotz erwartbarer Ausweichreaktionen”, in: DIW-Wochenbericht No. 42/2012, p. 12–17. Bach, Stefan / Thiemann, Andreas (2016): “Hohes Aufkommenspotential bei Wiedererhebung der Vermögensteuer”, in: DIW-Wochenbericht 4/2016, p. 79–89; https://www.diw.de/documents/publikationen/73/diw_01.c.525373.de/16-4-1.pdf. Piketty, Thomas (2015): “Capital and Wealth Taxation in the 21st Century”, in: National Tax Journal, Vol 68, No. 2, p. 449–458.

262 Cf. Schneider, Nikolaus (2012): Es muss Ehrensache sein, Steuern zu zahlen, in: evangelisch.de; https://www.evangelisch.de/inhalte/7289/27-08-2012/praeses-schneider-es-muss-ehrensache-sein-steuern-zu-zahlen.

263 PwC and UBS calculations (2020): Superreiche werden in Coronakrise noch reicher – auch in Deutschland, in: Handelsblatt of 07.10.2020; https://www.handelsblatt.com/politik/international/pwc-und-ubs-berechnungen-superreiche-werden-in-coronakrise-noch-reicher-auch-in-deutschland/26251326.html.

Ad 3: Alongside the question of a greater contribution to be made by the wealthy towards the burdens of the general public, fair taxation is another major problem, in particular **tax avoidance** or rather, aggressive tax planning.[264] The question as to how the constitutional principle of equality in taxation in Germany (as well as in Europe and worldwide) can be sufficiently established and safeguarded, in such a way that it is guided by the taxpayers' economic capacity (ability-to-pay principle), as well as by the consistent implementation of the tax (principle of lawfulness), is one of the key tasks involved in the permanent review of tax policy in terms of its adequacy and equitability. Taking advantage of opportunities for tax evasion in some nation states on the part of some internationally operating private individuals and businesses, has become a toxic race to the bottom in individual states (tax havens), as well as a business model of financial service providers and consultants. This leads to extremely dissimilar competitive conditions for national and international businesses. In addition, the tax evasion of individuals contributes to a deterioration of tax ethics.[265]

Aggressive tax planning, in the sense of the definition by the European Commission of 2012, plays an important role e. g. in the real estate business of investors: Thus, investment companies located in the tax haven of Luxemburg buy real estate property in prime locations within Germany. They then shift their profits, via internal company credits, within their group to Luxemburg, which, due to its national tax law, features significantly lower tax rates. In this way, these companies pay effectively no tax on their earnings at the location of the real estate property, i. e. in Germany. In Luxemburg, taxes are lower: This poses a problem for large states such as Germany, and also affects the Netherlands and Ireland, and is, as yet, unresolved even within the EU. From Luxemburg, profits can be moved on to tax havens overseas, where, again, barely any taxes are charged. On account of the anonymity of the tax havens, the beneficial owners behind the large real estate firms can, in this way, largely avoid having to pay taxes in Germany. Such real estate investors who profit from the national race to the bottom, damage the common good in two ways: They burden average citizens by charging high rents and, through tax evasion, avoid contributing to

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264 According to the definition of the EU Commission of 2012, aggressive tax planning means taking advantage of the fine print of a tax system or the differences between two or more tax systems in order to lower one's tax burden. Some of these include the double deductions of expenses and the double non-taxation of income; cf. Amtsblatt der Europäischen Union (2012): Empfehlung der Kommission vom 06.12.2012 betreffend aggressive Steuerplanung (2012/772/EU); https://eur-lex.europa.eu/legal-content/DE/TXT/PDF/?uri=CELEX:32012H0772&from=RO.

265 Cf. Meinzer, Markus / Pohl, Manfred (2020): Finanzethik und Steuergerechtigkeit, Stuttgart.

the public purse, which supplies the infrastructure from which they benefit on the ground.[266]

Better regulations at European and international level are necessary in order to put an end to the shifting of profit for tax evasion purposes that is damaging to the common good. An effective minimum taxation is required for all corporate profit of real estate investors and other businesses operating internationally.

In the light of events, the European Commission advised all member states in 2012 to follow the same basic concept with regards to aggressive tax planning, in order to facilitate the better functioning of the inner-European market. This would contribute to a reduction of the current distortions, in particular, to prevent the damaging double non-taxation.[267] In 2013, the OECD developed an Action Plan on Base Erosion and Profit Shifting (BEPS)[268]. In order to ensure that profits which are accrued without any economic activity are no longer shifted to low-tax or zero-tax regions, by taking advantage of loopholes or discrepancies in tax regulations, the G20 states adopted a 15-point Action Plan[269] to combat the shifting of profit for the purpose of tax evasion in 2013.

The Common Reporting Standard (CRS), which was, in principle, passed in 2014, stipulates that there be a mandatory, automatic exchange of information between the tax authorities of various countries, so that the assets held abroad by their citizens can be adequately taxed. Options to implement and control this mechanism have however, not been developed and need to be strengthened. The arm's length principle means that market prices, which would be charged in transactions between unrelated companies, have to be applied to transfer prices within corporations. However, this has proven to be a false hope. International corporations do not operate as individual enterprises but can specify transfer prices in transactions between their various sections at random and, as the occasion arises, manipulate the very same. Therefore, the principle of unitary taxation is more helpful. Thereby, the entire corporation is considered

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266 Cf. the study commissioned by MEP Sven Giegold about the tax evasion practices of real estate investors: Giegold, Sven (2020): Neue Studie zur Steuervermeidung von Immobilieninvestoren: Doppelter Schaden für das Gemeinwohl, 30.09.2020. Brüssel; https://sven-giegold.de/studie-steuervermeidung-immobilien/.

267 Cf. Amtsblatt der Europäischen Union (2012): Empfehlung der Kommission vom 06.12.2012 betreffend aggressive Steuerplanung (2012/772/EU); https://eur-lex.europa.eu/legal-content/DE/TXT/PDF/?uri=CELEX:32012H0772&from=RO.

268 OECD, Action Plan on Base Erosion and Profit Shifting (BEPS): https://www.oecd.org/ctp/BEPSActionPlan.pdf.

269 Cf. Bundesfinanzministerium (2017): Steuern; https://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Steuern/2017-06-07-beps-15-aktionspunkte.html;jsessionid=57E394242CB80DB4802385E081E7928E.delivery1-master.

to be one entity; as for its taxation, the profits are allocated to the countries in which it operates. For further development, the Federal Government's positioning within the G20/OECD, in relation to an effective system of the global minimum taxation of transnational corporations, will be decisive.

Ad 4: A fourth measure could be a **taxation of global financial transactions**, through which, even at a low rate of taxation, considerable additional tax income could be generated by the states. This is a measure to which the CDU/SPD coalition government had already committed, in principle, in 2018.[270] For the success of such a scheme, a decisive measure would be for the tax to be introduced in as many countries across the world as possible; and secondly, that this would not simply be a tax on share purchases which would impede wealth building for small investors and thereby prove to be counterproductive to a reduction of wealth inequality, or merely affect a small percentage of financial transactions. A more expedient measure would be a comprehensive taxation of all financial transactions which would include the derivatives trade (which is much more relevant in terms of volume) and which focus on the automated trade (algorithms) and high-frequency trade.[271] The algorithmic trade, in which orders are executed through the use of a computer programme, harbours great risks, since a high number of orders, within a very short space of time, can overload trading systems. High-frequency trade is a part of algorithmic trade. Algorithms react to market events and thereby trigger other algorithms, leading to a cascade effect and increasing the volatility of equity prices. High-frequency trade is characterised by a high number of orders being submitted, modified or deleted within microseconds. High-frequency traders seek immediate proximity to the server of the trading platform in order to gain advantages in terms of signal speed through the short distances.[272]

270 Cf. the Coalition Agreement of 12.03.2018: "The flat-rate withholding tax on interest income is to be abolished. This is justified by the establishment of an automatic information exchange. Circumvention is to be prevented. The introduction of a substantial financial transaction tax at EU level is to be completed." (p. 69, lines 3106 to 3109); in: Koalitionsvertrag zwischen CDU, CSU und SPD (2018): Ein neuer Aufbruch für Europa. Eine neue Dynamik für Deutschland. Ein neuer Zusammenhalt für unser Land. Berlin; https://www.bundestag.de/resource/blob/543200/9f9f21a92a618c77aa330f00ed21e308/kw49_koalition_koalitionsvertrag-data.pdf.

271 Cf. on the questions surrounding a sufficiently broad and relevant assessment basis for the financial transaction tax: Schäfer, Dorothea / Karl, Marlene (2012): Finanztransaktionssteuer. Ökonomische und fiskalische Aspekte der Einführung einer Finanztransaktionssteuer für Deutschland, Berlin; https://www.steuer-gegen-armut.org/fileadmin/Dateien/Kampagnen-Seite/Unterstuetzung_Wissenschaft/2012/DIW_Studie_1206.pdf.

272 Cf. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) (2019): Algorithmischer Handel und Hochfrequenzhandel, Bonn; https://www.bafin.de/DE/Aufsicht/BoersenMaerkte/Handel/Hochfrequenzhandel/high_frequency_trading_artikel.html.

Background information on the topic of **Financial Transaction Tax (FTT)**, see p. 188

Ad 5: The fifth main problem is achieving improved forms of **development finance** altogether. In the opinion of experts, the implementation of the UN Agenda for Sustainable Development requires a substantially greater volume of finance. In 2006, an international working group was founded which looks at innovative instruments in development finance ("Leading Group on Innovative Financing for Development"), and which co-operates with 66 nations, international institutions and non-governmental organisations. The innovative instruments that are either already partially in use or merely suggested, are to tap into new resources for development finance[273] and include, e. g., an international solidarity levy on air tickets, which could be used to finance essential medical remedies and medicines to fight AIDS, Malaria and Tuberculosis, the IFFIm mechanism to finance immunisation programmes worldwide[274] and the initiative for a global tax on financial transactions (FTT). [275]

Ad 6: As indicated in the first chapter, another challenge consists in the necessity to review **instruments for the political and fiscal supervision of banking and bank lending at global level**:

At international level – different to the national level[276] – there is no legally binding supervision of financial market actors. Individual central banks are, however, members of the Bank for International Settlements (BIS), in Basel, which was founded in 1930 and is thereby the oldest international financial organisation. The BIS hosts the Financial Stability Board (FSB),[277] which was established by the G20 in London, in 2009, and can exhort, but not oblige, systemically important banks worldwide to ensure that they have enough equity to absorb losses. In terms of implementation, the FSB is positioned between the standard setters (Cf. Glossary Basel I to III) and the financial services authority (national and EU). The legally obliging requirement of capital buffers is set by the national and EU supervisory authorities. This kind of informal co-operation within the framework of international financial organisations, such as the FSB, contributes to global financial stability. It would be desirable if the effective

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273 Cf. Leading Group on Innovative Financing for Development; http://www.leadinggroup.org/rubrique177.html.

274 Cf. International Finance Facility for *Immunization*; https://iffim.org/.

275 Cf. Venro (2015): Entwicklungsfinanzierung: alte Versprechen und neue Wege, Bonn und Berlin; https://venro.org/fileadmin/user_upload/Dateien/Daten/Publikationen/Diskussionspapiere/2011_2015imGespraech_18.pdf.

276 Cf. List of national financial services authorities: https://de.wikipedia.org/wiki/Liste_von_Finanzaufsichtsbeh%C3%B6rden.

277 Financial Stability Board: https://www.fsb.org/.

protection of global public goods (such as climate protection, water, healthcare) and coherence with international development co-operation were also to be addressed within this framework.[278]

3.3 Responsibility in the Relationship between the Financial System and the Constitutional State or rather, Law Enforcement – On the Differences and Correlations between Financial Crime and Tax Havens

The third area of responsibility concerns the interrelation between the financial and legal systems. Germany's uniform finance and tax law has a comparatively recent history, the roots of which can be traced back to the fiscal and tax reforms in the Weimar Republic of 1919/1920, named after the Reich finance minister, Matthias Erzberger. First and foremost, the fiscal policy of the Third Reich served the economic regeneration, and thereafter the building-up of armament. With the so-called Reinhardt Reform of 1934, tax law was increasingly subjected to the influence of National-Socialist ideology and was finally, from 1939, completely given over to the service of warfare. In the new regulation of German fiscal and tax policy after the end of the Second World War, prominent issues included the removal of the aftermath of National Socialist tyranny and the war, by securing monetary value through strict budgetary policy and consistent tax cuts for economic recovery. Following a phase in which the Federal Ministry of Finance and the Federal Ministry for Economic Affairs were merged, in May 1971, with the Federal Ministry for Economic Affairs and Finance (under Minister Karl Schiller), both houses were separated once again under his successor, Helmut Schmidt. The Federal Ministry of Finance was then given responsibility for finance, lending and monetary policy, as well as for banking, the stock market and insurance policy.

The Federal Ministry of Finance is also responsible for the prosecution of tax offences and tax violations; whereas tax investigation is, in some cases, the responsibility of the counties. Tax evasion and tax fraud are illegal and defined as an intentional mis-

278 Cf. the study conducted a while ago by the Federal Ministry for Economic Cooperation and Development, or rather, the German Federal Enterprise for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit; GIZ) (2017): Schutz globaler öffentlicher Güter durch Verzahnung bilateraler Entwicklungszusammenarbeit mit internationalen Finanzinstitutionen, Bonn; https://www.giz.de/de/weltweit/34376.html.

representation of tax liabilities. False or no data is deliberately given on income and proceeds. Thereby, the revenue that the state should rightfully have, is reduced. Thus, there is less money available for public goods in the land, but also for development policy. In addition, honest taxpayers are put at a disadvantage. Achieving sufficient profit becomes more difficult for enterprises that comply with tax rules if they compete with companies that do not deliver fair contributions to the tax revenue and can thereby save on expenses. A study undertaken by the OECD states that two methods of tax evasion and tax fraud are used particularly frequently: “under-reporting of income through sales suppression and over-reporting of deductions through false invoicing. These are simple for criminals to achieve and can affect countries of all sizes. These types of tax evasion and fraud can be further facilitated by the cash economy and the sharing economy.”[279] These practices deprive the general public of large sums; for 2015, a study affirmed the following:

“According to estimates, the EU states lose around 825 billion euros through tax evasion every year – a large part of this in Germany.”[280] Germany stands in second place among the nations with the greatest magnitude of tax evasion; the first place is held by Italy (190 billion euros), in second place is Germany (125 billion euros), and, in third place is France (117 billion euros). Also in Romania, Cyprus and Greece, tax losses are particularly high.

Here, a distinction needs to be made in the case of so-called tax havens: Rich private individuals use offshore financial centres as much as large banks. Tax evasion and tax flight are illegal. Aggressive tax planning[281] is, however, often no less harmful; this is the case when those liable for tax attempt to reduce their accrued taxes through regulations which may well be legal but are contradictory to the purposes of tax legislation. This includes the use of loopholes in a tax system or discrepancies between tax systems.[282] In March 2018, the European Parliament established a special committee to combat financial crimes, tax evasion and tax avoidance (TAX 3), which presented

279 OECD (2017): Technology Tools to Tackle Tax Evasion and Tax Fraud; https://www.oecd.org/tax/crime/technology-tools-to-tackle-tax-evasion-and-tax-fraud-DE.pdf.

280 Cf. Farny, Otto / Franz, Michael / Gerhartinger, Philipp u. a. (2015): Steuerflucht und Steueroasen, im Auftrag der Kammer für Arbeiter und Angestellte für Wien, Wien; https://www.arbeiterkammer.at/infopool/wien/Studie_Steuerflucht.pdf.

281 Cf. Egner, Thomas (2016): (Aggressive) Steuerplanung – Ein Kind der Globalisierung? In: Eckert, Stefan / Trautnitz, Georg (publ. 2016): Internationales Management und die Grundlagen des globalisierten Kapitalismus, Wiesbaden, p. 321–339; https://link.springer.com/chapter/10.1007%2F978-3-658-09599-4_16.

282 Cf. European Commission (2017): Bekämpfung aggressiver Steuerplanung, Brüssel; https://ec.europa.eu/info/sites/info/files/file_import/european-semester_thematic-factsheet_curbing-agressive-tax-planning_de.pdf.

a progress report with recommendations for action in March 2019.[283] The report was adopted with a large majority; it featured i. a. the recommendation to establish an agency for the prosecution of money laundering; however, the implementation, as yet, remains to be done.

In the so-called Panama and Paradise Papers, as well as in numerous other documents, investigative research by journalist networks have pointed out the vast dimensions of criminal offshore transactions in tax havens worldwide (214,000 letter box companies). Approximately six to eight % of global financial assets are held in offshore locations, according to OECD estimates.[284] In this way, the states and their citizens are deprived of billions of taxes which could be spent on infrastructure, education and healthcare.

It is meanwhile beyond dispute that the Cum-Ex Trading Schemes which came to light in 2018/2019, having generated multiple dividends withholding tax reimbursements for the same share, constitute a case of financial criminality and are prosecuted accordingly. They were made possible by deficiencies in financial market supervision and financial transaction regulation, at a global and national, or rather, regional, level. Similarly, the criminal Wirecard-Scandal, which was uncovered in 2020 and is a debacle for Germany as a financial centre, served to indicate visible substantial gaps in the monitoring of money laundering and, in particular, deficiencies in whistleblowing management on the side of the BaFin. As an internal survey among church investors showed, sustainability rating agencies pointed out to their customers, at an early stage, that Wirecard retained shortcomings in terms of governance. Investors who were mindful of ESG criteria and who took these indications seriously, were therefore less affected by the losses than were the purely profit-oriented investors.[285]

Shortly after the Wirecard fraud came to light, another case of failure in banking supervision and banks was uncovered in 2020, with the name FinCEN Files. In the USA, suspected cases of money laundering involving the US currency have to be reported

283 Cf. the draft report TAX 3: European Parliament (2018): Report on financial crimes, tax evasion and tax avoidance, Brüssel; https://www.europarl.europa.eu/cmsdata/161562/TAX3%20Final%20Report_A8-0170_2019_EN.pdf.

284 Cf. the detailed reports; in: IMF-Working-Paper (2015): Base Erosion, Profit Shifting and Developing Countries, Washington D. C.; https://www.imf.org/external/pubs/ft/wp/2015/wp15118.pdf.

285 While investors using conventional practices had to accept heavy losses (cf. https://www.handelsblatt.com/finanzen/banken-versicherungen/bilanzskandal-klagen-auf-schadensersatz-was-wirecard-investoren-jetzt-machen-koennen/25978816.html), a small, non-representative survey among members of the Working Group of Church Investors revealed that they had been able to better assess risks connected with Wirecard investments, and earlier, due to their additional consideration of sustainability aspects in their investmentdecisions.

to the Financial Crimes Enforcement Network (FinCEN), from whence they are transferred to authorities in other countries for processing, if the companies domiciled there are implicated. In Germany, this is the Financial Intelligence Unit (FIU), which is a branch under the umbrella of the customs authorities. In 2019, due to staff shortages, tens of thousands of suspicious transaction reports were left unprocessed, at the relevant authorities as well as in subordinate offices. The leaked data made clear, once again, how inadequate and error-prone the national and international defence against money laundering is, and how little politics, authorities and banks are doing to prevent criminals, dictators and terrorists from abusing international business channels.[286]

It is developing nations, in particular, that lose a large proportion of their potential income through tax flight. In order to provide states with more money for projects within Agenda 2030 for Sustainable Development, it is therefore a priority to expedite the fight against corruption, tax flight and the shifting of profits, as well as strengthening the tax basis of these states, the assertiveness and powers of the tax authorities and tax ethics.

Tax evasion, tax fraud and capital flight to tax havens are a worldwide problem, not only in countries of the South, but also within Europe. The Cum-Ex tax scandal involves a sum of at least 10 billion euros in Germany alone, of which the state was deprived by way of tax revenue – and this was, essentially, induced through business practices which combined criminal energy with existing legal loopholes, together with a lack of political will to control activities or even enforce the law. For several years, the multiple reimbursement of taxes through rapid transactions (which, today, is a criminal offence) was made administratively possible. However, it is obvious that the Ministries of Finance at federal and regional level were aware of these transactions from 2002 at the latest, and yet, they were only stopped towards the end of 2011.[287] Similarly, in the case of Wirecard, initial references to accounting deficiencies were already made in 2008.[288] The BaFin confirmed that it had received insider information about irregularities at the end of January 2019, however, they did not pursue

286 Cf. https://projekte.sueddeutsche.de/artikel/wirtschaft/das-sind-die-fincen-files-e977559/; https://projekte.sueddeutsche.de/artikel/wirtschaft/fincen-files-die-wichtigsten-fakten-e107343/.

287 Cf. Bürgerbewegung Finanzwende (2019): Organisiertes Finanzmarktverbrechen in enormen Dimensionen; Frankfurt; https://www.finanzwende.de/themen/cumex/?L=0.

288 Cf. Transparency International (2020): Wirecard-Skandal: Transparency Deutschland fordert Reform der Finanzaufsicht und besseren Hinweisgeberschutz, Berlin; https://www.transparency.de/aktuelles/detail/article/wirecard-skandal-transparency-deutschland-fordert-reform-der-finanzaufsicht-und-besseren-hinweisgeb/.

them but, instead, targeted whistle-blowers and journalists who had pointed out the accounting fraud.[289] The EU report on Financial Crimes, Tax Evasion and Tax Avoidance[290], of 2019, criticises, in particular,

- that in the member states, there is still insufficient political will to act decisively against tax fraud, tax evasion and financial criminality;
- that, even within the EU, there are seven countries (Belgium, Cyprus, Hungary, Ireland, Luxemburg, Malta and the Netherlands), which reveal distinctive features of a tax haven, thereby encouraging aggressive tax evasion. The UK intends to become "a Singapore on the Thames"[291], i. e. establishing duty-free ports which are attractive for the very reason that they facilitate tax avoidance. Thereby, the problem of the race to the bottom to gain tax advantages will be exacerbated greatly in the European region.
- that countries such as Malta and Cyprus tolerate existing European regulations for a "Golden Visa" and passports which benefit money laundering;
- that there are individual EU countries such as Denmark, Finland, Ireland and Sweden which, incomprehensibly, resist suggestions for the taxation of digital services;
- that there were quite a number of European banks implicated in the extensive Russian money laundering scandal ("Troika Laundromat") [292];
- that the Cum-Ex fraud scandal has made it quite clear that what is needed is not bilateral, but multilateral tax treaties.[293]

One step in this direction is the establishment of the Platform for Collaboration on Tax[294] with its new internet presence: "Platform for Collaboration on Tax" (PCT)[295], an

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289 Cf. ibid.

290 Cf. European Parliament, Report on Financial Crimes, Tax Evasion and Tax Avoidance; German: Europäisches Parlament (2019): Bericht über Finanzkriminalität, Steuerhinterziehung und Steuervermeidung, Brüssel; https://www.europarl.europa.eu/doceo/document/A-8-2019-0170_DE.html.

291 Volkery, Carsten (2017): Wird London zum Singapur an der Themse? In: Handelsblatt of 30.11.2017; https://www.handelsblatt.com/finanzen/banken-versicherungen/notenbankchef-will-finanzregeln-lockern-wird-london-zum-singapur-an-der-themse/20651854.html?ticket=ST-679609-Qm3HeQdUibCCzlelT7Cb-ap6.

292 How Deutsche Bank was involved, alongside Dänische Bank, is at least debatable: https://dip21. bundestag.de/dip21/btd/19/100/1910068.pdf; https://www.linksfraktion.de/themen/nachrichten/detail/troika-laundromat-und-strafakte-deutsche-bank/; https://www.greens-efa.eu/de/artikel/press/studie-troika-laundromat-deutsche-bank-faellt-wieder-als-kriminelles-institut-auf/.

293 The Cum-Ex fraud scandal was not only an inner-German tax problem, but even had European dimensions, since it was a stipulation that a foreign bank should always be involved in such transactions.

294 Cf. OECD (2016): Plattform für die Zusammenarbeit im Steuerbereich, Paris; https://www.oecd.org/tax/platform-for-collaboration-on-tax.htm.

295 Cf. Plattform für die Zusammenarbeit im Steuerbereich (PCT) 2020: https://www.tax-platform.org/.

initiative of the OECD in cooperation with the International Monetary Fund, World Bank and United Nations.

3.4 Responsibility in the Relationship between the Financial System, and Ecological and Social Sustainability – On Sustainable Finance and the UN Discourse regarding Development Finance. Specifically: Implementation of the EU Taxonomy Regulation, Divestment and Sustainable Investment

The fourth area of responsibility concerns the relationship between financial systems and sustainability in a comprehensive sense – whilst the notion of the common good has already been frequently mentioned, it will now be looked at from the perspective of the globally accepted concept of sustainability, as set out in Agenda 2030. Thus, sustainability is understood in the sense of the 17 SDGs, for which the compliance with planetary boundaries, in particular regarding climate change and the preservation of biodiversity, are of decisive importance. Social and human rights-related issues, as well as those relating to governance, are also an indispensable part. Triggered by climate research and other findings within natural sciences, on biodiversity for instance, have convinced a growing number of people that our present economic management leads to irreversible damage, jeopardising natural resources and thereby also the continued survival of humankind. In 2006, this insight was already phrased by the then British Minister Nicholas Stern, in the following:

> *Climate change presents a unique challenge for economics: it is the greatest and widest-ranging market failure ever seen.*[296]

This insight, that global climate change can, from an economic perspective, be seen to be a gigantic market failure, has, by now, been widely accepted:

When externalities are present, it can be seen that the market mechanism of supply and demand does not lead to desirable results for society and the national economy. Alongside this, the concept of sustainability has seen a change in its meaning. It is now used, by and large, in a way that is unrelated to a certain ethical, religious or politi-

296 Stern, Nicholas (2006): Stern Review on the Economics of Climate Change, United Kingdom.

cal motivation or affiliation and has shifted from the humanistic and sociological discourse to become part of the reasoning within natural sciences and ecology. References to the "Anthropocene"[297] or to "planetary boundaries" are widely recognised as being founded in natural science and are used, e. g. by the Scientific Advisory Board of the German Government (Wissenschaftlicher Beirat der Bundesregierung; WBGU) as a matter of course.[298] Therefore, the WBGU has taken up Karl Polanyi's notion of the "Great Transformation" (1944), interpreting the now necessary great transformation to more sustainability as being the fundamental restructuring of the economy and society, in line with the UN's Agenda 2030 with its global goals for sustainable development.[299] According to this understanding, sustainability is no longer a supplementary, non-economic objective of economic activities, primarily motivated through values or convictions, or an option put forward by the minority of the ecologically-oriented niche group within society, but a global challenge that can be defined through a scientific ecological rationale, which all states, organisations and individuals, as much as the economy as a whole, are forced to face. This understanding of sustainability also forms the basis of the regulatory undertakings of the EU and, increasingly, the Federal Government.[300]

Two years after the Paris Climate Conference and the global adoption of the Sustainable Development Goals (SDGs), the EU had already envisaged new regulations for a sustainable financial system. Early in March 2018, the Commission had submitted an action plan ("Financing Sustainable Growth")[301], to bring the specific needs of the European and global economy into line with the financial system, as well as with the environment and our society.

This is based on the fundamental conviction that the entire financial system today needs to be rethought in light of its effects on sustainable development. In a world in which external effects on sustainability are either not, or insufficiently, internalised, the market forces are inadequate, since there is no basis upon which prices can be

297 Cf. Crutzen, Paul J. / Stoermer, Eugene F. (2000): The "Anthropocene", in: Global Change Newsletter 41/2000, p. 17 f.

298 Cf. Wissenschaftlicher Beirat der Bundesregierung zur globalen Umweltveränderung (WBGU) (2011): Hauptgutachten: Welt im Wandel. Gesellschaftsvertrag für eine Große Transformation, Berlin; https://www.wbgu.de/fileadmin/user_upload/wbgu/publikationen/hauptgutachten/hg2011/pdf/wbgu_jg2011.pdf.

299 Cf. Wissenschaftlicher Beirat der Bundesregierung zur globalen Umweltveränderung (WBGU) (2014): Die Große Transformation, Berlin; https://www.wbgu.de/de/publikationen/publikation/the-great-transformation.

300 Cf. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) (2019): Merkblatt zum Umgang mit Nachhaltigkeitsrisiken, 20.12.2019, Bonn, updated on 13.01.2020; https://www.bafin.de/SharedDocs/Downloads/DE/Merkblatt/dl_mb_Nachhaltigkeitsrisiken.html.

301 Cf. Europäische Kommission (2020): Aktionsplan der Kommission zur Finanzierung nachhaltigen Wachstums, Brüssel; https://ec.europa.eu/info/publications/180308-action-plan-sustainable-growth_en.

fixed "that speak the ecological truth".[302] This means that the carbon pricing of hidden environmental costs, so-called negative externalities, is missing. Therefore, the financial system cannot fulfil its function of ensuring that an efficient allocation of capital and information for investments is achieved in a sustainable way. Common goods, such as natural resources, fish stock or the earth's atmosphere, are overused due to a lack of inbuilt options to limit exploitation, and this is the reason why social, as well as ecological, costs are neither taken into account in decision-making within the real economy, nor the financial economy, in such a way as would be necessary for a transformation towards an economy that is fit for the future[303].

In December 2019, the EU-Commission presented the European Green Deal[304], a new growth strategy by which the EU is to become a fair and prosperous society with a climate-neutral economy and in which economic growth is to be decoupled from the use of resources. The Green Deal is one of the Commission's integral elements for the implementation of Agenda 2030 and the SDGs. An essential measure is effective carbon pricing, which is a form of taxation with a carbon border adjustment mechanism adapted to the climate goals, so as to prevent a shifting of CO2-emissions. With a road map for the coming years, the Green Deal covers all industrial sectors – transport, energy, information technology, agriculture and real estate, as well as the steel, cement, textile and chemical industry. To this end, investments of a minimum of 1 trillion euros will flow into energy transition, sustainable mobility and equitable transition in disadvantaged regions – through capital from the EU's government budgets, and those of members states, by means of public, as well as private, investment.[305]

Thus, a systemic change of the investment culture and a re-orientation of the flow of capital towards sustainable investment constitute a significant lever for the management of the sustainability challenges of our time.

Since 2018, many political processes and discourses in civil society have been discussing how the protagonists in the financial world can be given responsibility and how a

302 von Weizsäcker, Ernst Ulrich (1991): Die Preise müssen die ökologische Wahrheit sagen. Ein Gespräch über Umweltpolitik mit Ernst Ulrich von Weizsäcker, in: Herder Korrespondenz 1991, Vol. 45, no. 12, p. 558.

303 Cf. in particular: Schneidewind, Uwe (2019): Die Große Transformation. Eine Einführung in die Kunst gesellschaftlichen Wandels, Frankfurt a. M.

304 Cf. i. a. Europäische Kommission (publ. 2019): Ein Europäischer Green Deal, Brüssel; https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_de.

305 Vertretung der Europäischen Kommission in Deutschland (2020): Europa will der erste klimaneutrale Kontinent werden; https://ec.europa.eu/germany/about-us/reasons/greendeal_de.

re-orientation towards more sustainable growth can be achieved.[306] It is certain that this can only be successful if all the actors within society make co-ordinated efforts. A believable creative will would need to aim for rapid implementation. For this, the three overarching strategic goals of the EU for a sustainable financial economy need to be transposed into EU and national law:[307]

- It is the first strategic objective to re-orient capital flows towards sustainable investment. This means that, in future, more money will flow into environmentally and socially sustainable sectors and less capital will flow into fossil fuels and areas that are detrimental to the environment and the well-being of people.
- The second strategic objective aims to include sustainability criteria into future risk management, ensuring that consideration is given to financial risks that are due to climate change, environmental degradation and social problems.
- A third objective is to foster transparency and long-termism regarding financial markets.[308]

The speed at which the EU is implementing these objectives is quite phenomenal. Of the three measures planned for benchmarking, disclosure and taxonomy[309] – the first two were already accepted at the end of 2019 and published in the Official Journal of the European Union.[310] The legislative process on taxonomy regulations is almost complete. This concerns the classification and definition of binding criteria for an assessment of economic activities. These criteria will need to be met in order for an activity to be validated as being "ecologically sustainable". From 2021, the first two measures will have been put into effect; now, the concretisation of the legislative acts

306 Cf. i. a. Green and Sustainable Finance Cluster Germany e. V. (2018): Shaping the Future. Green and sustainable finance Cluster Germany, Frankfurt; https://gsfc-germany.com/wp-content/uploads/2018/08/GSFCG-ReportEN0818web.pdf; cf. also IMF Report: Krogstrup, Signe / Oman, William (2019): Makroökonomische und finanzielle Politik zur Eindämmung des Klimawandels: Ein Rückblick auf die Literatur, Washington D.C.; https://www.imf.org/en/Publications/WP/Issues/2019/09/04/Macroeconomic-and-Financial-Policies-for-Climate-Change-Mitigation-A-Review-of-the-Literature-48612.

307 Cf. on the following: Europäische Kommission (2018): Pressemitteilung 08.03.2018: Nachhaltiges Finanzwesen: Aktionsplan der Kommission für eine umweltfreundlichere und sauberere Wirtschaft, Brüssel; https://ec.europa.eu/commission/presscorner/detail/de/IP_18_1404.

308 Europäische Union (2018): Häufig gestellte Fragen: Aktionsplan zur Finanzierung nachhaltigen Wachstums, Drei Ziele des Aktionsplans, Brüssel, p. 1; https://europa.eu/newsroom/content/h%C3%A4ufig-gestellte-fragen-aktionsplan-zur-finanzierung-nachhaltigen-wachstums_de; cf. also the report of 2018 in its entirety: European Commission (2018): Financing a European Economy, Brüssel; https://ec.europa.eu/info/sites/info/files/180131-sustainable-finance-final-report_en.pdf.

309 Cf. Europäische Kommission (2018): Vorschlag für eine Verordnung des Europäischen Parlaments und des Rates über die Einrichtung eines Rahmens zur Erleichterung nachhaltiger Investitionen; https://eur-lex.europa.eu/legal-content/DE/TXT/HTML/?uri=CELEX:52018PC0353&from=DE; https://data.consilium.europa.eu/doc/document/ST-14970-2019-ADD-1/en/pdf; cf. more: https://www.cric-online.org/info-medien/news/626-der-taxonomie-kompromiss-was-wurde-beschlossen.

310 On the current status of EU legislation: The Forum Sustainable Finance regularly updates its helpful timeline: cf. https://www.forum-ng.org/images/Politik_EU-Aktionsplan/EU-Gesetzgebung_Sustainable_Finance_Zeitstrahl.pdf.

is the next vital step.[311] Due to its urgency, the taxonomy for climate protection and adaptation to climate change is to be implemented as soon as possible. As for the other four ecological goals relating to the conservation of water and marine ecosystems, the circular economy, environmental pollution, biodiversity and ecosystems, the relevant taxonomy is to be completed by the end of 2021; after this point, an extension into other goals, in particular social sustainability, is to be undertaken. In April 2020, the EU Commission published a consultation paper for a new, sustainable financial strategy which builds upon measures of the EU Action Plan on Financing Sustainable Growth, as well as on the objectives of the European Green Deals. The new financial strategy entails the strengthening of the requirements for Sustainable Finance (reporting standards for businesses, standards and labels for sustainable financial products, Green Bonds and more comprehensive research on sustainability), political signals and incentives to move private investors, as well as companies, to invest in sustainable projects and products, and to reduce risks to the climate and environment (i. a. through a classification of economic activities which are detrimental to the environment).[312] From the perspective of the churches, the indicators relating to social and human rights-related issues, as well as those pertaining to development policy, are, as yet, still inadequately represented in the understanding of sustainability that is found within the financial strategy. It is encouraging to see that for the "green" taxonomy, the UN Guiding Principles for Business and Human Rights are already in effect as minimum standards. What is to follow is the introduction of an equivalent social taxonomy which builds upon the Guiding Principles and the SDGs.[313] The next step is the integration of social and human rights-related standards within the companies' reporting; the beginning stages of which can be found, for instance, within the framework of the UN Global Compact or the GRI Sustainability Reporting Standards.

Background information on the topic **EU Taxonomy Regulation**, see p. 192

As yet, there is no such instrument at international level. However, here too, things are moving:

311 Level 1: Framework regulations and provisions: General principles and acts; Level 2: Delegated acts, implementing acts, technical standards, guidelines, provisions or decisions; Level 3: Guidelines and recommendations for national supervisory bodies and financial institutes (comply or explain); Level 4: Monitoring compliance with guidance by the Commission (Lamfalussy-process; German: Lamfalussy-Verfahren, https://www.bpb.de/nachschlagen/lexika/das-europalexikon/177103/lamfalussy-verfahren).

312 Cf. Forum Nachhaltige Geldanlagen (2020): EU-Aktionsplan, Berlin; https://www.forum-ng.org/de/517-eu-aktionsplan.html.

313 Cf. Schneeweiß, Antje (2020): Menschenrechte sind Investorenpflichten. Vorschlag für eine soziale Taxonomie des nachhaltigen Investierens, Bonn; https://www.suedwind-institut.de/files/Suedwind/Publikationen/2020/2020-12%20Menschenrechte%20sind%20Investorenpflichten.pdf.

The speed with which some international investors redirect their investments has greatly increased.[314] Given this, is it possible that parts of the financial system could become a driving force behind the ecological and social transformation, rather than an impediment? For years, institutional investors, in particular, have been amongst the groups of protagonists that fight most decisively and effectively against global warming, using instruments of ethical and sustainable investment to avoid (exclusion criteria and divestment), promote (positive criteria as well as direct, thematic and impact investments) and shape investments (shareholder engagement as well as memberships and initiatives).[315] In 1971, the Interfaith Centre for Corporate Responsibility (ICCR), [316] in the USA, founded a network which supports its members, in particular, in the creation of a shareholder policy which aims to encourage social responsibility. This is an organisation of institutional investors of religious communities which has been greatly advancing ethical investment for 50 years. As a platform of value-driven shareholder engagement, the ICCR is a pioneer; every year, its members and employees continue hundreds of engagement dialogues with businesses across the globe. In 1975, Oikocredit was brought into being at the initiative of the World Council of Churches, with the title Ecumenical Development Cooperative Society (EDCS). In early 2020, the international co-operative had more than 38 million customers who were involved in inclusive finance (of which 86 % were women) and financed projects worth nearly 950 million euros.[317] In 1983, the sustainability rating agency EIRIS (Ethical Investment Research and Information Service), which is today Vigeo Eiris, originally founded by the Quakers and the churches of England and Wales, together with the Methodists, became one of the largest sustainability rating agencies worldwide. In 2005, the interdenominational Church Investors Group (CIG) was initiated in The United Kingdom; the 14 original founding members having co-operated in a loose network since 1973. For decades, the current 70 members and five international partners of the CIG have been a driving force in ethical and sustainable investment.[318] In addition, interfaith networks such as "FaithInvest"[319], which go back to an initiative of

314 Cf. i. a. at the level of the players within central banks: The Central Banks and Supervisors Network for Greening the Financial System (NGFS) which "is the only forum worldwide bringing together central banks and supervisors committed to better understand and manage the financial risks and opportunity of climate change."; https://www.mainstreamingclimate.org/ngfs/.

315 Evangelical Church in Germany (2019): Guideline for Ethically-Sustainable Investment in the Protestant Church, 4th updated edition, EKD-Texts No. 113, Hanover. German: Cf. Evangelische Kirche in Deutschland (2019): Leitfaden für ethisch-nachhaltige Geldanlage in der evangelischen Kirche, 4th updated edition, EKD-Texts No. 113, Hannover; https://www.ekd.de/ekd_de/ds_doc/ekd_texte_113_2019.pdf.

316 Cf. the slogan as well as the broad range of activities in the ICCR: "Leveraging investors' power to catalyse social change"; https://www.iccr.org/.

317 Cf. Oiko Credit (2020): Fakten und Zahlen; https://www.oikocredit.de/ueber-uns/oikocredit-in-zahlen.

318 Cf. Bassler, Karin/Wulsdorf, Helge (2019): Ethisch-nachhaltige Geldanlage. Die Kirchen als Avantgarde ethisch motivierter Investments, ecoreporter 05.03.2019; https://www.ecoreporter.de/artikel/ethisch-nachhaltige-geldanlage-die-kirchen-als-avantgarde-ethisch-motivierter-investments/.

319 Cf. Faithinvest: https://www.faithinvest.org/.

the Alliance of Religions and Conservation (ARC) in 2017, to seek strategies of "faith-consistent investment", have promoted issues of ethical investment at global level;[320] influential mainline churches such as the Presbyterian Church PCUSA have been emphasising for years (via their "Committee on Mission Responsibility through Investment")[321] that churches hold some responsibility for issues of ethical investment, divestment and work in the area of shareholder advocacy.[322] The Financial Times described the "money managers" as "the new warriors of climate change"[323], using the example of Shell to show what investors – led by the Church of England Pensions Board – can achieve with the large oil companies if the goal is the reduction of CO2-emissions. The goal agreed at the UN Climate Conference in Paris, in 2015 – to limit global warming to less than two degrees – is high on the agenda of ethical and sustainable investment, and rightly so. If this goal is missed, then no-one needs to be concerned about reaching all the other investment goals – neither the ethical and sustainable goal (ESG) nor the economic goal (security, yield, liquidity – the problem of stranded assets).

> *More than 80 % of the known coal deposits, 50 % of gas and a third of the oil stocks may not be used as energy if the 2 °C limit for global warming is not to be exceeded. In order to keep to the 1.5 °C limit that was agreed at the Paris Climate Conference, these estimates need to be significantly adjusted. Thereby, large parts of the resources which are already accounted for in the balance books of the energy companies, as well as the entire "fossil" infrastructure such as power stations and refineries will become virtually worthless! The share prices of the fossil fuel companies will nosedive accordingly. Numerous institutional investors who deliberately, and supposedly securely, put their money in "conservative" energy values, are now threatened by considerable provisions which will cause substantial insecurity and instability in the financial markets.*[324]

320 On the diversity of current approaches in the ecumenical world, how to strengthen churches in their role as alternative actors within the area of economy and finance, cf. the WCC-Webinar of August 2020: "Churches as alternative actors in economics and finances", in: https://www.youtube.com/watch?v=LolE8PyL6Ug.

321 Cf. Presbyterian Church (2018): Mission Responsibility Through Investment preparing for the 223th General Assembly; https://www.presbyterianmission.org/story/mission-responsibility-through-investment-prepares-for-223rd-general-assembly/.

322 Cf. Presbyterian Church (2010): Sozial verantwortliches Investieren: Missionsverantwortung durch Investitionsressourcenblatt; https://www.presbyterianmission.org/resource/socially-responsible-investing-mission-responsibil/.

323 Raval, Anjli/Mooney, Attracta (2018): Money managers: the new warriors of climate change, in: Financial Times of 27.12.2018; https://www.ft.com/content/c245af4a-f875-11e8-af46-2022a0b02a6c.

324 Kroll, Matthias (2018): Der "Klima-Bailout": Ein Vorschlag zur Durchführung der notwendigen Konversion fossiler "Stranded Assets" in erneuerbaren Energien, in: World Future Council: Future of Finance – Policy Brief 1/2018, p. 2; https://www.worldfuturecouncil.org/wp-content/uploads/2018/01/Kroll_Stranded_Assets_deutsche_Version_20181.pdf.

There is a broad consensus on the objective to limit global warming to less than two degrees among financial market participants who have a long-term outlook and are organised on platforms such as Principles for Responsible Investment, the Institutional Investors Group on Climate Change or Climate Action 100+.[325] Particularly in view of this general agreement however, church investors are convinced that it is important not to look at the climate goals in isolation, but to have regard for the social aspects connected with the issue of sustainability. E-mobility can reduce emissions, but whilst the demand for lithium for batteries is satisfied, it involves tolerating grievous human rights violations and grave environmental damage in its extraction. Coal mining and coal-based power generation jeopardise climate goals, and yet the closure of mines and power stations produces unemployment, as well as regions that are left behind, deserted cities and a fertile ground for populism and disenchantment with democracy. This is why the structural transformation, which is necessary for reasons of climate policy, needs to be designed in a way that is socially equitable. The focus must not exclusively be on the "stranded assets"[326], but also on the "stranded humans" and the "stranded communities".

Here, too, it is again the churches, and also groups such as the Just Transition Initiative, who emphasize social responsibility, as they are not primarily investors but work with people.[327] Ultimately, it would be important not to pit the individual UN Sustainability Goals against each other, but to implement them in such a way that no a single one is left behind.[328]

Even investors who, until recently, could not be suspected of harboring ethical and sustainable ambitions, have meanwhile, at least, identified the topic of climate protection as being relevant for themselves, in particular those with a long-term invest-

325 Cf. Principles for Responsible Investment: https://www.unpri.org/; The Institutional Investors Group on Climate Change: https://www.iigcc.org/; Global Investors Driving Business Transition: http://www.climateaction100.org/.

326 Depending on the economic climate, the market value of so-called stranded assets declines quickly and drastically, which not only means a loss of value for the affected companies, but also for the investors, and could jeopardise the stability of the entire financial market. If adherence to the 2-degree-goal is made compulsory, then, due to the thereby limited carbon budget, 60–80 % of fossil fuels that are still found in companies' balance books as assets, can no longer be sold and suddenly become worthless all at once – and the investors, as business owners, have to write off the relevant shares.

327 Cf. Arbeitskreis Kirchlicher Investoren: http://www.aki-ekd.de/de/ethisches-und-nachhaltiges-investment/; Church Investors Group: https://churchinvestorsgroup.org.uk/; Just Transition: http://www.just-transition.info/.

328 Cf. Evangelical Church in Germany (2018): "Lent to us is the Star on which we live." The Agenda 2030: A Challenge to the Churches, EKD Text No. 130. German: Evangelische Kirche in Deutschland (2018): "Geliehen ist der Stern, auf dem wir leben." Die Agenda 2030 als Herausforderung für die Kirchen. Ein Impulspapier der Kammer der EKD für nachhaltige Entwicklung. EKD-Texts No. 130, Hannover, p. 16–18; https://www.ekd.de/ekd-texte-130-4-was-wir-erwarten-37366.htm.

ment horizon.[329] From hence emerges the decisive question apparent in all new efforts for Sustainable Finance: Do declarations and initiatives truly serve a "Greening of Economy"? Or do they harbor the risk of "greenwashing" unaltered financial and economic growth strategies which pursue the increase of profits as the ultimate and overall goal of their economic activities? This problem has been addressed by the EU with its Action Plan and, in particular, its taxonomy. Also the Sustainable Finance(SF) Advisory Board of the Federal Government chose "Shifting the Trillions – A Sustainable Financial System for the Great Transformation", as the title of its final report, suggestive of the UN Sustainability Goals as being "reliable guidelines" for all 31 recommendations as well as the UN Sustainability Goals, the UN Guiding Principles on Business and Human Rights, and the 1.5 degree target set out in the Paris Climate Agreement.[330] It is vital that the declarations of intent are followed by actions that have measurable effects on the climate situation, as well as that of human rights.

Divestment, or rather, the application of exclusion criteria, is an instrument of ethical and sustainable investment, with which, from the perspective of the investors, the risk of stranded assets[331] can be countered and, from the perspective of businesses, the financial charges at the capital market can be increased. However, the sale of the shares from one investor to another (divestment) will not solve the factual problem that the affected companies (albeit that they have different proprietors) deliver more fossil fuels than is required for the two-degrees target to be reached. This problem can only be tackled through a changed focus of the respective entrepreneurial activities. Shareholder engagement, that is influence exerted on the businesses by investors with a climate strategy that aims to change the company's orientation, is thus an indispensable in-

329 BlackRock, for instance, had announced that no more investments would be made in companies that generated more than 25 % of their revenue through thermal coal. However, BlackRock's re-orientation towards climate objectives needs to be critically reviewed and set in context: According to Urgewald, BlackRock is engaged in the passive management of a majority of its assets, as well as for third parties. The guidelines relating to coal merely apply to actively managed money. This means that some of the largest CO2-emitters worldwide – such as, for example, RWE – are not affected by the new guidelines. Currently, there are 746 companies on the Global Coal Exit List. The new guidance for BlackRock thus affects less than 20 % of their investments. As long as the largest asset manager worldwide still supports the global coal industry by a majority, the problem is not really solved. Cf. Urgewald (2020): Pressemitteilung vom 27.01.2020: BlackRock's new policy affects less than 20 % of the coal industry, Berlin; https://urgewald.org/medien/blackrocks-neue-policy-betrifft-weni ger-20-kohle-industrie. Other long-term investors, especially insurance corporations and their re-insurance companies, have been reducing their coal exposure for years on the grounds of prudence.

330 Cf. Sustainable-Finance-Beirat der Bundesregierung (2021): 31 Empfehlungen. Shifting the Trillions. Ein nachhaltiges Finanzsystem für die Große Transformation, Berlin, p. 4; https://sustainable-finance-beirat.de/wp-content/uploads/2021/02/210224_SFB_-Abschlussbericht-2021.pdf.

331 The term *"stranded assets" (*German: "gestrandete Vermögenswerte") refers to general assets (e. g. shares, technical facilities or (raw)materials), the earning power or market value of which is unexpectedly and drastically reduced, even up to extensive or complete worthlessness. cf. Gabler Banklexikon: Stranded Asset; https://www.gabler-banklexikon.de/definition/stranded-asset-99717.

strument for ethical and sustainable investment. The strategy of divestment must be complemented through engagement and new sustainable investment, since the money needs to be not only invested in new ways, but also since a substantial part of the sustainability activities of responsible investors are undertaken between the purchase and sale of commercial papers. This applies not only within the area of fossil fuels, but also for other controversial sectors such as, for example, mining and textile companies.[332] At least the EU has recognised these mechanisms in principle and intends to use a proportion of the investments of altogether 1 trillion euros for ecologically and socially more sustainable development in developing nations. Here, a global, largely unified approach is needed (cf. chapter 4.4). It would generally be important to understand that ethical and sustainable investment does not mean pursuing black and white thinking in the sense of shifting investment: divestment from one group of securities and investment in others. Rather, on the one hand, the transition from the fossil to the post-fossil economy, as well as from the non-sustainable to sustainable development, need to be financed, otherwise they could not occur, and everything would be left as it was. On the other hand, it is only in the rarest of cases that securities issuers can categorically be labelled as one of two diametrically opposed groups, and the real challenge for investors consists in the task of venturing out, time and time again, on the quest to work their way from dark grey to light grey, making use of the various instruments of ethical and sustainable investment. The more acute awareness of the dimension of responsibility between the financial system and ecological and social sustainability, the greater the **implications for the international processes on development finance and financial policy:** The "Financing for Development" process is the only dialogue under the umbrella of the United Nations which involves the international financial institutions as stakeholders. In addition, the private sector and representatives of non-governmental organisations are given a voice.

The measures adopted at an international conference in Mexico in 2002, the "Monterrey Consensus",[333] were influential in terms of the guiding principles of development finance in the following years. The broad range of topics included the mobilisation of national resources, via public development finance, as well as innovative instruments

332 Cf. the AKI campaign for living wages in the supply chains of the textile industry: Arbeitskreis Kirchlicher Investoren (AKI) (2020): Kirchliche Investoren engagieren sich für einen "Lohn zum Leben"; https://www.aki-ekd.de/de/ethisches-und-nachhaltiges-investment/engagement/.

333 On the Monterrey Consensus cf. e.g. United Nations Department of Economic and Social Affairs (publ. 2003): Monterrey Consensus on Financing for Development; https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_CONF.198_11.pdf.

of financialization. These were complemented by subjects such as private investment, digitalisation and a debt mechanism for nation states.

Since the commitments of Monterrey, however, the global economic and political framework conditions have changed a great deal. From 2007, the economic and financial crisis, as well as the advancing climate change, destroyed successes in development that had already been achieved. In 2015, at a follow-up conference in Addis Ababa[334], an action agenda for the financing of sustainability goals was passed which, at the instigation of the World Bank (Maximising Financing Development) approved new sources of funding such as the promotion of private investment through public means (blending) and public-private partnerships (PublicPrivatePartnerships). General agreement was reached that the necessary requirements to meet global environmental and development problems are the following: sufficient financial means and clear regulations for banks, investors and financial services, as well as a fair international financial system.

In addition, the conference was to mobilise additional financial means for the implementation of the new sustainability goals (SDGs). The agreement was also purposed to set the course for the UN Climate Conference in 2015. First and foremost, however, the Addis Ababa Conference was to launch structural reforms in terms of sustainable development, in the areas of trade, debt, finance and taxation.

The Addis Ababa Action Agenda however, contained only a few new ideas or approaches for the financing of the sustainability agenda, and even fewer specifics on the reform of the global economic and financial system. The scant political will is disappointing in view of the enormous global challenges that there are to master: overcoming extreme poverty once and for all, enforcing social justice and preserving natural resources.

Since 2015, government representatives of the international community have been coming together annually with the IMF, the World Bank, the private sector and civil society at the Headquarters of the United Nations for a five-day forum to discuss the changed framework conditions for development, as well as issues surrounding a more stable and coherent international financial system with the IMF, UNCTAD and

334 Addis Ababa Conference, Maximizing Financial Development. cf. e.g. United Nations Department of Economic and Social Affairs (publ. 2015): Addis Ababa Action Agenda of the Third International Conference on Financing for Development; https://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf.

the World Bank.[335] Shared agreements were laid down in an "Outcome Document", which is able to put forward declarations of political intent but which, unfortunately, does not present binding resolutions.[336] With the relevant political will, this UN Forum would have the mandate to pass more binding UN resolutions on financial issues, which would then have to be implemented in even the World Bank and IMF.

The international processes on development finance and financial policy are accompanied by intensive lobbying and **demands made by civil society**: non-governmental organizations (NGOs), some 600 international NGO networks and UN Liaison Offices involving civil society, which engage with the "Financing for Development" process, are calling for the strengthening of the UN dialogue with the financial institutions on matters of international financial stability.

A political process under the umbrella of the United Nations would be necessary to develop a norm-based, coherent "overall concept of global economic regulations" which would include all the important bodies and institutions that determine the rules of the global financial market.

3.5 In Summary: The Need for Further Regulatory and Political Intervention for a Better Incorporation of the Financial System into the Implementation of Agenda 2030

The analysis and description of current challenges makes it clear that a satisfactory strategic and structural inclusion of the financial system at the level of the four different dimensions of its co-responsibility for the goals of the Sustainable Development Agenda has not been achieved. These dimensions of responsibility can be classified as being related to economic and monetary policy, to the common good and respective policies, to the legal sphere and to considerations of sustainability and ethics. This is true, although there are, meanwhile, a range of hopeful beginnings at diverse levels: the national level (BaFin, The Sustainable Finance Committee of the Federal

335 Cf. United Nations (2019): Neuer UN-Bericht fordert Überarbeitung des globalen Finanzsystems; https://www.un.org/development/desa/en/news/financing/2019-financing-for-sustainable-development-report.html; as well as United Nations (2020): Initiative zur Entwicklungsfinanzierung in der Ära COVID-19 und darüber hinaus; https://www.un.org/en/coronavirus/financing-development.

336 Cf. the most recent report of the United Nations containing more than 200 pages (2020): Financing for Sustainable Development Report 2020; https://developmentfinance.un.org/sites/developmentfinance.un.org/files/FSDR_2020.pdf.

Government), the European Union (EU Taxonomy Regulations, as well as the EU Report of the Special Committee on Financial Crimes, Tax Evasion and Tax Avoidance (TAXS 3)) and the global level (OECD Action Plan on Base Erosion and Profit Shifting; BEPS). At the same time, however, the actual political will to shape structures and implement measures at national, European and certainly at global level, is falling short of that which has been required for a long time. The strategic and structural commitment of the main protagonists and regulatory instruments of the financial system to implement the core objectives of the SDG Agenda remains a task of the century; it is significant for the entire 21st century and the future viability of our societies and subsequent generations. At the same time, this task must be accomplished and mastered in less than ten years, i. e. in a very short time frame: less than half the lifetime of a generation. Furthermore, the strongly accelerating consequences of climate change, the loss of biodiversity and the accompanying global health implications must be prevented from destroying and annihilating the remaining scope for action. The economic rebuilding after the corona crisis, which many nations need and for which many are calling, cannot be an unquestioning reversion to supposedly normal conditions before the corona crisis that were marked by an “ever-further-ever-faster-ever-more capitalism” (Federal Minister Müller). The economic reconstruction can only be affected with the strategic and structural re-orientation of the economy and society towards fundamental objectives of the ecological and social transformation. For this however, for the financing of such a Great Transformation, a financial system is specifically needed that is consolidated, better regulated and incorporated into the objectives of the SDG Agenda; one which has clear responsibilities and is equitable as well as sustainable. The following chapter will expand upon this in detail and present individual recommendations for action.

4. Recommendations for Action: The Contribution of the Financial System to a Social and Ecological Transformation: Steps towards Greater Stability, Alignment with the Common Good, Justice and Sustainability within the Financial System

4.1 On the Task of Restructuring the Financial Economy's Regulation and Taxation. Specifically: Financial Transaction Tax and the Regulation of Shadow Banks

In the first area of responsibility, the core task is to restore the relationship between the real economy and the financial economy in terms of stronger regulation and taxation of the financial economy, especially investment banking and financial transactions. The deregulation of the banking sector and the financial markets since the 1980 s is one of the core causes of the financial crisis of 2007/2008. When looking at the distortions it triggered, the consequences of the countermeasures taken by the central banks of many countries cannot be ignored. In order to counteract a shortage of liquidity and to avoid a long-lasting global economic crisis caused by this, bonds were purchased on a large scale and thus additional amounts of central bank money were created. This monetary policy measure of quantitative easing is continued in the ECB's Pandemic Emergency Purchase Programme (PEPP). Since securities purchases by central banks always lead to market distortions, this creates additional problems for financial market stability. However, the financial crisis of 2007/2008, which was linked to the US real estate bubble and temporarily triggered a global recession, remains the pivotal point in recent financial market history in this regard. This was preceded by deregulations, which created the space and incentives for the emergence of the division of investment bankers, dubbed the "Masters of the Universe", who first dominated the image of the banking industry and then ruined its reputation.[337] The hierarchies and fear mechanisms prevalent in investment banking required such behaviour. This is how the toxic mixture of detachment from reality, arrogance, the elite and power consciousness came about, as well as the dissolution of boundaries developed, which were characteristic of the corporate culture of investment banking, especially up until the financial crisis of 2007/2008.[338] With the decreasing importance of investment banking, at least in the European banking landscape, and also due to state regulations, this kind of behaviour is on the decline, and in an increasing number of credit institutions, a rethinking is taking place with regards to responsibility towards society.

In order to cause extensive damage to the real economy, the "Masters of the Universe" have always depended on active support (deregulation of the financial markets) as well as on the state, supervisory authorities and tax offices looking the other way and passively allowing them to adopt a laissez-faire attitude (as in the Wirecard and Cum-Ex fraud); this was also the case with their customers as contractual partners. An essential role is always played by the contractual partners on the other side of the table, the bank customers from the real world, especially private investors and municipalities who were taken advantage of due to their lack of expertise and inadequate risk assessment, but who were hardly inferior to the providers in terms of greed and the resulting tunnel vision – otherwise the voluntary contracts that led to the formation of the bubble, and ultimately to the financial crisis of 2007/2008, would not have come about.[339] The mixture of one's own conviction, the pressure from above (also from politics), the deliberate ignoring of warning signals and greed on the part of all actors were the prerequisite for this, as was the mock transparency of information that was digitised for the first time.

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337 "Master of the Universe" is the title of a documentary film on the financial crisis released by the director Marc Bauder in 2013, which is essentially a detailed interview with the former top investment banker Rainer Voss in an empty building in Frankfurt's banking district. In it, Voss talks about his experiences in the parallel world of a banking system in which everything that counts in terms of values and standards in the real world and economy is losing significance: health, family, private life, but also jobs and economic activity in medium-sized companies as well as public and private budgets. All that counts is maximising profit for one's own company and bonuses for the bankers. For them, day and night no longer play a role; according to Voss, they feel like commanders of a futuristic spaceship, sitting in an elevated chair, the mouse like a joystick in their hand, surrounded by huge screens and disconnected from everything earthly – like Masters of the Universe. Bundeszentrale für politische Bildung (2013): Master of the Universe. Ein Dokumentarfilm von Marc Bauer, Bonn; https://www.bsp.de/mediathek/225092/master-of-the-universe.

338 Cf. Oermann, Nils Ole (2013): Tod eines Investmentbankers. Eine Sittengeschichte der Finanzbranche, Freiburg.

339 Deutscher Bundestag – Wissenschaftliche Dienste (2009): Cross-Border-Leasing vor dem Hintergrund der aktuellen Finanzkrise, Berlin; https://www.bundestag.de/resource/blob/494394/bb443075ff054e0b5ab85e8aec5995dc/Cross-Border-Leasing-data.pdf.

Excessive optimism on the part of all contracting parties with regards to their own chances of returns and the accompanying renunciation of the use of common sense and due diligence (which was not sufficiently curbed by functioning governance structures) has repeatedly been a characteristic of speculative bubbles and signs of an impending financial crisis in economic history. This optimism that, against all experience, this one time it might be possible to spin straw into gold (which, depending on one's view of human nature, can be described as either greed or naïve trust), proves alluring enough to use not only one's own means, but also the leverage effect of borrowed funds, and to do so time and time again. However, this also increases the risk of higher losses, because the leverage works in both directions – which, in turn, increases the real economic damage done by a probable subsequent financial crisis, especially in the structurally weak countries of the Global South.[340] After the outbreak of the global financial crisis in 2007, it was the taxpayers who had to pay for the bailout of the banking sector and its clientele.[341] It became apparent as to just how much damage can be caused, both domestically and worldwide, by a global financial system that is geared exclusively to profit maximisation and can act in a manner that is as inadequately regulated as it is controlled.[342]

After the financial and sovereign debt crisis, a series of countermeasures were developed that were to be further strengthened and expanded. These included the European Banking Union[343] and the joint bank resolution agency, through which the states and national banks wanted to prevent, amongst other things, banks being once again recapitalised and rescued with huge state tax revenues, i. e. by burdening the citizens. These countermeasures also included a stipulation that the private liability protection of banks (increase of equity capital) be improved. The most important regulatory measures to strengthen the international financial system and prevent a recurrence of the financial crisis were discussed and partly adopted at the G20 summits in 2008 and 2009. The four core areas of this agenda are:

340 Cf. Morazá, Pedro (2009): Die Auswirkungen der Finanzkrise auf die Entwicklungsländer, Siegburg, 25.04.2009; https://www.suedwind-institut.de/files/Suedwind/Publikationen/2009/2009-07%20Die%20Auswirkungen%20der%20Finanzkrise%20auf%20die%20Entwicklungslaender.pdf.

341 Of course, the deposits of bargain hunters (6 % on fixed-term deposits) at Kaupthing Bank in Iceland were also saved, e. g. through subsequent deposit protection (i. e. with taxpayers' money). This was not done for the sake of the bank, but also for interests of German citizens.

342 Cf. Fair Finance Guide (2020): COVID-19 verstärkt globale Ungerechtigkeit, Berlin; https://www.fairfinanceguide.de/ffg-d_aktuelles/aktuell/2020/covid-19-verstaerkt-globale-ungerechtigkeit/.

343 Cf. Europäisches Parlament (2019): Bankenunion, Brüssel; https://www.europarl.europa.eu/factsheets/de/sheet/88/bankenunion.

- building resilient financial institutions (capital and liquidity standards, Basel III),
- resolution regimes for systemically important banks,
- the regulation of derivatives markets, and
- the supervision and regulation of shadow banks.[344]

In recent years, a number of projects at EU level have served to implement these objectives. Sufficient and comprehensive regulation of shadow banks and a targeted and effective financial transaction tax have not yet been achieved. In addition, the corona crisis has led i. a. to the ECB relaxing capital rules for banks once again: "Practically on the first day of the pandemic, the EU threw basic principles overboard in terms of banking regulation that were actually designed to deal with the next economic disaster." [345] However, regulatory measures have also been tightened: individual states, including the EU countries that have been particularly affected by Covid-19, such as France, Italy and Spain, have introduced a ban on certain short selling,[346] and the FSB has given higher priority to regulating shadow banks.[347]

Background information on the topic of **Shadow Banks**, see p. 194

To date, the political debate has, in the main, developed six practical regulatory proposals for regulating the financial system and limiting speculative financial transactions, the intention of which is to limit the exorbitant growth of credit capital:

a) to develop stricter supervisory regulations for investment banking;
b) to further increase the maximum leverage ratio of banks. The capital requirements for all banks, which have already increased since the financial crisis, are to be raised further. In this context, proportionality must be taken into account with regard to the special features of the German banking system, which has been shaped predominantly by medium-sized companies and is opposed to respective efforts at EU level due to its lower capitalisation.
c) to eliminate disincentives and lack of transparency in shadow banking by harmonizing and improving regulatory measures;

344 Cf. Deutscher Bundestag – Wissenschaftliche Dienste (2018): Regulierung nach der Finanzkrise, Berlin; https://www.bundestag.de/resource/blob/579684/dc6b55d171613e5343aa3401e2003f27/WD-4-154-18-pdf-data.pdf.

345 Schreiber, Meike / Zydra, Markus (2020): EZB dringt offenbar auf eine europäische Bad Bank, in: Süddeutsche Zeitung, 21.04.2020; https://www.sueddeutsche.de/wirtschaft/ezb-bad-bank-1.4882321?

346 Cf. The Financial Stability Board (2020): COVID-19 pandemic: Financial stability implications and policy measures taken; https://www.fsb.org/wp-content/uploads/P150420.pdf#page=13.

347 Cf. The Financial Stability Board (2020): Bewältigung der Risiken der Finanzstabilität von COVID-19; https://www.fsb.org/work-of-the-fsb/addressing-financial-stability-risks-of-covid-19/.

d) to develop stricter quality criteria for financial products;
e) to further develop remuneration systems in banks: improper remuneration incentives ("bonuses") geared only to short-term success, have contributed significantly to the financial crisis. Therefore, remuneration systems that are transparent and oriented towards sustainable development must be consistently applied.
f) to reconcile return and risk. Banks must not be able to rely on a bail-out by taxpayers. Therefore, it is important to give validity to the principle of liability and to hold managers accountable, as well as proprietors and creditors in case of losses and, if necessary, a settlement.

A core demand from the Church and civil society, which has been discussed since the late 1990s, should finally be implemented: An ambitious and effective Financial Transaction Tax (FTT, German: Finanztransaktionssteuer; FTS) should be introduced – if possible at supranational level – with the aim of reducing short-term speculation and curbing high-frequency trading. This is linked to the demand that the additional tax revenue generated should be used to promote development:

> *The Synod of the Evangelical Church in Germany (EKD) has called for the introduction of a tax on financial transactions. The proceeds should be used for projects that mitigate the consequences of the financial, economic and climate crisis in developing countries. In a resolution on the UN Millennium Development Goals … the German government is called upon to develop an action plan with concrete and measurable steps that describes Germany's contributions to the Millennium Goals by 2015.*[348] *An EU-wide Financial Transaction Tax – proposed by the European Commission in 2011 under the impact of the financial crisis – was not successful in the European Council. Subsequent initiatives have also failed due to the national positions of the heads of state and government.*

In high-frequency trading, which is an extreme example of short-term speculation, enormous sums of money are moved within milliseconds in order to both provoke and take advantage of price fluctuations and price differences.

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348 Cf. Evangelische Kirche in Deutschland (2010): Pressemitteilung: EKD-Synode fordert Finanztransaktionssteuer. Beschluss zu den Millenniumsentwicklungszielen, Hannover; https://www.ekd.de/pm289_2010_synode_millenniumsziele.htm.

Due to the extremely unbalanced ratio of very high turnover and low profit, a tax of less than 0.1 % would presumably already lead to making high-frequency trading unattractive. This fully automated form of trading is problematic, i. e. because it creates artificial instability on the financial markets, which can lead to massive price collapses, so-called “flash crashes”.[349]

In December 2019, the Federal Minister of Finance presented a draft law on the taxation of financial transactions in Europe. Anyone who buys shares in a large company would have to pay a tax rate of 0.2 %. In the ten EU states that want to introduce such a tax in principle, there are about 500 such large companies with a turnover of more than one billion.[350] However, this proposal rightly met with criticism from various sides. It would be crucial that the FTT is not only applied to trading in shares, as envisaged in the BMF’s previous draft of December 2019, but that the FTT is levied on all financial products, i. e. on foreign exchange, shares and bonds, as well as on trading in derivatives, in order not to punish small investors but to contribute effectively to crisis prevention.[351] In November 2020, taxes were agreed for the first time at European level as part of the agreement on the EU budget. The introduction of a Financial Transaction Tax has been earmarked for 2026 as one of the options that should allow the EU’s own resources to be increased, unless there is a satisfactory increase in own resources from other sources beforehand. One of the challenges of this regional initiative, which is limited to the EU level, is the possibility of evasion by capital market participants who may enter financial markets that have not introduced a transaction tax, or which do not wish to introduce one, as is the case in the United Kingdom, for example.

It would also be necessary to strengthen the UN Economic and Social Council (ECOSOC) and to create new governance structures with democratic and participatory decision-making processes. The UN Commission of Experts set up during the last major financial crisis under Joseph Stiglitz to reform the international financial and economic system had already proposed the establishment of a Global Economic Coordination Council at UN level in 2009.[352] Such a council would be mandated to deal with important economic and financial policy issues in co-operation with the IMF and

349 Cf. Bürgerbewegung Finanzwende (2019): Finanztransaktionssteuer. Frankfurt; https://www.finanzwende.de/themen/finanztransaktionssteuer/?L=0.

350 Cf. Dohmen, Caspar (2020): Finanztransaktionssteuer. “Der Lobby die Stirn bieten”, in: Süddeutsche Zeitung 13.03.2020; https://www.deutschlandfunk.de/finanztransaktionssteuer-der-lobby-die-stirn-bieten.724.de.html?dram:article_id=472495.

351 Cf. Martens, Jens (2020): Die SDGs im Schatten drohender Finanzkrisen, Bonn, p. 61 f.

352 e. g. Ocampo, José / Stiglitz, Joseph (2011): “From the G-20 to a Global Economic Coordination Council”, in: Journal of Globalization and Development, Vol 2, No. 1, p. 1–16.

the World Bank and to draw on relevant expertise, with particular attention to social and ecological factors. Perhaps, in the context of the global impact of the corona crisis, there will also be a growing willingness of states to move towards a complementary, new UN Security Council for economic, financial and sustainability issues, since the issues of economic distortion, debt, financial stability and sustainability have no less an impact on people's lives than military security issues.

With these and other measures, it should be possible to limit the competition for ever higher returns, from which, however, only some are able to profit and in which ever higher risks are taken with an ever-greater degree of indebtedness. It should also be possible to drastically reduce the scope of speculative financial transactions and their potential for risk and, at the same time, direct existing investment potential less towards speculative financial areas and more towards economic and financial activities that serve the common good (more in thesis 2).

4.2 On the Task of the Political Reinforcement of the Financial System's Orientation towards the Common Good in the Financial System. Specifically: International Corporate Taxation and the Reform of International Financial Institutions (IMF)

In the second area of responsibility, the orientation of the financial system towards the common good, the core task is a clearer orientation of the financial system towards political regulatory requirements with better and more efficient instruments for the taxation of international companies and financial market actors, in line with Agenda 2030. In terms of SDG 10, governments have committed themselves to reduce inequality within and between countries and, to this end, to adopt fiscal policy measures (SDG 10.4) a.o., as well as to improve the regulation and supervision of global financial markets and their institutions (SDG 10.5).[353]

Numerous national governments have now realised that it has become imperative and urgent to implement countermeasures against tax evasion and tax avoidance worldwide. Unfortunately, the practice of corporate taxation in some countries does not yet correspond to these insights in any shape or form. It would be in the hands

353 Cf. Martens, Jens (2020): Die SDGs im Schatten drohender Finanzkrisen, Bonn, p. 29.

of governments to stop the undercutting competition between states, by which tax payments are increasingly further reduced through direct agreements with individual multinational companies. Instead of this, companies continue to be lured into the territories of these states with individual tax concessions and are then kept there.[354] The companies can thus claim that they are not going beyond the law with these activities, which is formally correct in many cases, even if this argumentation is increasingly less convincing in view of the damage that their behaviour causes. Even in EU states such as Ireland or Malta, companies also lure high-income individuals with the promise of tax concessions, some of which are agreed individually. If, however, states and associations of states, such as the EU, do not take concerted measures, this contributes to the growth of discontentment and disenchantment with politics. Tax havens harm developing countries by encouraging money laundering and corruption. This strengthens the powerful who steal from the state in the South.[355] The global network of tax havens deprives states worldwide of revenues in figures of triple-digit billions every year. The losses from the tax avoidance practices of transnational corporations alone are estimated to be at least 500 billion US dollars per year.[356]

Taxes are the basis of a political system. They are (compulsory) levies on natural and legal persons and a source of income for the state so that it can fulfil its tasks. However, taxes are also used to guide behaviour or to redistribute money with a view to social justice. Nevertheless, they may not be levied arbitrarily, but only if they are democratically legitimised through parliaments. Tax revenues are used to finance services that benefit the common good, i. e. in particular, education, public infrastructure, health care, social security and internal and external security.[357] Businesses avail themselves of all these areas and benefit from a state that provides them in good quality, just as much as citizens. It is therefore only right and proper that they also contribute appropriately to the financing of tasks for the common good through corporate taxation.

For more than two decades, however, there has been an international trend towards falling corporate tax rates: a politically conscious development that, in many countries, ran parallel to the deregulation of the financial markets. Low corporate taxes are intended to retain and attract companies that have become more mobile, or to

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354 https://www.tagesschau.de/wirtschaft/apple-nachzahlung-urteil-101.html

355 Ludermann, Bernd (2019): Beihilfe zur Korruption, in: Weltsichten 10/2019: Ab in die Steueroase; https://www.welt-sichten.org/artikel/36726/beihilfe-zur-korruption.

356 Ibid., p. 64.

357 Cf. Bundeszentrale für politische Bildung (2012): Grundsätze der Steuerpolitik, Bonner; https://www.bpb.de/izpb/147061/grundsaetze-der-steuerpolitik.

increase the attractiveness of one's own state for investment and to avoid tax evasion. However, the growth increases and higher investments in such low-tax states represent the lost revenues of other states ('the race to the bottom').

For example, the average corporate tax rate in the 28 EU member states fell from 38 to just under 22 % between 1996 and 2018.[358] However, these figures only applied in nominal terms at the beginning of 2019: large companies usually do not have to pay the average corporate tax rate in the EU. In real terms, the average rate is only 15 %. In Germany, companies paid an average of around 20 % corporate tax, about ten percentage points below the statutory rate (which is above average for the EU).[359]

What is already harmful tax competition within Europe, with some states undercutting each other to the detriment of all, hits the poorest states hardest, and this is true worldwide. Numerous countries of the Global South are mired in a deep debt crisis, which was exorbitantly intensified by the corona crisis and made worse through its consequences. In many places, state revenues for urgent investments in education and health are lacking. In terms of development policy, an increase in tax revenues would be the most effective lever to reduce poverty and inequality.[360] Therefore, a consistent implementation of the trend reversal already considered and demanded in many places is not only necessary for the taxation of corporate profits, but also for taxes on wealth, property, inheritance, capital income and resource consumption, especially CO2 emissions. According to the Addis Ababa Action Agenda – the financing programme for the 2030 Agenda – sustainable development in line with the SDGs is only possible "through modernised, progressive tax systems, improved tax policies and more efficient tax collection"[361].

Initiatives of civil society have rightly pointed out that for the coming years, it is important to "combine concepts of an environmentally and climate-friendly economic policy with solutions for an SDG-compatible prevention and management of financial crises, as well as the primacy of human rights. The goal must be a human rights-based

358 Cf. Bundeszentrale für politische Bildung (2019): Unternehmenssteuern, Bonn; https://www.bpb.de/nachschlagen/zahlen-und-fakten/europa/70564/unternehmenssteuern.

359 Cf. Vorreiter, Paul (2019): EU-Unternehmenssteuern. Große Firmenzahlenmeistweniger, in: Deutschlandfunk am 22.01.2019; https://www.deutschlandfunk.de/eu-unternehmenssteuern-grosse-firmen-zahlen-meist-weniger.766.de.html?dram:article_id=439007.

360 Cf. Venro (2019): Pressemitteilung vom 23.08.2019: Venro fordert von G7 mehr Einsatz für globale Steuergerechtigkeit, Bonn and Berlin; https://venro.org/fileadmin/user_upload/Pressemeldungen/2019/19_08_24_PM_VENRO_G7_Gipfel_Steuergerechtigkeit.pdf.

361 Martens, Jens (2020): Die SDGs im Schatten drohender Finanzkrisen, Bonn, p. 60 f.

global Green New Deal. The basic prerequisite for this is a more active role of the public sector, which must regain the scope to shape regulatory policy at all levels."[362] A core element of this is an ecological and social tax reform that combines taxation of the wealthier income strata with a more explicit taxation of resource consumption. Combined ecological and social financial and tax reforms could – as Jens Martens wrote – yield a fiscal, ecological and social "triple dividend", i. e. free up public funds (and thus also reduce the need to borrow), achieve ecological steering effects and reduce the income gap between the rich and the poor.[363]

With regards to the taxation of corporate profits, this specifically means supporting all efforts towards fairer taxation of globally operating corporations. The business models of large internet corporations such as Alphabet, Apple, Facebook and Amazon allow them to offer services in countries where they have no branches and no employees. However, physical presence is often a prerequisite for collecting taxes in a country under current international taxation rules. This has led to calls to reform the taxation of multinational corporations. The OECD and G20 presented proposals for uniform international taxation in 2019 suggesting that it should not be the company's domicile alone that determines where tax is levied. All globally active companies, including internet corporations, should also pay taxes where their customers or the users of their services are located. In addition, a global minimum tax rate is to be agreed in order to prevent companies from shifting activities to low-tax countries.[364] The problem has thus been widely recognised and the right measures have been identified; implementation, however, is still often hampered by national egoisms.

A further step therefore includes the efforts of Germany and France to reach an agreement of the G20 states to introduce a global minimum tax by the end of 2020, one which includes the taxation of digital corporations. This tax would mean that a company in a tax haven only pays a low tax rate but that, in addition, the difference between this and the minimum tax in other countries can also be demanded. Also, taxation should no longer be based solely on the location of the company. Corporations should pay taxes where they provide their services and where their turnover is generated. According to a forecast by the OECD, this minimum tax could generate an additional revenue of around 100 billion dollars worldwide at a tax rate of 12.5 % –

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362 Ibid.

363 Cf. loc.cit., p. 63.

364 Cf. Saint-Amans, Pascal et al. (2020): OECD-Pläne zur Reform der Unternehmensteuer – ein Plan mit unerwünschten Nebenwirkungen; in: Ifo Schnelldienst (3/2020); https://www.ifo.de/DocDL/sd-2020-03-2020-03-11.pdf.

which corresponds to a fifth of the total volume of government revenue lost through tax avoidance.[365]

The Wirecard scandal and the related failure of the auditor EY have brought the role of the industry into the public eye. Apart from the oligopoly situation ("Big Four"), it is problematic that in the large auditing companies auditing and consulting of companies are united under one management and that the auditors are not liable. The Financial Market Integrity Strengthening Act (Finanzmarktintegritätsstärkungsgesetz; FISG) passed in December 2020, which also strengthened the criminal law on accounting, was a step in the right direction to remedy these problems, but measures which reach even further would be helpful. In particular, further concentration of the industry could be counteracted by way of a "joint audit", i.e. by obliging a second audit firm, but this proposal is missing from the FISG.[366]

In concrete terms, this means:

- the introduction of country-specific reporting obligations for all companies and their subsidiaries in line with binding transparency obligations (public country by country reporting);[367]
- the introduction of a unitary tax, combined with a minimum tax rate, so that the profits of a transnational group are combined and distributed via a formula to all the countries in which the group is active.[368]
- the auditing companies must be even more strongly regulated and controlled – a consequence of the Wirecard scandal in the summer of 2020. Financial market players such as banks, which lend to companies, investors who buy their shares and bonds, the financial supervisory authorities and the Federal Government all rely on an auditor's opinions.

365 Cf. Bundesfinanzministerium (2019): G20-Durchbruch zur Mindestbesteuerung, Berlin; https://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Internationales_Finanzmarkt/G7-G20/20190609-G20-Fukuoka.html; Brüggmann, Mathias (2020): Scholz und seine Amtskollegen suchen globale Steuergerechtigkeit, in: Handelsblatt am 22.02.2020; https://www.handelsblatt.com/politik/international/g20-finanzminister-scholz-und-seine-amtskollegen-suchen-globale-steuergerechtigkeit/25572908.html.

366 Cf. Scholtes, Brigitte (2021): Nach dem Wirecard-Skandal. Neue Regeln für Wirtschaftsprüfer überzeugen nicht, in: Deutschlandfunk vom 16.01.2021; https://www.deutschlandfunk.de/nach-dem-wirecard-skandal-neue-regeln-fuer.724.de.html?dram:article_id=490968.

367 Has already been introduced in Germany: Bundeszentralamt für Steuern (2019): Das Verfahren CbCR, Bonn; https://www.bzst.de/DE/Unternehmen/Intern_Informationsaustausch/CountryByCountryReporting/Country_by_Country_Reporting/cbcr_node.html.

368 Cf. Martens, Jens (2020): Die SDGs im Schatten drohender Finanzkrisen, Bonn, p. 65.

In addition to the questions of international corporate taxation and the governance of auditors, the issues of integrating the financial system into the realm of political control and orientation towards the common good are, once again, coming into focus, as are the highly relevant development policy issues of reforming the globally operating financial institutions, which has already been mentioned. The question as to how an institution that is politically accountable to the member states can be created or strengthened at UN level, in a way that can develop globally effective regulatory proposals for the financial sector, as well as globally effective tax systems for international companies and, if necessary, also enforce them via the member states, has appeared on the agenda on many occasions for quite some time within the critical debate[369] and should not be brushed aside lightly.[370] The question of establishing a World Financial Authority has also been discussed at UN level for some years.[371]

Other French proposals for a reform of the IMF[372] have, so far, been rejected by other member states as being too dirigiste. The partial reform of the IMF, which was decided in 2010 and came into force in 2015, has strengthened the voting shares of the emerging countries and was thus an important step towards greater democratisation.[373] However, the voting shares of the USA and the EU, for example, still have a blocking minority. Despite ongoing discussions within the IMF, with the aim of reviewing the quota system and the associated question of voting shares,[374] the question as to how the poorer countries can sufficiently participate in global financial and monetary policy decisions of global relevance remains politically unresolved and is therefore still on the agenda.

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369 Cf. Hertz, Noreena (2001): Interview mit Hertz: “Wir brauchen ein Weltfinanzamt”, in: Der Tagesspiegel am 02.12.2001; https://www.tagesspiegel.de/wirtschaft/wir-brauchen-ein-weltfinanzamt/274902.html; Schäfers, Manfred (2014): Der erste Schritt zu einem Weltfinanzamt, in: Frankfurter Allgemeine Zeitung am 01.11.2014; https://www.faz.net/aktuell/wirtschaft/wirtschaftspolitik/steuerabkommen-schafft-ein-weltfinanzamt-13240958.html.

370 Cf. on the history of the debate about a reform of the IMF: Falk, Rainer (2001): Die Reform des Internationalen Währungsfonds (IWF). Zwischenbilanz und Perspektiven der internationalen Debatte, Weltwirtschaft, Ökologie & Entwicklung (WEED) e. V., Bonn; https://www.weltwirtschaft-und-entwicklung.org/downloads/apiwfreform.pdf.

371 Cf. Eatwell, John / Taylor, Lance (1998): Warum wir eine Weltfinanzbehörde brauchen, in: United Nations University; https://www.wider.unu.edu/publication/why-we-need-world-financial-authority; https://link.springer.com/chapter/10.1007%2F978-1-4615-4367-1_36.

372 Cf. Berschens, Ruth (2008): EU dämpft französische Ambitionen, in: Handelsblatt am 05.11.2008; https://www.handelsblatt.com/politik/international/reform-des-iwf-eu-daempft-franzoesische-ambitionen/3048786.html?ticket=ST-953189-E9PR7lkpqFJbXu6E6Pyz-ap5.

373 Cf. Bundeszentrale für politische Bildung (2010): G20 vereinbaren IWF-Reform, Bonn; https://www.bpb.de/politik/hintergrund-aktuell/68970/iwf-reform-25-10-2010.

374 Cf. International Monetary Fund (2020): Pressemitteilung 20/10: IWF-Exekutivdirektorat billigt Beschlüsse zur Umsetzung eines Pakets zur Ressourcen- und Governance-Reform, Washington D.C.; https://www.imf.org/en/News/Articles/2020/01/17/pr2010-nab-and-quota-imf-executive-board-approves-package-resources-governance-reform; cf. also: International Monetary Fund (2020): IWF-Quoten, Washington D.C.; https://www.imf.org/en/About/Factsheets/Sheets/2016/07/14/12/21/IMF-Quotas.

4.3 On the Task of Restructuring Law Enforcement for the Financial System. Specifically: Fighting Financial Crime and Money Laundering

In the third area of responsibility (the financial system and legal system), the core task is the consistent application and legal enforcement of existing instruments, or those to be developed, to combat and prevent international financial crime and money laundering. The task of shaping law enforcement in this area differs from the previous one in that it is not simply about morally illegitimate activities, but ones that are illegal and criminal in the legal sense, which occur within the financial sector but which are, however, not stopped consistently enough by the responsible authorities. The higher the profits made through prohibited practices and the more obvious the lack of political will to put a stop to this, the greater the concern of the people, as has been mentioned before. The resulting impression of "catching the small fry and letting the big fish go free" is a source of growing disenchantment with democracy. There are two places where this can be put into concrete terms: Money laundering and the Cum-Ex scandal.

"Europe is a paradise for money launderers", the media says[375] – and Germany, along with Great Britain, is considered to be the centre of money laundering in Europe. The assets generated from criminal transactions are partly laundered through the banking sector,[376] however, all sectors into which large sums of cash flow are affected, especially real estate and second-hand car dealers as well as jewellers. On the one hand, it is problematic that far too few suspicious cases are reported at all, and on the other hand, the further processing of these falters, especially the forwarding onto the public prosecutor's office.[377] According to the National Risk Analysis (NRA) of "Money Laundering and Terrorist Financing" (NRA) that the BMF presented in October 2019, Germany's risk of being misused for money laundering and terrorist financing is on the

375 Cf. Schmumann, Harald (2018): Geldwäsche in der EU. Europa bleibt ein Paradies für Geldwäscher, in: Der Tagesspiegel am 19.10.2018; https://www.tagesspiegel.de/politik/geldwaesche-in-der-eu-europa-bleibt-ein-paradies-fuer-geldwaescher/23204922.html; Zydra, Markus (2019): Geldwäsche-Paradies Europa, in: Süddeutsche Zeitung am 28.04.2019; https://www.sueddeutsche.de/wirtschaft/danske-bank-geldwaesche-paradies-europa-1.4424536.

376 Cf. Berschens, Ruth (2020): Viele EU-Staaten kämpfen nicht genug gegen Geldwäsche – Kommission leitet Verfahren ein, in: Handelsblatt am 12.02.2020; https://www.handelsblatt.com/politik/international/finanzkriminalitaet-viele-eu-staaten-kaempfen-nicht-genug-gegen-geldwaesche-kommission-leitet-verfahren-ein/25538602.html?ticket=ST-16678-EhuxsicE1deDlZhvdEiq-ap2; Zydra, Markus (2020): Paradies für Geldwäsche?, in: Süddeutsche Zeitung am 14.01.2020; https://www.sueddeutsche.de/wirtschaft/geldwaesche-immobilien-deutschland-1.4754608?reduced=true.

377 Cf. Schick, Gerhard (2021): Gerhard Schick über Schwarzgeldproblematik. Deutschland hat das Thema Geldwäsche viele Jahre ignoriert, in: Deutschlandfunk am 30.01.2021; https://www.deutschlandfunk.de/gerhard-schick-ueber-schwarzgeldproblematik-deutschland-hat.694.de.html?dram:article_id=491753.

second highest level (4 out of 5).[378] The main risks result from the high cash intensity of the economic cycle in Germany, as well as the international interconnectedness of its economy. A money laundering activity with a particularly high risk exists in the real estate sector. Indirect acquisition through a property company or overly complex company constructions, in which letterbox companies from abroad play a central role, protect the identity of the individuals and funds behind them. The prevention of money laundering is also often insufficient in the case of forced sales. Similarly, certain cross-border business constellations harbour a high risk of money laundering, especially Eastern Europe (in particular Russia), Turkey, China, Cyprus, Malta, the British Virgin Islands, the Cayman Islands, Bermuda, Guernsey, Jersey and the Isle of Man – known as non-transparent tax havens or offshore financial centres. And finally, the NRA identified a high risk among large, internationally active banks. The Federal Ministry of Finance found a particular risk among large banks in connection with cash and money transfer businesses, as well as innovative business models and the new technologies of FinTech companies.

At EU level, ever stricter regulations apply; the EU has already tightened its money laundering directive four times in the past.[379] However, this is of little use if EU member states do not apply the regulations. 22 out of 27 EU states have either not implemented the currently valid fifth Money Laundering Directive at all, or only partially integrated it into national law. The German government also announces, time and time again, that it will intensify the fight against money laundering.[380] For example, stricter rules for banks have been in effect since the beginning of 2020, obliging banks to submit a report to the Financial Intelligence Unit (FIU) if a customer transaction seems suspicious to them. However, almost 50,000 unprocessed suspicious activity reports are now piling up at this authority because the FIU lacks staff and access to information.

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378 Cf. on the following: Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) (2019): 6 x Vorsicht. Wo sind Finanzsektor und Nicht-Finanzsektor anfällig für Geldwäsche und Terrorismusfinanzierung? Bonn; https://www.bafin.de/SharedDocs/Veroeffentlichungen/DE/Fachartikel/2019/fa_191021_NRA.html.

379 With the Act on the Implementation of the Fifth Money Laundering Directive coming into force on 1st January 2020, a further amendment of the regulations surrounding the transparency register took place with the obvious aim of remedying its 'birth defects' and improving data quality. The amendments affect banks in particular, but also other obligated parties, which must now integrate the transparency register into their customer identification processes and report information gaps in the register.

380 On 12th February 2021, the Bundestag passed a proposal to tighten the law with regards to the prevention of money laundering. With the revision of the criminal offence of money laundering, the concealment of criminal profits is now generally punishable – regardless of the offence through which it was acquired. Previously, money laundering could only be prosecuted if the assets in question originated from very specific offences such as drug trafficking, human trafficking or racketeering. in: Börse online (12.02.2021): Bundestag reformiert Geldwäsche-Paragraf; https://www.boerse-online.de/nachrichten/aktien/bundestag-reformiert-geldwaesche-paragraf-1030075297.

Germany's announcements are not very credible in other areas either:

> *According to estimates, criminal assets amounting to 100 billion euros are laundered in Germany every year. The anti-corruption organisation Transparency International reckons that 15 to 30 % of these are invested in real estate. So, it seems strange that, in Germany, it is still possible to pay for a property in cash – in Italy and France, for example, this has long been forbidden. But the federal government wants to avoid a cash ban debate, even if it would only apply to real estate transactions. One reason for the nonchalance may well be the fact that, at first glance, even illegal money boosts the economy and creates jobs. But this impression falls short. The chief prosecutor of the anti-mafia directorate in Palermo, Roberto Scarpinato, has, for years, warned about the black money of criminal gangs. 'The entrepreneurial mafia is squeezing out legitimate companies, including in the construction industry', says Scarpinato. For the mafia, Germany is a "money laundering paradise" because of the lax controls. The criminal assets often originate from drug and prostitution business, a part flows into terror financing.*[381]

Another criminal offence that has been ignored by the authorities for far too long, and which has caused immense damage to the general public, is the Cum-Ex scandal.[382] What continues to be scandalous is the unwillingness of government agencies to investigate the fraud and hold the perpetrators accountable. Criminal prosecution is progressing only very slowly due to a glaring lack of personnel. The statute of limitations is threatening to expire, since about ten public prosecutors as well as several officers of the regional Criminal Investigation Division (Landeskriminalamt; LKA) and tax investigators, have to attend to almost 70 sets of complex investigations involving 900 defendants. A lack of co-operation on the side of authorities such as the Federal Tax Office and BaFin further complicates the process.[383] The opposition in Hamburg's city parliament criticises the dragging out of the Warburg-Bank tax fraud investigation through the then Mayor of Hamburg.[384] In addition, according to the opinion of ex-

381 Zydra, Markus (2020): Paradies für Geldwäsche? in: Süddeutsche Zeitung am 14.01.2020; https://www.sueddeutsche.de/wirtschaft/geldwaesche-immobilien-deutschland-1.4754608?reduced=true.

382 S. explanations in 3.3.

383 Votsmeier, Volker (2020): Cum-Ex-Skandal. Bürgerbewegung Finanzwende attackiert Behörden und fordert zusätzliche Ermittler, in: Handelsblatt am 07.09.2020; https://www.handelsblatt.com/finanzen/banken-versicherungen/cum-ex/cum-ex-skandal-buergerbewegung-finanzwende-attackiert-behoerden-und-fordert-zusaetzliche-ermittler/26164768.html.

384 Cf. Polke-Majewski, Karsten et al. (2020): Das Bankgeheimnis. Die Bürgerschaft will die Cum-Ex-Verstrickungen von Warburg aufklären. Das wird brisant; in: Die Zeit am 04.10.2020; https://www.zeit.de/2020/40/cum-ex-untersuchungsausschuss-hamburger-buergschaft-warburg-bank#3-sind-sozialdemokraten-und-verwaltung-bereit-den-vorgang-aufzuklaeren.

perts, successor models of Cum-Ex (i. a. “Cum-Cum”) can still be found on the market: It can be assumed that the German state continues to miss out on billions of euros in capital gains taxes.[385]

Specifically, there are calls for:

a) the creation of an EU authority for the fight against money laundering and financial crimes – as proposed by the European Commission;
b) further improvement of the transparency register for banks, as well as Country by Country Reporting (CbCR) which, however, seems to be currently blocked by the German government, especially at EU level;[386]
c) higher liability and better control of auditing companies as a consequence of the Wirecard fraud;[387]
d) the strengthening and better equipping of the supervisory and law enforcement agencies geared towards financial crime with staff and resources;[388]
e) the expansion of citizen participation processes for civil society with which stakeholder interests can be better articulated (cf. citizen participation process in the US Central Bank (Federal Reserve/FED in the USA). This also needs to take place at the level of the ECB and national central banks;[389]
f) further reforms and a stronger alignment of global institutions such as the IMF[390] and G20[391] with the SDGs that are necessary to put the international financial system at the service of Agenda 2030.

385 Deutscher Bundestag, Hearing am 09.09.2020, Berlin; https://www.bundestag.de/dokumente/textarchiv/2020/kw37-pa-finanzen-cum-ex-707204.

386 With the Country-by-Country-Reporting-System (CbCR), if relevant legislative changes were made at EU level, large corporations could be obligated by the EU to publicize the amount of tax they pay, and where. However, there seem to be reservations against such an EU resolution on the side of the BMWi, cf: Eckstein, Philipp et al. (2020): Deutschland verhindert EU-Initiative, in: Tagesschau am 19.08.2020; https://www.tagesschau.de/investigativ/ndr/eu-steuertransparenz-103.html.

387 Cf. Fromme, Herbert (2020): Was der Wirecard-Skandal lehrt, in: Süddeutsche Zeitung am 26.07.2020; https://www.sueddeutsche.de/wirtschaft/wirecard-bafin-tranparenz-essay-1.497782?reduced=true.

388 Cf. Berschens, Ruth (2019): In Europa ist Geldwäsche weit verbreitet – Aufsichtsbehörden fehlt es aber an Personal, in: Handelsblatt am 18.02.2019.

389 On this issue, the European Central Bank has started a citizen participation process. The decisions of the European Central Bank seem obscure and aloof to some citizens. However, undetected, they influence daily life – for instance, whenever money is spent, borrowed or saved. Currently, the Central Bank intends to review its strategy – with the participation of the citizens; https://www.bundesregierung.de/breg-de/aktuelles/ezb-beteiligt-buerger-1725426.

390 Cf. IWF-Jahresbericht (2019): Unsere vernetzte Welt, Washington D.C.; https://www.imf.org/external/pubs/ft/ar/2019/eng/assets/pdf/imf-annual-report-2019-de.pdf.

391 Cf. OECD (2019): G20 contribution to the 2030 Agenda. Progress and way forward, Paris; https://www.oecd.org/dev/OECD-UNDP-G20-SDG-Contribution-Report.pdf.

4.4 On the Task of Shaping Responsibility for Ecological and Social Sustainability. Specifically: Contributions of the Financial Sector to Agenda 2030 and Development Finance

In the fourth area of responsibility (financial system and sustainability orientation), the core task is to strengthen and improve the integration of sustainability criteria into the decisions of the protagonists who are active in the financial system.

This is a challenge for everyone: international institutions, governments, the private sector, but also individual investors (cf. section 3.4).

What was already true before the corona-induced economic slump is even more true now: Everything must be done “to prevent Agenda 2030 and its sustainability goals from falling victim to a new global financial crisis and inadequate crisis management”.[392] At EU level, this means expanding the Green New Deal to include social and human rights aspects. In Europe, the main issue is to add social aspects to the taxonomy of the EU Action Plan, which has, so far, focused strongly on climate and environmental issues. In Germany, as well as elsewhere, the topic is being negotiated under the heading of the Great Transformation, and the importance of sustainable finance for its implementation is being emphasised.[393] The most important benchmarks at all levels are the SDGs. The adoption of Agenda 2030 in 2015 should not be underestimated in terms of its significance for the common good, for justice and peace in every country and in the whole world (and also for the integrity of creation); and can be equated with the proclamation of the Universal Declaration of Human Rights in 1948. The SDGs are therefore also the central frame of reference for church pronouncements on sustainability issues, and rightly so.[394] With Agenda 2030, governments described the “enormous differences in opportunities, wealth and power” as “immense challenges” for sustainable development. With SDG 10, governments have committed themselves to reducing inequality within and between countries and, to

392 Cf. Martens, Jens (2020): Die SDGs im Schatten drohender Finanzkrisen, Bonn, p. 59.

393 Cf. der Sustainable-Finance-Beirat der Bundesregierung: https://sustainable-finance-beirat.de/.

394 Cf. Evangelical Church in Germany (2019): Guideline for Ethically-Sustainable Investment in the Protestant Church, 4th updated edition, EKD-Texts No. 113, Hanover. German: Evangelische Kirche in Deutschland (2019): Leitfaden für ethisch-nachhaltige Geldanlage in der evangelischen Kirche, 4., aktualisierte Auflage, EKD-Texte Nr. 113, Hannover, p. 8; https://www.ekd.de/ekd_de/ds_doc/ekd_texte_113_2019.pdf as well as Evangelical Church in Germany (2018): “Lent to us is the Star on which we live” The Agenda 2030: A Challenge to the Churches, EKD Text No. 130. German: Evangelische Kirche in Deutschland (2018): “Geliehen ist der Stern, auf dem wir leben.” Die Agenda 2030 als Herausforderung für die Kirchen. Ein Impulspapier der Kammer der EKD für nachhaltige Entwicklung. EKD-Texte Nr. 130, Hannover; https://www.ekd.de/ekd-texte-130-4-was-wir-erwarten-37366.htm.

this end, i. a., to adopt fiscal measures (SDG 10.4), as well as improving the regulation and supervision of global financial markets and their institutions (SDG 10.5).[395]

The financial sector (similar to the real economy) must adapt to this framework and be questioned, both in principle as well as in every detail, and be able to provide information to all stakeholders on the extent to which it contributes to the achievement of the individual SDGs. This means, for example, in terms of investments and lending, that it is essential to deal with their effects on "the environment, the social world and the posterity",[396] in order to be able to assess whether they serve the common good or not. This requires, above all, improvements in corporate reporting and impact measurement, on which intensive headway is already being made in science and in practice.[397]

Both for the relationship between the real economy and the financial economy (chapter 4.1), as well as for a relationship marked by responsibility between the financial economy and sustainability orientation (chapter 4.4) on the whole, the following is indisputably true: that the real economy remains dependent upon and related to the social and ecological system on this planet, even if it continues to overexploit freely available commons due to a lack of suitable pricing mechanisms which are, however, finite and not infinite. Therefore, in the context of the new orientation towards sustainability in line with Agenda 2030, the real economy, and the financial economy that is meant to serve it, need to adapt their own dynamics and allow themselves to be integrated into the framework of understanding that the resources on this planet are limited.

> *Growth and the planet's finite nature need to be reconciled if we wish to achieve peace and sufficiency for future generations.*[398]

For this to happen, a new, qualitative understanding of growth[399] needs to be developed that takes planetary boundaries seriously and internalises, and thus prices,

395 Cf. Martens, Jens (2020): Die SDGs im Schatten drohender Finanzkrisen, Bonn, p. 29.

396 Evangelical Church in Germany (2019): Guideline for Ethically-Sustainable Investment in the Protestant Church, 4th updated edition, EKD-Texts No. 113, Hanover. German: Evangelische Kirche in Deutschland (2019): Leitfaden für ethisch-nachhaltige Geldanlage in der evangelischen Kirche, 4., aktualisierte Auflage, EKD-Texte Nr. 113, Hannover, p. 8; https://www.ekd.de/ekd_de/ds_doc/ekd_texte_113_2019.pdf.

397 By way of an example, here is the approach of DEG/KfW: https://www.deginvest.de/Internationale-Finanzierung/DEG/%C3%9Cber-uns/Was-wir-bewirken/.

398 A statement put forward by the World Future Council, in: https://www.worldfuturecouncil.org/de/nachhaltige-wirtschaft/#finanzmarktregulierung; the statement quoted can be found at the site on "sustainable economy" in the web presentation of the World Future Council: https://www.worldfuturecouncil.org/de/nachhaltige-wirtschaft/.

399 Cf. on this complex set of issues especially: Binswanger, Martin (2019): Der Wachstumszwang: Warum die Volkswirtschaft immer weiterwachsen muss, selbst wenn wir genug haben, Weinheim.

external costs (use of common goods, CO2-emissions, pollution). It is clear that the incorporation of hitherto externalised costs is a challenge that affects the social and economic system as a whole; not only the financial system but also consumers, in particular, who have to adjust to higher prices for many goods.

For the financial sector, as well as for the economic system as a whole, the principle of orientation towards a sustainable qualitative understanding of growth is applicable, and this is also prescribed in SDG 8, leaving behind a resource-consuming, purely quantitative understanding of growth and thus enabling an economic growth that serves life for all countries:[400]

> *Unlimited growth is not possible within planetary boundaries. Growth for growth's sake … is the strategy of the cancer cell. Growth for growth's sake is increase in size without control, without limit, in disregard for the system which sustains it.*[401]

So far, we are only at the beginning of this social learning process towards a qualitative understanding of growth, as e. g. revealed by the debate on a sustainability-oriented VAT reform or the debate on CO2-pricing. The macroeconomic challenges cannot be solved by the financial system alone, yet they can neither be solved without putting the financial system to work for sustainability goals.

In the fourth area of responsibility (financial system and sustainability orientation), the core task is therefore to integrate sustainability criteria into the decisions of the protagonists that are active in the financial system. This is a challenge for everyone: international institutions, governments and the private sector, but also for individual investors (cf. section 3.4). Sustainability can, and should, become the new mainstream in the financial industry, not simply an opportunity for greenwashing.[402] The process can, and should, be driven forward with the following concrete measures, which are

400 The goal in SDG 8 is the following: "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all", cf. Deutsche Gesellschaft für die Vereinten Nationen (DGVN) (2015): Agenda 2030, Berlin; https://nachhaltig-entwickeln.dgvn.de/agenda-2030/ziele-fuer-nachhaltige-entwicklung/sdgs/#c21183.

401 The General Assembly of the WCC in Canberra 1991, in: Johnson, Jonas (2013): Wounded Visions: Unity, Justice, and Peace in the World Church after 1968, Translated by Norman A. Hjelm, Grand Rapids, p. 46; cf. also: Brot für die Welt (ed. 2011): Darf's ein bisschen mehr sein? Von der Strategie der Wachstumsgesellschaft und der Frage nach ihrer Überwindung, Berlin; https://www.brot-fuer-die-welt.de/fileadmin/mediapool/2_Downloads/Sonstiges/ein-bisschen-mehr.pdf.

402 Neubig, Magdalena (2021): Nachhaltige Investments. Was die Finanzindustrie im Kampf gegen den Klimawandel bewirken kann, in: Deutschlandfunk vom 03.02.2021; https://www.deutschlandfunk.de/nachhaltige-investments-was-die-finanzindustrie-im-kampf.724.de.html?dram:article_id=491904.

also propagated by the German government's, The Sustainable Finance Committee of the Federal Government,[403] amongst others:

- The guidelines on sustainability in the financial sector adopted by the G20 should be updated and continued ("Operational Guidelines for Sustainable Financing").[404]
- The role of the UN Guiding Principles on Business and Human Rights for sustainable corporate governance in the real economy, as well as reporting to the financial sector, should be strengthened.
- The recommendations for action of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), should be implemented, including:
  - The integration of climate-related risks into financial stability monitoring and risk control.
  - The integration of sustainability aspects into the management of the portfolios of central banks.
  - The establishing of robust and internationally consistent disclosure of climate and environmental risks.[405]
- The regulations for the mandating of the European Central Bank should be revised in such a way that the pursuit of sustainability goals is also possible.
- A truly effective ecological transformation of the economy as a whole will not be possible without targeted incentive systems: what is needed is start-up financing for sustainable technologies, public tenders for direct sustainability promotion programmes and the issuance of sustainable government bonds (green and social bonds), as well as loan guarantee programmes for financial institutions that invest primarily in innovative sustainable companies.
- Costs that have, so far, been externalised must be internalised, which means, for example, the introduction of realistic CO2-prices and their successive increase, as well as binding liability for human rights violations.
- The Federal Government, the states and the churches should set an example with their own financial investments. For the state, the following applies: Without a consistently sustainable orientation of public capital investments that is coherent with policies in line with the SDGs, corresponding regulatory measures will have no effect. For the churches: It is a question of credibility as to whether they practise with

403 Cf. der Sustainable-Finance-Beirat der Bundesregierung: https://sustainable-finance-beirat.de/.

404 Cf. G20 Operational Guidelines for Sustainable Financing (2017): https://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/world/G7-G20/G20-Documents/g20-operational-guidelines-for-sustainable-financing.pdf? blob=-publicationFile&v=1.

405 Cf. Deutsche Bundesbank (2019): Network for Greening the Financial System, Frankfurt; https://www.bundesbank.de/de/bundesbank/green-finance/network-for-greening-the-financial-system-805112.

their own investments what they present in papers such as this one, and what they demand from others.

- Legal loopholes are to be closed: The ban on investments in cluster munitions and anti-personnel mines, which has long been introduced elsewhere, should also be introduced in Germany.
- Policy coherence should be ensured in the national structure of sustainable finance, especially with regard to social and human rights issues such as the Supply Chain Act and the National Action Plan on the Implementation of the UN Guiding Principles on Business and Human Rights (NAP).
- The discussion on the contribution of credit institutions and the financial sector to the common good should be conducted with all stakeholders; customers, private investors and employees should use their influence to move closer to the eco-social goals together with the supervisory boards and management of banks.
- More financial investors should join those insurance companies, pension funds and credit institutions that are ambitious with regard to the ESG, on platforms such as the Net-Zero Asset Owner Alliance[406] and Climate Action 100+[407], to work together on the further development of effective levers to make not only their own portfolios but also the processes in the real economy more manageable. Corresponding platforms are to be set up for ESG issues that go beyond climate protection.[408]
- A new framework for lending should make harmful loans more expensive through a malus, by taking sustainability risks into account within pricing[409], which corresponds to an internalisation of external costs.
- The regulations for lending to housing construction and management companies should be designed in such a way that the goal is always to ensure access to housing for lower and middle income groups; the criteria known from the health sector can be applied here: Affordability, accessibility, acceptability and quality are to be taken into account.[410]
- Further development of a transparent classification system for all financial products that enables various gradations and is suitable for successive product adjust-

406 https://www.unepfi.org/net-zero-alliance/about/.

407 https://www.climateaction100.org/.

408 Cf. Sustainable-Finance-Beirat der Bundesregierung (2021): 31 Empfehlungen. Shifting the Trillions. Ein nachhaltiges Finanzsystem für die Große Transformation, Berlin, p. 129; https://sustainable-finance-beirat.de/wp-content/uploads/2021/02/210224_SFB_-Abschlussbericht-2021.pdf.

409 However, we need to warn against relaxing risk requirements for sustainable loans. This approach has proven fatal time and time again, for example in connection with the subprime loans in the USA, which triggered the global financial crisis in 2007. Neither social nor environmental sustainability should be misused as an argument to justify unprofessional risk management, neither in lending nor in investing. Good governance is an indispensable part of ESG.

410 Cf. https://www.int/gender-equity-rights/knowledge/AAAQ.pdf?ua=1.

ments towards more sustainability. In so doing, these social aspects must be taken into account more than previously: human rights, social aspects and peacekeeping. The classification should reveal the contribution of each financial product to the eco-social transformation.

- The range of sustainable, or even transformation, products should be expanded by facilitating the conversion of conventional products into sustainable or transformation products, as well as obtaining regulatory approval for such products.
- As intended by the EU with the Taxonomy Regulation, every financial product should be comprehensively checked for its compatibility with the goals of the Paris Climate Agreement, and also with the SDGs. The issues of social sustainability, which have become increasingly important in the corona crisis, as well as "governance", are also to be given greater consideration.
- In order to assess sustainability-related opportunities and risks, financial market actors need a solid and meaningful database of companies and customers in which investments are made or to which loans are granted. This data, in turn, forms the basis for portfolio-related aggregation, for example for investment products and funds. The lack of standardisation of reporting formats, the lack of clarity about material sustainability-related factors and the different assessment approaches of sustainability rating agencies should be remedied.
- Future-oriented reporting by companies is essential, the scenarios of which must complement reporting obligations that are purely oriented towards the past. Financial market actors will increasingly need to run different sustainability-related scenarios and stress tests to better assess the impact of sustainability risks.[411]
- The development of financing vehicles for transformation-compliant projects within the infrastructure sector is necessary.
- Sustainable impact products should be introduced under the new EU Transparency Regulation (SFDR) with special, possibly simplified approval requirements.

Overall, it can be seen that a large number of organisations and investors already invest, or wish to invest, in sustainable financial assets, and that many funds with these characteristics are being launched. This, in turn, has triggered activities on the part of a number of companies to strengthen their sustainability strategies in order to become attractive for the financial market of the future.

411 The path onto which the Task Force on Climate-Related Financial Disclosures (TCFD) ventured, is to be continued.

5. Conclusion and Prospects

5.1 Core Hypotheses: Ten Hypotheses for Steps on the Way towards a More Sustainable and Just Financial System – a Conclusion

1. Initial Situation: Loss of Confidence in the Financial System

The structural causes and consequences of the financial crisis of 2008/2009 in Germany, Europe and also at the global level, have only been dealt with partially, and not in a targeted manner in all contexts. The consequences are uncertainty, scepticism and the loss of confidence in the financial system, which is also due to repeated financial and tax scandals. Since the adoption of the two major UN agendas in 2015 (Paris Climate Agreement and UN Agenda 2030 with the Sustainable Development Goals), fundamental reform-oriented demands on the financial system have been added, some of which are still waiting for structural implementation. However, it has become clear that without a functioning and sustainable financial system, a transformation of society as a whole towards economically, ecologically, politically and socially sustainable development is not possible. This is all the truer in times of the corona pandemic, in which it is clear that the challenges of a globalised and, at the same time, highly vulnerable, world cannot be met unless the orientation towards ecological and social dimensions of sustainability is made a structural principle of all areas of the political shaping of the economy and society, including the financial and tax system.

2. Guiding Concept of Responsibility: Basic Dimensions of an Ambitious Ethics of Responsibility for the Financial System

The EKD paper on the financial system aims to contribute to strengthening the primacy of politics in line with the state's task of setting the regulatory framework for the financial industry, and also to emphasise the important role of politics, legislation and supervision for banking, insurance and the financial system. In line with a multidimensional concept of responsibility, it asks for priorities for state regulatory policy, as well as for benchmarks for those acting within a regulatory framework. The guiding principle here is the conviction that there is a fourfold task and opportunity for optimising, or further developing, the current financial system with regard to the basic dimensions of a just, participatory, public welfare-oriented and sustainable society:

a) With regard to the relationship of responsibility between the financial system and the real economy (economic frame of reference);
b) with regard to the relationship of responsibility between the state, the financial system, democracy and the common good (political frame of reference);
c) with regard to the relationship of responsibility between the financial system and the rule of law (legal frame of reference);
d) with regard to the relationship of responsibility between the financial system and sustainability goals (frame of reference related to Sustainable Finance).

In spelling out the concrete implications of these four dimensions of responsibility, it becomes clear that, in various areas, there are more promising starting points at the political and legal level for a reform of the financial system than many consider to be possible, but, as yet, there is too little political decision-making and commitment in the realm of national, European and, above all, international implementation.

3. Responsibility for restoring a sustainable relationship between the financial economy and the real economy

The policy change in the 1980 s and the accompanying deregulation of the financial markets led to the expansion and independence of the financial sector. It was a consequence of the re-orientation of economic policy that shareholder orientation and market capitalisation became the priority, especially for large companies in the real economy. In the meantime, it has become clear that the drifting apart of the real economy and speculative finance poses a threat to the functioning of a stable real economy. The consequences of the financialization of the world economy will become incalculable if monetary and asset policy regulations that limit the growth of the speculative financial economy and make the framework conditions for lending safer and less risky, are not introduced. Even if the economic policy re-orientation has fortunately led to a decrease in absolute poverty, the disproportionate growth of the financial economy also causes distribution effects that lead to inequality. It is therefore urgent to turn away from the sole orientation towards shareholder value, the absolute pursuit of profit, as has already been announced and implemented by some financial players. The regulations and supervisory mechanisms for shadow banks must be standardised and tightened; those aimed at special parts of investment banking and hedge funds must be improved. Orientation towards shareholder value must be given equal importance to the interests of all stakeholders: customers, employees, suppliers and communities. Lending must be demonstrably oriented towards ethically responsible and sustainable goals.

4. Responsibility for the orientation towards the common good of ownership and democratic control of financial institutions

To restore confidence in the steering power of democratically legitimised institutions, many factors need to work together. With regards to the financial system and the above-mentioned crisis of confidence, reform steps can contribute to the regeneration of confidence if the common good orientation of property is ensured with regard to regulatory mechanisms of the financial system. Political solutions for a common German and European financial and tax policy must be coherently geared towards contributing to the fulfilment of the SDG goals, i. e. implementing fundamental economic, social and cultural civil and human rights, and pursuing climate and species protection. As before, the economy and the financial system should serve the common good and take into account the interests of future generations. Re-thinking the orientation towards the common good as it relates to property, as well as for national and global financial capital, means that the goals of social and ecological sustainability must be bindingly anchored in the framework conditions for the supervision of financial institutions. At the same time, the conditions for a socially balanced and economically non-harmful reintroduction of a wealth tax should be politically examined. The anchoring of an ambitious tax on financial transactions at European and global level must be advanced. In addition, it would be desirable for there to be stronger democratically legitimised control of financial institutions across the globe.

5. Responsibility for combating tax avoidance and tax crime

With regard to the relationship of responsibility between the financial system and the legal system, it is important to point out the deficits in the fight against tax evasion, financial crime and money laundering. The recommendations of the report of the Special Committee on Financial Crimes, Tax Evasion and Tax Avoidance (TAX 3) of March 2019, set up by the European Parliament, urgently need to be implemented with more binding force and legal enforcement. This includes a thorough improvement of co-operation between national authorities in the areas of tax and finance, new legislation and new institutions at EU and global level, such as an EU financial police, and an EU supervisory body to combat money laundering, as well as strengthen transparency and report obligations. The fight against illegitimate tax avoidance and illegal tax crime is only possible through a joint effort of will and the strengthening of instruments for supervision and control under the rule of law as well as co-ordinated laws at national, European and global level. A ruinous undercutting of competition with regard to tax advantages within the community of EU countries and, in particular, through the repositioning of The United Kingdom after Brexit, must be urgently stopped and prevented.

6. Responsibility for financing the "Great Transformation" towards sustainable development

The so-called "Great Transformation", i. e. the fundamental restructuring of the economy and society within the framework of the UN's Agenda 2030, with its global goals for sustainable development, has become a structural and future condition of a responsible financial system. Ecological, social and human rights-related sustainability is a fundamental global challenge which all states, organisations and individuals, as well as the financial sector as a whole, must face up to, and which has been, and will be, increasingly incorporated into regulatory requirements at EU and increasingly also at national level. The objectives of the EU Action Plan on Financing Sustainable Growth must continue to be transposed into EU and national law as planned, especially with regards to promoting investment in sustainable projects, embedding sustainability in risk management, introducing standards and labels for sustainable financial products, and promoting transparency and long-termism. This will create the conditions for re-orienting investments and capital flows away from financing unsustainable activities towards socially and environmentally sustainable businesses.

7. Responsibility for enforcing an effective Financial Transaction Tax

A proposal for an effective Financial Transaction Tax (FTT) has been discussed since the late 1990 s as a core demand from civil society in response to the financial crisis, but not, as yet, implemented in a binding manner; it is this which, above all, can curb speculative high-frequency trading. However, the draft legislation, presented in 2019, for a Financial Transaction Tax of 0.2 % on shares for companies with their headquarters in Germany and a turnover of more than one billion euros is unsuitable and should be further developed with the aim of rendering short-term, purely speculative transactions with securities noticeably less profitable by making the assessment basis of the FTT sufficiently relevant in terms of its scope and depth. It is crucial that the FTT is not only applied to trading in shares, but to all financial products, i. e. on foreign exchange, shares and bonds, as well as on trading in derivatives, in order not to punish small investors but to contribute effectively to crisis prevention as a whole.

8. The Church as Admonisher, Mediator and Driving Force: Convergence of important motifs of biblical-theological and ecumenical-ethical reflection

When the Evangelical Church presents its position on matters regarding the financial system, it does not do so in order to interfere with the day-to-day business of financial policy, but to recall fundamental relationships of responsibility which must be observed in the shaping of a just and sustainable financial system; those which have a certain verification for all people of good will. The Evangelical Church assumes ethical responsibility publicly in a threefold sense: *firstly*, it is responsible for observing and presenting the situation in a differentiated manner; *secondly*, it is responsible for setting a good example as a financial market player and for considering the effects of financial market activities on the environment, our fellow human beings and our posterity; and *thirdly*, it is responsible for raising its voice on behalf of the people affected and the creation exploited, and asking: What does it take to make a sustainable financial system possible today? In so doing, the Evangelical Church refers to broad and diverse ethical-theological lines of argumentation, which include the biblical-theological heritage, the Reformation tradition, Roman-Catholic social doctrine and ecumenical-international social thought, as well as current initiatives and statements in its own field, especially previous EKD statements. A convergence of the most important motives of theological and ethical orientation can be found in the following five core convictions:

- Money is to serve and not rule;
- Debt bondage is incompatible with the conviction that all human beings are made in the image of God, as well as with the commandment to do justice, i. e., the existential hardship of others must not be exploited to maximise one's own profits (prohibition of interest and usury);
- God remains the giver of all gifts of creation – responsibility for the common good, as well as an emphasis on sustainability within financial resources, are indispensable;
- Reforms of the financial system at national, European, and global level are still as necessary as they are urgent, they are possible and ethically required in line with global sustainability and justice;
- Churches, congregations and all social organisations of the Church and diaconia have to face the challenge of taking sustainability into account in their own financial investments. Together with other financial market players, they should develop and implement perspectives for more ethically sustainable capital markets.

9. The responsibility of churches and church members for the ethical and sustainable investment of their own funds

Churches and church-related organisations are economic actors and should therefore see themselves as players within, and not beyond, the financial system. The Church is a bearer of responsibility, and also competence, within the financial markets. Church financial officers have, meanwhile, become pioneers in the movement for ethical investment. It is important to continue along this path. In so doing, they need to take into account the requirement that church action in the area of financial investments should not be in contradiction, but in harmony, with God's commandments and the Church's mission. The following three concrete recommendations to the Church and diaconia can be drawn from this insight:

- Reserves for pension payments and pensions are to be ethically and sustainably invested in the financial markets, taking into account exclusion and positive criteria. These criteria should be regularly developed and applied in the sense of avoiding unethical and non-sustainable securities (this includes divestment where appropriate) and should also give preference to sustainable investment options.
- Associations of church investors should conduct exemplary (engagement) dialogues with the issuers of the securities they hold with the aim of addressing human rights and environmental problems, abolishing abuses and further developing companies in a sustainability-oriented way.
- Churches should participate in the social debate on a sustainable and just financial system and, as a ministry of the Church, invest in the financial markets in their specific area, promoting ecumenical and international co-operation at the level of church investor groups.

However, the responsibility for the handling of their money should not only be taken on by the church institutions, but also by the individual church members. When choosing their bank and investing their assets, then ethical and sustainable aspects, and not only factors such as convenience, costs and interest rates, should be taken into account. The influence of private investors and private bank customers on the sustainable restructuring of the financial system is considerable and could become much more effective if more Christians would consider the question "What is the bank doing with my money?" – and then take appropriate steps.

10. Responsibility for and participation in a broader discourse on a just tax policy and a sustainable financial economy that is able to take on responsibility

The future of our society needs a broader discourse on fair taxation and a sustainable financial economy that is able to take on responsibility at all levels. The corona pandemic has made it clear, with fresh urgency that the challenges of a globalised and, at the same time, highly vulnerable world cannot be met unless the orientation towards ecological and social dimensions of sustainability is assigned as the structural principle that affects all spheres of the political shaping of the economy and society, including the financial and tax system. Therefore, we need a broad ethical-political-economic literacy within financial issues: What does the financial sector do, and what should it do? Who are the protagonists? What can they contribute to a sustainable and just development of economy and society – and what can they not contribute? What makes them more crisis-proof and what endangers their stability? The basic hypothesis that the Evangelical Church brings to this debate is: Without a functioning, sustainable and just financial system, a transformation of society, as a whole, towards economically, ecologically, politically and socially sustainable development is not possible. If the SDGs are to be achieved (the UN had set the year 2030 as the prospective deadline), something has to happen very quickly within the financial sector: "It is high time that humanity finds ways to live within the ecological and social boundaries of our planet. We cannot go on like this. In the years ahead, the transformation to a sustainable life for all must succeed."[412] The broadening of the social discourse on the development of a just and sustainable financial system – which is just as necessary at the national as at the global level – needs many constructive supporters so that the financial system can make its important contribution to the implementation of the Sustainable Development Goals. To all people of good will, the promise of God's transforming spirit applies, which aims at comprehensive transformation:

> *… the wilderness becomes a fruitful field, and the fruitful field is deemed a forest. Then justice will dwell in the wilderness, and righteousness abide in the fruitful field. The effect of righteousness will be peace, and the result of righteousness, quietness and trust forever. My people will abide in a peaceful habitation, in secure dwellings, and in quiet resting places. (Is 32 : 15–18; NRSV)*

5.2 Practical Recommendations for the Use of this Discussion Paper in Dialogue Processes within Church and Society

An important concern of this paper is to inform and enlighten readers about the complex interrelationships of the financial economy and thus to carry out literacy work in relation to the financial economy. Therefore, this paper should first be read and discussed in the Evangelical churches at all levels: in the regional churches, in finance

412 Evangelical Church in Germany (2018): "Lent to us is the Star on which we live" The Agenda 2030: A Challenge to the Churches, EKD Text No. 130. German: Evangelische Kirche in Deutschland (2018): "Geliehen ist der Stern, auf dem wir leben." Die Agenda 2030 als Herausforderung für die Kirchen. Ein Impulspapier der Kammer der EKD für nachhaltige Entwicklung. EKD-Texte Nr. 130, Hannover, p. 71; https://www.ekd.de/ekd-texte-130-4-was-wir-erwarten-37366.htm.

departments and commissions, in academies, in theological faculties and institutes for social and economic ethics and in church districts, as well as in church congregations – and where possible, always in dialogue with stakeholders from politics, (financial) economy and civil society.

Above and beyond this, this paper means to strengthen the special responsibility of the Evangelical churches as an admonisher, mediator and driving force for sustainable development,[413] in particular in the area of finance.

As an admonisher, the Church advocates values such as justice, the common good and sustainability towards various players within politics, the financial sector and civil society, and promotes steps towards a social and ecological transformation of society, which also includes the financial sector. It does this in numerous areas of its work, such as, e. g., the dialogues of the plenipotentiaries at the Federal Government, the EU or the provincial governments, or else in specialist dialogues, e. g. those of the Working Group of Church Investors, organisations working for development policy, the Association Church-Business-Working World, or even The Sustainable Finance Committee of the Federal Government to accompany the German Sustainability Strategy, in which churches are also represented.

However, this paper can play an important role not only in deepening the dialogues on a sustainable and equitable financial system at a national and European level, but also at a global and ecumenical level: At an international level, there have been relatively few detailed ethical statements from churches and ecumenical networks on the topic of the world financial order, the role of banks and the question of sustainable financial investments. It is hoped that the English version of this paper can be introduced not only via the Brussels liaison offices into the political dialogue process on the continuation and deepening of the European framework for sustainable finance, but also into the international ethical and political dialogue in the WCC and ACT Alliance regarding the questions of the UN process for development financing and for financing the implementation of the SDG Agenda. The paper could, e. g., contribute to making the issues of the reform of global financial institutions an important topic in the preparatory process for the planned WCC Assembly in Karlsruhe, in 2022.

413 Cf. loc. Cit., p. 31–37.

In dialogue with politics and the financial sector, the Church is also in demand as a mediator where there are conflicts of objectives which cannot be avoided on the way to a social and ecological transformation. In so doing, it advocates fair, factual dialogues, provides spaces for a trusting exchange of opinions and brings together people from different social groups as well as ethical and political orientations, since the transformation of society needs them all.

Finally, the paper also means to strengthen the churches' role as a driving force in the financial system. Numerous people in society are, unfortunately, as yet unaware of the strength of the Evangelical churches' involvement in the area of ethical investments, as well as in the dialogue with banks and companies. Using this role actively and self-confidently is therefore also an important concern of this paper.

However, the special contribution of the churches to the urgently needed social and ecological transformation of society is to stand up for the necessary change of values and culture, without which such a transformation cannot succeed. Since the Church is solely committed to the biblical message and the Christian values derived from it, such as justice, the common good, solidarity with the poor, respect for creation and solidarity with the next generation, it is particularly suited, responsible and called to actively advocate such a change in values. In order to do so, it lives on an overflow of hope that comes to it from its faith in the God who, against all life-denying forces, promises life and a future and can create life and a future anew. The encouragement of the EKD Council in 2009, in view of the crisis at that time, is also valid for us today:

> *Even if no-one can foresee in advance how far one's own thoughts and actions will carry us in the face of such a crisis, it is nevertheless important to make the necessary decisions to the best of our knowledge and conscience and to do what is humanly possible so that the next generations will also have life and a future. No more is demanded of us humans, but no less either. The future is in God's hands. That is what we rely on.*[414]

414 Evangelical Church in Germany (2009): Like a High Wall, Cracked and Bulging. Statement by the Council of the Evangelical Church in Germany on the Global Financial and Economic Crisis. EKD Text No. 100. German: Evangelische Kirche in Deutschland (2009): Wie ein Riss in einer hohen Mauer. Wort des Rates der EKD zur globalen Finanzmarkt- und Wirtschaftskrise, EKD-Texte Nr. 100 (2., um den Anhang erweiterte Auflage), Hannover, p. 12; https://www.ekd.de/ekdtext_100.htm.

6. Appendix

6.1 Background Information on Selected Key Words

6.1.1 Money Creation[415]

Money is created through the banking system, i. e. on the one hand through central banks such as the ECB and the German Central Bank, as well as, on the other hand, through commercial banks. Both central banks and commercial banks create money in two ways: lending and asset purchases (predominately securities purchases):

1 a) If a commercial bank grants a loan, then it credits the corresponding amount to the loan customer as a demand deposit on the account in which it is contained. With this booking process, new credit money is created "out of nothing". The bank's balance sheet is expanded on the assets side by the claim it has against the customer and on the liabilities side by the liability of the demand deposit. The newly created money does not belong to the bank, but to the customer. The customer can dispose of this newly created money; he can withdraw it from his account or transfer it to another account. If he pays back the loan, the money created by granting the loan disappears again "into nothing". It is true for all commercial banks that they do not pass on savings deposits when granting loans, but that they create new book money with each individual granting of a loan. However, the banks not only incur interest profits from granting loans, but also risks and, in order to limit these, they have to collect longer-term deposits from their customers. Nevertheless, savings are not required for the actual creation of book money. In this context, it is also important for the banks' credit system that the central bank can control the volume of lending via the minimum reserve ratio.[416]

1 b) The second way in which a commercial bank creates money is by buying an asset from a customer, e. g. securities or real estate. The accounting process is analogous: The asset value appears as an increase on the asset side of the bank balance sheet, The purchase amount is credited to the customer account as a demand deposit and

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415 Cf. Deutsche Bundesbank (2019): Geld und Geldpolitik, chapter 2 and 3, Frankfurt; https://www.bundesbank.de/resource/blob/606038/5a6612ee8b34e6bffcf793d75eef6244/mL/geld-und-geldpolitik-data.pdf; cf. in addition, the studies on the topic of "positive money" in the works of Joseph Huber, as well as the association: "Die Monetative e. V.", in: https://monetative.de/interview-mit-prof-joseph-huber-im-standard-u/.

416 Cf. The elaborate explanations in Binswanger, Hans-Christoph (2006): Die Wachstumsspirale – Geld, Energie und Imagination in der Dynamik des Marktprozesses, Marburg.

appears as a liability on the liabilities side of the bank. The newly created money does not belong to the bank, but the bank owes it to the customer, who can withdraw it in cash at any time.

2 a) The central bank assumes the same role vis-à-vis their customers. If commercial banks need central bank money – e. g. to obtain cash for cash withdrawals by their customers – they can borrow from the central bank. Just as the commercial bank checks the creditworthiness of its borrowing customers, the central bank checks whether the conditions for granting credit to the commercial bank have been met and usually only grants credit if the bank secures it by depositing pledges (e. g. securities). If this is the case, the central bank credits the amount borrowed to the bank's account at the central bank as a demand deposit, or else the German Central Bank, which has the banknote monopoly in Germany, gives the commercial bank the loan amount in cash, i. e. in banknotes.

2 b) The central bank can also create money by purchasing assets such as securities, gold or foreign exchange by buying these assets from a commercial bank and crediting the proceeds of the sale to its central bank account. Securities purchase programmes, through which central bank money is created or liquidity is provided, have become very important since the financial crisis of 2008.

The possibility of credit money creation by banks, which has historically developed together with the banking and financial system, is, in principle, presupposed by German law. The creation of book money and other activities of banks are subject to supervision under the German Banking Act (Kreditwesengesetz; KWG) and other laws. Anyone wishing to conduct banking business within Germany requires a written permit to do so. Permission to operate a commercial bank is granted by the ECB in consultation with BaFin as the national supervisory authority. Since excessive credit money creation by commercial banks could jeopardise the Eurosystem's objective of price stability, the Eurosystem has monetary policy instruments at its disposal, such as the minimum reserve requirement, which it can use to ensure price stability.

Time and time again, money creation by the commercial banks has been controversial. The concept of a "sovereign money reform" entails the demand to restrict money creation to the central banks. The advocates of such a reform hope that this will prevent speculative bubbles and financial crises. In 2018, a popular initiative in Switzerland "For crisis-proof money: money creation by the National Bank only!" (Sovereign Money Initiative) was rejected with 75 % of the votes cast.

6.1.2 Public Debt

a) **In general**[417]: After taxes, as the most important source of revenue for a state, public debt is the second most important source of revenue. If a state's expenditure exceeds its revenue, the budget deficit can be financed through public debt. This refers to government borrowing on the financial markets, e. g. through the issuance of government bonds or the issuance of mortgage bonds and municipal bonds, by mortgage banks or state banks. Government debt can mean both, the total debt accumulated over time and the new annual borrowing. The latter is usually stated as net borrowing (new borrowing minus repaid loans). Apart from the fiscal financing of government deficits through government debt, a deficit problem can also be solved through monetary policy by the central bank (cf. 6.1.1 Money Creation). The temptation to resort to the monetary policy solution and the problems arising from its misuse were the subject of the Federal Constitutional Court's ruling, of May 2020, on the ECB's government bond purchase programme: The ECB stepped into the breach when, following the controversial discussions, the EU member states could not agree upon a common fiscal policy.

   Debts are generally incurred in order to finance investments or bring consumption forward. With regards to the public sector, this distinction is often not clear, but it is obvious that public debt shifts the burden to the future. From a fiscal point of view, this means that the interest burden of government debt limits the scope for budgetary policy. The level to which public debt is sensible and sustainable is evaluated differently in politics (see the discussion about the "black zero" = breaking even) and depends upon a number of parameters, crucially upon the growth rate of the GDP and the interest rate level, but also upon exchange rates. There is no such thing as "state bankruptcy", which would be comparable to the insolvency of an individual or a company, since a state has unlimited taxation rights on the one hand, and cannot be liquidated on the other. However, a state can declare its insolvency and no longer service foreign debts.

b) **In Germany and the EU:** In Germany, different fiscal rules apply depending upon the level of government.[418] According to the debt brake defined in Article 109 of the constitution (Basic Law; German: Grundgesetz), the Federal Government must, in

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417 Cf. Bundeszentrale für politische Bildung (2013): Staatsverschuldung, Bonn; https://www.bpb.de/nachschlagen/lexika/handwoerterbuch-politisches-system/202136/staatsverschuldung?p=all.

418 Cf. Bundesfinanzministerium (2019): Fiskalregeln, Berlin; https://www.bundesfinanzministerium.de/Web/DE/Themen/Oeffentliche_Finanzen/Stabilitaetspolitik/Fiskalregeln/fiskalregeln.html.

principle, balance its budget without taking out loans. Debt brakes exist at the provincial level, too, and municipalities and social security funds also have fiscal rules that limit borrowing. For the Federal Government, the debt brake is specified in Article 115 of the Basic Law: The principle of a balanced budget is guaranteed with a maximum amount of permissible structural net borrowing (independent of the economic situation) which is at 0.35 % of the GDP. In bad times, from an economic perspective, the maximum permissible net borrowing is increased; in economically good phases, it is reduced in return. For the management of the corona crisis, an exemption applies: “in cases of natural disasters or unusual emergency situations beyond governmental control and substantially harmful to the state’s financial capacity, these credit limits may be exceeded on the basis of a decision taken by a majority of the Members of the National Parliament of the Federal Republic of Germany. The decision must be combined with an amortisation plan. Repayment of the credits borrowed under the sixth sentence must be accomplished within an appropriate period of time.”[419]

At European level, the Maastricht criteria relating to deficit and debt must be taken into account.[420] These were established in 1992 as criteria for a country’s accession to the monetary union and include the following stipulations: The general government deficit of a member state may not exceed 3 % of GDP; and the debt of a member state may not exceed 60 % of GDP. In addition, the fiscal treaty of 2012 requires the signatory states to implement fiscal rules into national law that ensure annual compliance with the medium-term budget. The upper limit for a national fiscal rule relating to the structural deficit that is compatible with the Fiscal Treaty is usually 0.5 % of GDP, with 1 % of GDP for member states whose debt-to-GDP ratio is significantly below 60 % and who present a low risk to the sustainability of their public finances.

Due to government bailouts of the banking sector, the financial crisis of 2007/2008 increased budget deficits and sovereign debt in Europe, leading to a sovereign debt crisis in euro countries such as Greece, Portugal, Ireland, Spain and Italy. Before the financial crisis began in 2007, the average government debt in the eurozone

419 Bundesfinanzministerium (n.y.): Schuldenbremse, Berlin; https://www.bundesfinanzministerium.de/Content/DE/Glossareintraege/S/Schuldenbremse.html;jsessionid=4E377D30EC063E466FC2A160A4297C50.delivery2-replication?view=renderHelp.

420 On the following section cf. Bundesfinanzministerium (2019): Fiskalregeln, Berlin; https://www.bundesfinanzministerium.de/Web/DE/Themen/Oeffentliche_Finanzen/Stabilitaetspolitik/Fiskalregeln/fiskalregeln.html.

was around 65 % of GDP. By the peak in 2014, the average government debt ratio of the euro countries had risen to around 92 % of GDP[421] and, in 2019, it was still around 84 % of GDP.[422] Government debt exceeded the agreed reference value of 60 % of GDP in nine out of the 19-euro countries in 2019. The situation remained critical in Greece, where debt stood at 177 % of GDP. It was also very high in Italy (135 %), as well as in Portugal (118 %). In Germany, the debt amounted to 60 % of GDP. This was the first time, since 2002, that the 60 % limit was met in Germany.[423] In Greece, entry into the euro in 2000 was only possible with embellished figures regarding the budget deficit – the country thus failed to meet the Maastricht criteria from the outset. There, home-grown problems such as unsound budgetary policy, inefficient fiscal authorities, widespread nepotism, tax evasion and corruption happened upon the basic structural problem of the euro area: having a common monetary policy, but not a common fiscal policy.

c) **In developing countries:** The International Monetary Fund (IMF) had warned, before the corona pandemic, of an unsustainable debt burden. In times of low interest rates in Europe and the USA, developing countries were able to borrow cheaply in these countries. In addition, numerous investors sought higher-interest investment opportunities in the Global South. However, the international community has failed to date to introduce binding rules for responsible lending and borrowing, as proposed by the United Nations Organisation for Trade and Development (UNCTAD). As a result, the external debt of all developing and emerging countries – according to World Bank data – had already reached 7.81 trillion US dollars at the end of 2018. 124 developing and emerging countries are currently critically indebted. The economic consequences of the corona crisis are now adding to the already critical economic and financial situation in most developing countries. Global tourism has come to a standstill, many commodity prices are falling and remittances from migrant workers are declining.

A particular problem for numerous emerging countries is the massive flight of capital from these countries back into the dollar zone. This is because investors

421 Cf. Statista (2020): Die 20 Länder mit der höchsten Staatsverschuldung im Jahr 2018 in Relation zum Bruttoinlandsprodukt; https://de.statista.com/statistik/daten/studie/157855/umfrage/laender-mit-der-hoechsten-staatsverschuldung/.

422 Cf. Statista (2020): Europäische Union: Staatsverschuldung in den Mitgliedstaaten im 1. Quartal 2020 in Relation zum Bruttoinlandsprodukt; https://de.statista.com/statistik/daten/studie/163692/umfrage/staatsverschuldung-in-der-eu-in-prozent-des-bruttoinlandsprodukts/.

423 Cf. Statistisches Bundesamt (n.y.): Eurozone: Neuverschuldung bleibt im Rahmen, Wiesbaden; https://www.destatis.de/Europa/DE/Thema/Wirtschaft-Finanzen/Eurozone.html.

or lenders are withdrawing their capital from more crisis-prone emerging markets, uncertain about the economic consequences of the corona pandemic. In March 2020, over 80 billion US dollars were withdrawn from emerging markets such as India, Indonesia, Malaysia, Pakistan, Argentina, Brazil, Chile, Mexico and South Africa. The Acting Managing Director of the International Monetary Fund (IMF), Kristalina Georgieva, noted that this was the "the largest capital outflow ever recorded"[424].

Before the outbreak of the pandemic, 124 states worldwide had critical debt indicators. 19 states had already had to suspend their payments, in whole or in part, by the beginning of 2020. The IMF expects numerous countries that are particularly dependent on the export of raw materials or on tourism will also slide into insolvency in the near future.

The most serious effect will then be that, after several waves of crises, it will still not have been possible to create a binding international framework for the fair and sustainable management of debt crises. Instead, creditors are offering debt relief and moratoria limited to a few countries in small steps.

Meanwhile, 100 countries have asked the IMF for financial liquidity assistance, both to combat the corona crisis acutely and to deal with the economic consequences. This is because, unlike most European states, they do not have a bailout fund. The fiscal leeway is limited, as many countries are already highly indebted and so poor that they can hardly levy additional general taxes. A necessary taxation of the wealthy upper class in society is opposed by powerful interest groups in many countries. The former director of the IMF warns:

> *High debt in low-income countries could jeopardise development goals as governments spend more on debt service and less on infrastructure, health and education.*[425]

The IMF temporarily grants debt relief for the 28 poorest countries: For the 28 poorest over-indebted countries, the IMF has therefore decided to suspend debt

424 International Monetary Fund (2020): Die große Sperre: Schlimmster wirtschaftlicher Abschwung seit der Großen Depression, Washington D.C.; https://www.imf.org/en/News/Articles/2020/03/23/pr2098-imf-managing-director-statement-following-a-g20-ministerial-call-on-the-coronavirus-emergency.

425 International Monetary Fund (2018): Umgang mit Schuldenschwachstellen in einkommensschwachen Ländern, Eröffnungsrede von Christine Lagarde, Washington D.C.; https://www.imf.org/en/News/Articles/2018/09/13/managing-debt-vulnerabilities-in-lics.

service to the IMF for the time being. However, the moratorium will initially apply until mid-2021.[426] The decision certainly entails relief for these countries, which will save several million dollars in debt service payments. However, the payments will not be waived by the creditors, but taken over by the IMF's Catastrophe Containment and Relief Trust (CCRT), which is financed with development aid money from the donor countries. Nevertheless, whether this debt service relief will extend to a period necessary for the over-indebted countries, depends upon the countries paying into the IMF Catastrophe Containment and Relief Trust, from which the IMF debt is paid. Even before the corona crisis, the fund was underfunded. Germany has contributed 80 million euros to the IMF's Catastrophe Containment and Relief Trust and is one of the largest contributors. Whilst this measure is very welcome, it is far from sufficient.

G20 decide on debt moratorium for 73 poor developing countries: It is for this reason that the World Bank Group and the International Monetary Fund (IMF) decided, on 25th March 2020, to call for a debt moratorium with the appeal "IMF and Worldbank: Call to Action on the Debt of IDA Countries"[427], jointly addressing the G20 heads of state and government, and asking for debt relief for the poorest countries (so-called IDA countries). The IDA (International Development Association) is part of the World Bank Group and provides loans on favourable terms and grants to the world's poorest countries. The World Bank and the IMF called on the G20 and all official creditor countries (Paris Club) to suspend debt payments, or partially cancel unsustainable debts of all IDA countries that request them. These measures are intended to help meet the immediate financing needs of these countries so as to address the challenges of the coronavirus outbreak and to allow time for an assessment of the impact of the crisis and the financing needs for each country.

In April 2020, G20 finance ministers and central bank governors[428] agreed on a temporary debt moratorium, i. e. the suspension of debt service payments for a few months. In response to public pressure, the deadline was extended to mid-2021, but the unpaid debt service must be paid in full after the deadline.

426 Further mphas details and future perspectives after April 2020, cf. https://erlassjahr.de/blog/schuldenerlass-zur-corona-bekaempfung-durch-den-iwf-was-steckt-dahinter/ sowie: https://erlassjahr.de/blog/verschuldungskrise-und-coronakrise-die-sehr-reale-gefahr-der-gegenseitigen-verstaerkung/.

427 International Monetary Fund (2020): Gemeinsame Erklärung: Weltbankgruppe und IWF fordern Maßnahmen zur Verschuldung der IDA-Länder, Washington D.C.; https://www.imf.org/en/News/Articles/2020/03/25/pr20103-joint-statement-world-bank-group-and-imf-call-to-action-on-debt-of-ida-countries.

428 Cf. Bundesfinanzministerium (2020): Internationale Solidarität von historischer Dimension, Berlin; https://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Internationales_Finanzmarkt/G7-G20/G20-Schuldenmoratorium.html.

The debt moratorium for the poorest developing countries (LDCs) was an urgently needed step. However, this decision can only be an interim step. Most of these poor countries will hardly be economically robust enough next year to be able to make the outstanding debt service payments. Numerous debt restructurings will then be necessary. In many critical cases, the deferral of payments will have to be followed by actual debt relief. In addition, the increasing number of private creditors will have to be involved through debt restructuring.

Proposals of the UN Trade Organisation[429]: The United Nations have therefore called for an immense bailout package for the Global South with a volume of 2.5 trillion US dollars. According to the UN Conference for Trade and Development (UNCTAD), the package should consist of three components:

- A so-called Marshall Plan for the healthcare sector of poor countries should be financed with 500 billion dollars. UNCTAD considers it appropriate to finance this plan through grants from rich countries, as they have not fulfilled their obligations to provide development aid at an agreed level in recent decades.
- One trillion dollars of additional financial aid should flow to developing countries through Special Drawing Rights – the IMF's international reserve assets. This is comparable to an increase in the money supply, as the European Central Bank (ECB) has done for Europe. The IMF virtually takes over the role of the central bank of the Global South.
- Another trillion dollars could be released indirectly through debt relief. This would not mean a transfer of funds to poor countries, but the renunciation of future returns from poor countries. In this way, fiscal leeway for action to rebuild their economies could be created.

Demands of Civil Society and the Churches: Bread for the World, the debt networks erlassjahr.de, Eurodad, Afrodad and Latindad, as well as other partners, are demanding far-reaching debt relief beyond 2021, as well as for there to be a wider circle of over-indebted developing nations. All creditor states should participate in debt relief with additional funds, especially private creditors, who now hold more than 60 % of the debt in the countries. In the long term, they call for the creation of a comprehensive and binding sovereign insolvency procedure. It would have to be carefully

429 Cf. United Nations Conference on Trade and Development (2020): UNO fordert 2,5 Billionen Dollar für Coronavirus-Krisenpaket für Entwicklungsländer; https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=2315.

clarified at whose expense such procedures should be undertaken. For banks, for example, the declaration of insolvency of a state whose bonds they hold would mean a sudden reduction in equity capital on the other side of the balance sheet. This, in turn, would increase the danger of a new financial crisis. Sufficient debt relief for the poorest developing countries was also demanded by more than 140 high-ranking representatives of Christian churches, including the Vatican and the World Council of Churches, in a letter to the International Monetary Fund and the World Bank in October 2020.[430]

6.1.3 Ban on Interest

In its social law, the Jewish tradition emphasizes a divine law that protects the economic autonomy and freedom of the poor and prohibits the use of existential emergencies to maximize one's profits. This could be taken as the common Denominator of the, otherwise, quite complex debate in the Bible about faith and the taking of interest.[431] In general, the following conviction prevails, which is simplistically expressed in this way: The Bible forbids the taking of interest; the Church later watered down this conviction, thus adapting to the trends in early capitalism. Recent studies have instead crystallised a somewhat more diverse interpretation of the biblical tradition.

The prohibitions on interest in the three bodies of law differ from one another and, to a large extent, reflect the economic and political circumstances of their respective times of origin.[432]

Ban on interest in the Book of the Covenant: Ex 22: In the Book of the Covenant, we find the "oldest biblical economic law", [433] dating from the end of the 8th, and the beginning of the 7th century before Christ, which prohibits giving money loans to the poor at a premium, as well as against pawning the necessities of life: "If you lend money to my people, to the poor among you, you shall not deal with them as a creditor; you shall not exact interest from them. If you take your neighbour's cloak in pawn, you shall restore it before the sun goes down; for it may be your neighbour's only clothing

430 Cf. https://www.vaticannews.va/de/welt/news/2020-10/schuldenerlass-entwicklungslaender-cafod-kirchen-appell.html.

431 More about the comprehensive complex on (the ban) on interest in the Jewish-Christian tradition cf.: Gertz, Jan Christian (2004): Zins II. Altes und Neues Testament, in TRE, Berlin/New York, Vol. XXXVI, 2004, p. 672 ff.

432 Cf. on the following: Arbeitskreis Kirchlicher Investoren (AKI) (2017): Theologische Impulse zu kirchlichen Geldanlagen: Theologisches Begleitheft zum Leitfaden, Darmstadt, p. 18 ff.

433 Frank Crüsemann in: Lücker, Claus (1999): Zinsverbot und Schuldenerlass, Frankfurt a. M., p. 123.

to use as cover" (Ex 22 : 25–27; NRSV). This commandment was formulated after the collapse of the Northern Kingdom. The background is an agrarian society: the people are almost exclusively small farmers who are repeatedly threatened with destitution and debt bondage due to crop failures. Not envisioned here are (long-distance) trade and the question of commercial credit. The commandment does not answer the question as to whether the rich may grant each other loans at interest.

Ban on interest in the Deuteronomic Law: Dt 23 : 20 ff.: Chronologically, the Book of the Covenant is followed by the Deuteronomic Law. The taking of interest on money and goods from the poor and the rich is forbidden if they are "brothers":

> *To a foreigner you may charge interest, but to your brother you shall not charge interest, that the Lord your God may bless you in all to which you set your hand in the land which you are entering to possess. (NKJV)*

The historical background is the reform of Josiah around 622 before Christ, as described in 2 Kings 22 ff. Here, the stranger that is contrasted with the brother is the merchant who trades in goods and money across borders. International law in long-distance trade applies to him. Interest obligations are not waived. Nationally, however, there is a general prohibition of interest, from which the Jewish rural population in particular benefits. They are dependent upon loans, which is why there is an appeal to potential lenders to lend voluntarily and generously:

> *If there is among you a poor man of your brethren, …, you shall not harden your heart nor shut your hand from your poor brother, but you shall open your hand wide to him and willingly lend him sufficient for his need, whatever he needs. … You shall surely give to him, and your heart should not be grieved when you give to him, because for this thing the Lord your God will bless you in all your works and in all to which you put your hand. (Dt 15 : 7–10; NKJV)*

Psalm 15: The same rationale is found in Psalm 15 – this prayer makes reference to a generalised prohibition of interest:

> *O Lord, who may abide in your tent? Who may dwell on your holy hill? … Those … who do not lend money at interest, and do not take a bribe against the innocent. Those who do these things shall never be moved. (Ps 15 : 1.5–6; NRSV)*

The reformed law of Josiah, which formulated a clear prohibition of interest for relations amongst the Jewish people, was not long in force. His reign ended in 609 BC, Jerusalem was conquered in 596/597 BC and the ruling class deported.

Prohibition of interest in the prophetic tradition: Ez 18 and 22: Ezekiel is an exiled prophet who does not issue legal regulations that are legally precise, but is concerned with the new heart, a new attitude and the ethical orientation of the people in exile:

> *[Who] … oppresses the poor and needy, commits robbery, does not restore the pledge, lifts up his eyes to the idols, commits abomination, takes advance or accrued interest; shall he then live? He shall not. … (Ez 18: 12–13; NRSV) … you take both advance interest and accrued interest, and make gain of your neighbours by extortion; and you have forgotten me, says the Lord God. (Ez 22 : 12; NRSV)*

Whilst Ezekiel refers to a prohibition of interest without case distinctions, in a similar way to the Book of the Covenant, the prohibition of interest is clearly motivated by the neighbouring protective provisions for the poor and socially vulnerable.

Nehemiah 5: This chapter is about the remission of interest in the context of debt relief. The use of the word "interest" within the scripture can be rendered as debt: "I and my brothers and my servants are lending them money and grain. Let us stop this taking of interest. Restore to them, this very day, their fields, their vineyards, their olive orchards, and their houses, and the interest on money, grain, wine, and oil that you have been exacting from them." (Neh 5 : 10–11; NRSV) As part of a one-time cancellation of debts after the return from exile, demands for interest are also cancelled. By his own admission, the prophet himself made interest-bearing consumer loans; the pre-exilic prohibitions on interest were therefore no longer in force at this point and the Holiness Code did not yet apply.

Ban on interest in the post-exilic period: Leviticus 25: The Holiness Code came into force in the post-exilic period and considered the interest-free subsistence loan as one of the preventative measures which take effect when there is a danger of impoverishment and a loss of freedom:

> *If one of your brethren becomes poor, and falls into poverty among you, then you shall help him, like a stranger or sojourner, that he may live with you. Take no usury or interest from him; but fear your God, that your brother may*

live with you. You shall not lend him your money for usury, nor lend him your food at a profit. (Lev 25 : 35–37; NKJV)

Money may therefore be lent as a social support measure, but this should not be a means to generate profits for the lender. What is new is the equal treatment of the resident stranger.

Proverbs 28 : 8: The most recent passage in the Old Testament on the taking of interest, which presumably has even older roots than the Book of the Covenant and goes back to the royal court in Jerusalem in the 8th century, appears out of place: “One who augments wealth by exorbitant interest gathers it for another who is kind to the poor.” (NRSV). Here speaks “one who is positively disposed towards the professional credit business.”[434] No restrictions are formulated, only a purpose: the increase in wealth is to serve the impoverished through a middleman. The argument is made from the perspective of those at the royal court, who, following the Egyptian and ancient Oriental model, achieved prosperity through taxes, duties and the control of long-distance trade, and who had fundamentally urban, cosmopolitan and international attitudes and opinions. It is remarkable that these groups determined the fate of the country politically and economically (except for the few years under Josiah), and yet biblical legislation forbade the taking of interest on subsistence loans, which was otherwise a matter of course in the Middle East.

It is possible that it is the theological struggle between the different positions of the Exodus and Zion traditions that lie behind the different ethical positions on the prohibition of interest. They reveal a socio-historical and power-political struggle between the rural and the residential population, or the rural people and the royal court, which corresponds to a systemic competition between a self-sufficient agricultural economy and the internationally interconnected trade economy of the rich or the royal court. On the one side is the God of liberation from bondage in Egypt, who wants freedom for the poor. On the other side is the God who chose David and his descendants, who wants a state of shalom, a life in just relationships and comprehensive peace for all. For the rural population, which is rather critical of the king, the prohibition of interest and the expected cancellation of debts in the Sabbatical year are constitutive.

434 Lücker, Claus (1999): Zinsverbot und Schuldenerlass, Frankfurt a. M., p. 181.

> *However, with such a God, no state could be built, no community that exceeds the manageability of nomadic individual groups many times over and must find a position in the international network. The economic concept that was lived out by the pre-Israelite groups and linked to theology, offered no precedent for this new challenge … nor was it possible to return to pre-state conditions. … However, the previous experiences of entire tribes, that had been handed down, resisted Egyptian conditions. The image of God, or more specifically, the question as to which political, military and economic mode of action God wants to see implemented so that his people will prosper, could only be dealt with and answered in conflict. The partisan YHWH is no longer bound, pre-reflectively, to certain economic and political options.*[435]

In other words: God's law does not automatically stipulate a general prohibition of interest.[436]

6.1.4 Ethical and Sustainable Investment

Alongside the economic goals – maturity transformation, security, return, liquidity – investors also pursue ethical, as well as environmental, social and governance goals (ESG) with ethical and sustainable investment.[437] They need to take into account the effects of a financial investment on the natural environment, the social environment and future generations, and this can be implemented with various instruments. Exclusion criteria and divestment are instruments with which to avoid investments. Positive criteria, as well as thematic, direct and impact investments are instruments to promote investments. Exclusion and positive criteria relate to the issuers of securities, i. e. companies that issue shares (equity) and corporate bonds (debt capital) to raise money on the financial markets, and states that issue government bonds. Examples of exclusion criteria for companies are business sectors such as tobacco manufacturing or coal mining, as well as controversial business practices such as land eviction and child labour. Examples

435 Loc. cit., p. 193 f.

436 Jewish exegesis also comes to this conclusion: de Wolf, Abraham / Klapheck, Elisa (2012): Geld und gute Worte. Markt, Zins und Finanzkrise aus Sicht der Rabbinen, in: Jüdische Allgemeine, 12.01.2012; http://elisa-klapheck.de/files/pdf/51d2ad6e-9b9a1_wirtschaftsethik_ja.pdf: "Three times, the Torah states the prohibition on interest, relativising it every time. … If one reads the three passages on the prohibition of interest in the Torah in the light of the rabbinic disputes in the Talmud, one thing in particular stands out: The prohibition cannot be an absolute one, but only a voluntary one, since no penalty was provided for its transgression."

437 Cf. on the following paragraph: Evangelical Church in Germany (2019): Guideline for Ethically-Sustainable Investment in the Protestant Church, 4th updated edition, EKD-Texts No. 113, Hanover. German: Evangelische Kirche in Deutschland (2019): Leitfaden für ethisch-nachhaltige Geldanlage in der evangelischen Kirche, 4., aktualisierte Auflage, EKD-Texte Nr. 113, Hannover; https://www.ekd.de/ekd_de/ds_doc/ekd_texte_113_2019.pdf.

of exclusion criteria for states are the use of the death penalty and insufficient measures against corruption or the promotion of climate protection. The aim of positive criteria for all issuers is to give preference to those that demonstrably contribute to the fulfilment of the SDGs. While instruments to avoid, as well as those to promote investments, are applied when securities are purchased (and in the case of divestment, when they are sold), the formative instruments are applied during the holding period of an investment and are an expression of the investor's lasting responsibility for their property. Amongst the formative instruments are the (shareholder) engagement in the form of corporate dialogues and/or the exercise of voting rights associated with share ownership, as well as membership in investor initiatives or the signing of investor statements with which ethical and sustainable goals are pursued. In particular, the engagement (using the English pronunciation, as a technical term) is gaining increasing importance for institutional investors; church investors in Germany have adopted it from their colleagues in the Anglo-Saxon world, who have been using this instrument very effectively for decades.

The pioneers of ethical investment were also church actors from the free churches of England and the USA, who, as successful businessmen, brought their Christian values and morals to bear on their financial activities.[438] The first divestment was decided in 1768 at the annual meeting of the Quakers in Philadelphia: The members withdrew from the highly lucrative slave trade. And the first list of exclusion criteria was presented by John Wesley in a sermon on Lk 16 : 9 (The Use of Money), published in 1760. In this sermon, he stated what, in principle, still applies to most exclusion criteria today: making a profit is imperative as a basis for economic sustainability, yet

- not at the expense of life and health (our own and that of our neighbours');
- not if the laws of God or the land are transgressed in the process;
- not at the expense of our neighbours and their livelihoods, e. g. through prohibitively high interest rates;
- not if the business necessary for it requires lying and cheating or other practices that are incompatible with our conscience.

As early as the end of the 19th century, Methodist churches began to systematically invest money on the stock markets according to ethical criteria. The Church of England has been investing in accordance with ethical criteria since 1948. In the 1970s, ethical

438 Cf. on the following paragraph: Arbeitskreis Kirchlicher Investoren (AKI) (2017): Theologische Impulse zu kirchlichen Geldanlagen: Theologisches Begleitheft zum Leitfaden, Darmstadt, p. 24 ff.

and sustainable investment took off. Investors increasingly co-operated with NGOs and consumer initiatives ("Don't buy the fruit of apartheid!") and withdrew (divestment) from companies that earned money from the Vietnam War and the apartheid regime in South Africa. At the initiative of the World Council of Churches, Oikocredit was founded in 1975 under the name Ecumenical Development Cooperative Society (EDCS), with the aim of creating investment opportunities for development-promoting "investments in justice" – which today would be called direct or impact investment, and can thus be counted among the instruments that promote ethical and sustainable investment. In the 1980 s and 1990s, the professionalisation started, which also enabled the application of the other instruments of ethical and sustainable investment on the financial markets. Again, church investors were instrumental in founding the necessary service providers such as sustainability rating agencies (EIRIS, oekom), which were able to provide the necessary research, and increasingly demanded that their asset managers implement the corresponding methods.

For a few years now, it has been possible to observe the next step: Due to the scientific evidence of the consequences of climate change caused by human economic activity and consumption, sustainability is no longer considered a goal that is motivated by values or attitudes, which may or may not be pursued in addition to economic goals. The consideration of planetary boundaries and other sustainable aspects is becoming an increasingly obvious indispensable framework condition and prerequisite for economic action in the real and financial economy. This understanding of sustainability, which, in its basic approach, can no longer be that of a group with special ethical ideas (e. g. church investors), also underlies the regulatory plans at EU and, increasingly, also at federal level. Sustainability risks are now regarded as factors of the types of risk that were previously understood to be "purely economic"; their consideration is no longer voluntary and left to one's own discretion, but becomes obligatory.[439] Even if the implementation of these requirements has not yet been sufficiently specified, a new paradigm of economy and economic action is being introduced – one which integrates sustainability and thus also changes ethical and sustainable investing. The recommendations to the Church and diaconia that result from this paper affect, first of all, self-perception: Churches and church-affiliated organisations are economic actors and should therefore also see themselves as players within, and not beyond, the finan-

439 English: Federal Financial Supervisory Authority (BaFin) (2010): Guidance Notice on Dealing with Sustainability Risks, 2010 (37 pages); Deutsch: Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) (2020): Merkblatt zum Umgang mit Nachhaltigkeitsrisiken, Bonn, p. 13–14, https://www.bafin.de/SharedDocs/Downloads/DE/Merkblatt/dl_mb_Nachhaltigkeits risiken.html?nn=9021442.

cial system.[440] The Church is a bearer of responsibility, and also of competence, on the financial markets. Church financial officers need to face the challenge to overcome the decoupling of economy and morality within their own organisation and to prove themselves theologically adept on the same (stock exchange) floor as other professionally acting institutional investors. In so doing, they need to take into account the claim that "church action in the area of financial investments should not be in contradiction, but in harmony with God's commandments and the Church's mission"[441]. The following four concrete recommendations to the Church and diaconia result from this insight:

- Reserves for pension payments and pensions are to be invested ethically and sustainably on the financial markets, taking exclusion and positive criteria into account. Securities of issuers are to be excluded if participating in their profits in the form of dividends, interest or price gains is not compatible with the Church's mission and Christian understanding of sustainability. Where it is possible for issuers to be better rated, in terms of ethics and sustainability, the securities of these issuers are to be preferred. These criteria are to be discussed with sustainability experts inside and outside the churches (NGOs, civil society), and also to be published and regularly updated.
- Together with the latter, associations of church investors should conduct exemplary engagement dialogues with the issuers of the securities they hold, with the aim of addressing human rights-related and environmental problems, abolishing abuses and further developing companies towards more social and ecological sustainability. Appropriate engagement platforms for the organisation of these dialogues should be established.
- Churches should also make themselves available as dialogue partners to other financial market actors, in particular regulators, banks, sustainability and financial service providers and, together with them, develop perspectives for more ethical and sustainable capital markets, and encourage them to provide, as well as further expand, a range of services that correspond to the Church's standards. In such a way, the Church's presence within the financial markets can help shape the social debate in an environment that is otherwise difficult to reach via the churches' traditional "communication of the gospel" (Lange).

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440 For the Catholic Church, this demand has recently been raised as a starting hypothesis by: Emunds, Bernhard / Goertz, Stephan (2020): Kirchliches Vermögen unter christlichem Anspruch, Freiburg, p. 9 ff.

441 Evangelical Church in Germany (2019): Guideline for Ethically-Sustainable Investment in the Protestant Church, 4th updated edition, EKD-Texts No. 113, Hanover. German: Evangelische Kirche in Deutschland (2019): Leitfaden für ethisch-nachhaltige Geldanlage in der evangelischen Kirche, 4., aktualisierte Auflage, EKD-Texte Nr. 113, Hannover, p. 7; https://www.ekd.de/ekd_de/ds_doc/ekd_texte_113_2019.pdf.

- Churches should deepen ecumenical and international co-operation at the level of church investor groups. Church investors combine the power of their values with a long-term, cross-generational orientation of their investment strategy and can, working co-operatively, better fulfil their role as a driving force for ethical and sustainable investment.

Churches which follow these recommendations bear Christian witness on the financial markets and are also heard due to their economic and social credibility.

6.1.5 International Financing for Development

The “Financing for Development” process is the only dialogue process under the umbrella of the United Nations that includes international financial institutions such as the International Monetary Fund (IMF) and the World Bank as stakeholders. The private sector and representatives of non-governmental organisations are also included in the consultations.

Under the impact of the Asian financial crisis of the 1990s, which threatened to spread to the USA and EU, the heads of state and institutions committed themselves to mobilising greater financial resources to advance development. The measures adopted at an international conference in Mexico in 2002 shaped the guidelines for development financing in the following years in the form of the “**Monterrey Consensus**”. The broad range of topics still applies today and extends from the mobilisation of national resources (tax systems), public development financing and innovative financing instruments to private investment, digitalisation and debt procedures for states.

A cornerstone of the agenda, however, was the international economic and financial architecture. The mechanisms for steering global economic processes were recognised as essential for the prevention of international financial crises and for sustainable development. Yet, to date, poorer developing countries have been largely excluded from making decisions regarding the financial system regulation under deliberation at the International Monetary Fund and the G20. Accordingly, they have been pushing for increasing involvement in the decisions of the international financial organisations. This has not yet been achieved. Nevertheless, the conference in Monterrey was successful in that the projects for regulating the financial markets were not only discussed at the G20 level, but also at the United Nations in the “Financing for Development” process.

Since the decisions in Monterrey, the global economic and political framework has changed considerably. The consequences of the economic and financial crisis from 2007, as well as advancing climate change, are undoing development successes that have already been achieved.

At a **follow-up conference in Addis Ababa in 2015**, an action plan for financing the Sustainable Development Goals was therefore adopted, in which – at the instigation of the World Bank (Maximising Financing Development) – the support of private investments through public services (blending) and the promotion of public-private partnerships (PublicPrivatePartnerships) were adopted as new sources of financing. There was agreement that sufficient financial resources, clear rules for banks, investors and financial services as well as an equitable international financial system are necessary prerequisites for tackling global environment issues, as well as development problems.

The conference was also to mobilise additional financial resources for the implementation of the new Sustainable Development Goals (SDGs). The agreement thus represented an important milestone for the financing of the Paris climate goals. Above all, the Addis conference decided on structural reforms in the areas of trade, debt, finance and taxation, in the spirit of sustainable development.

However, the Addis Ababa Action Plan formulated little in the way of concrete reform of the global economic and financial system. The low level of political will was, and is, disappointing in view of the enormous global challenges that currently need to be managed, namely overcoming the effects of the corona pandemic, finally eradicating extreme poverty, enforcing social justice and preserving natural resources.

Since 2015, representatives of the global community have met annually at the United Nations headquarters for a five-day discussion forum and discussed the changed framework conditions for development and the question of a more stable and coherent international financial system with the IMF, UNCTAD and the World Bank. Joint agreements are recorded each year in an “Outcome Document”, which is negotiated and adopted by consensus of the international community.

Demands of civil society: These civil society organisations (CSOs) – about 600 international NGOs and networks (CSO FfD Group) – that support the “Financing for Development” process, are calling on the international community to act more decisively, and to strengthen various instruments for financing development. These include the closure of tax havens, the introduction of progressive tax systems in countries where they are currently lacking, an increase in the ODA ratio of official development assistance, the introduction of a comprehensive financial transaction tax, a reform of development banks and higher human rights and environmental standards for private investments, as well as the approval of capital controls and the introduction of a rights-based debt relief mechanism for states. Above all, however, the NGOs call for a long overdue reform of the international financial system.

The first steps are a strengthening of the UN Economic and Social Council (ECOSOC) and the creation of new governance structures with democratic and participatory decision-making processes. The UN Commission of Experts set up during the last major financial crisis under Joseph Stiglitz to reform the international financial and economic system, even proposed the establishment of a Global Economic Coordination Council at UN level. Such a council would be mandated to deal with important issues of economic and financial policy and to draw upon relevant expertise with particular attention to social and environmental factors. Above all, however, the council would have to seek constructive co-operation with the boards of the International Monetary Fund, the World Bank and the G20, and to harmonise their points of view with the interests of the United Nations community of states.

This would require a political process for the development of a norm-based, coherent "general concept of global economic regulations" that includes and links all important bodies and institutions involved in determining the rules of the global financial markets under the umbrella of the United Nations.[442]

6.1.6 FinTech and Digital Finance

The English term FinTech is a collective noun for modern technologies in the financial services sector. The term FinTech is a combination of the words "financial services" and "technology". FinTech also refers to digitalised technologies that can be used to simplify the processing of financial transfers, especially in the sector of mobile communications. New FinTech applications are often combined with new start-ups in the field of financial services. Technology-based financial innovations that exist in the in-

442 Links: UN Financing for Development Process: https://www.un.org/esa/ffd/. Annual "Financing for Development Report" 2020 jointly agreed by IATF (UN, IMF, World Bank, OECD, UNCTAD, UNDP, ILO i. a.): https://developmentfinance.un.org/fsdr2020. Annual Financing for Development Forum: https://www.un.org/esa/ffd/ffdforum/. Internationaler Addis-Abeba-Aktionsplan 2015: https://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf; Gruppe "Finanzierung der Zivilgesellschaft für Entwicklung" (CS FFD): https://csoforffd.org/ und CSO Deklaration: https://csoforffd.files.wordpress.com/2015/07/addis-ababa-cso-ffd-forum-declaration-12-july-2015.pdf.

surance sector (InsurTech), in the area of financial investments, pensions or consulting (but also mobile payment solutions or social trading solutions for the investment sector or for peer-to-peer loans), are among the most dynamic areas of the digital economy. Government development co-operation is sometimes quite euphoric about the chances of participation in FinTech procedures for poorer sections of the population. According to the Reconstruction Loan Corporation (Kreditanstalt für Wiederaufbau; KfW), digitalisation lowers the distribution costs of companies, which enables the “financial inclusion” of poor households. The latter would be desirable – however, the risks of some digital finance projects should be considered.

From the perspective of poverty alleviation, so-called digital finance offers that ostensibly respond to social injustices, yet conserve rather than abolish them, appear questionable. These injustices include the fees charged in many countries of the South for attending schools, whether private or public. According to Human Rights Watch, 264 million children in the countries of the Global South currently attend neither primary nor secondary school, and many more drop out early. One of the main reasons for this lack of education is the unaffordable school fees for many families and other indirect costs for uniforms, books and transport.

With the adoption of the Sustainable Development Goals (SDGs), the United Nations has set itself the goal of providing free access to primary and secondary education worldwide by 2030. The CGAP (Consultative Group to Assist the Poor), a network of financial institutions, development agencies and corporate foundations co-ordinated by the World Bank, is accordingly also concerned with school fees. However, rather than presenting proposals on how to promote free school attendance, it gives examples of how mobile phone operators can make money from compulsory fees.

By way of an example, CGAP points to the Republic of Côte d’Ivoire (Ivory Coast), a country where mobile phone use is very widespread. Here, the fees of almost all secondary school students are now paid via mobile payment services.

A brochure published by GSMA, the global lobby group for mobile phone companies, explicitly praises the Ivorian model as an innovative and lucrative “PublicPrivatePartnership”. In Côte d’Ivoire, several mobile phone providers have introduced the possibility of paying school fees via mobile phone. The Ivorian Ministry of Education pays the mobile phone companies the processing fees for the money transfer. These include the French group Orange, the Etisalat Group from the United Arab Emirates and the South African mobile phone multinational MTN. A prerequisite for the continuation of this business model is that governments continue to charge school fees, i.e. the education deficit remains unchanged.

Digital loans in education: Several companies have now evolved the business of school fees to also offer digital loans in education. One company that is expanding its operations in the African education sector is Fenix International, a subsidiary of the French energy company Engie. Having previously sold solar panels in Uganda on a credit basis, the company is now offering loans to Ugandan families to pay their children's school fees. Fenix International received support from CGAP for the diversification of its business model.

In order to select the applicants to whom Fenix grants its “ReadyPay School Fee Loans”, the company analyses the customer data it has already collected in the granting of solar loans and develops its own credit ratings. The school credits can be applied for, approved and paid off in instalments via mobile phone. The profits from these digitalised school loans flow to the mobile phone companies involved and the French company Engie. This business also relies on the fact that the real social injustice persists and that governments do not achieve the SDG target: free primary and secondary education.

Overall, the digital credit market covers a wide range of consumer loans. Their distribution via mobile phones and smartphones in countries of the South is mostly beyond any regulation. A study on digital credit in Africa and Asia concludes that some countries (including Ghana, Zambia, Indonesia and Bangladesh) are developing licensing procedures for mobile credit intermediation. However, this often only happens after the companies have already become active on the market with their offers and found numerous borrowers. And even if financial market regulations exist for digital loans, there is often a lack of the necessary capacity to control and enforce them.

The deficient consumer protection creates additional poverty risks, since many borrowers fall into the **debt trap**. This is illustrated by a CGAP study on digital loans in East Africa. According to the study, one third of the mobile phone owners surveyed in Kenya and one fifth in Tanzania had already taken out loans via their mobile phones. However, more than half of these people fell behind in repaying the loan, whilst others had to stop paying the instalments altogether. In Tanzania, 31 % and in Kenya 12 % of the clients were unable to repay their loans. Many of the debtors saved on food in order to be able to pay the instalments. A significant proportion said they had neither realised the costs nor understood the terms of the loans they had taken out via their mobile phones.

The indebtedness of the borrowers is not surprising given the **high interest rates** that are often charged on micro-loans. Example: M-SHWARI, which was launched in 2012 by Safaricom, together with the Commercial Bank of Africa (CBA). The loan offer sounds tempting at first: the procedure is convenient and seemingly inexpensive. Instead of applying for the loan at the bank, disbursement and repayment is done via M-Pesa-Wallet. M-Pesa does not charge interest on the loan, but it does charge a set-up fee of 7.5 % of the loan drawn. However, the loan must be repaid after 30 days. An extension of the repayment period by another 30 days is possible – but again costs a fee of 7.5 %. This corresponds to a compound interest of 138 %!

Another common problem with digital finance projects in the countries of the South is the lack of data protection. The fact that the Kenyan company Safaricom, which launched the well-known mobile payment system M-Pesa, has had to answer to the courts since the beginning of 2020, shows how little it takes **data protection** seriously. The prosecution accuses the company of passing on the data of 11.5 million users to credit companies and betting agencies without permission.

6.1.7 FairWorldFonds – A Contribution to the Financing of Sustainable Development

Since the 1990s, investors have increasingly been able to invest their money in sustainability funds with an ecological focus. At the height of the financial crisis in 2007/2008, Bread for the World and the Südwind Institute jointly considered how investments could also be used for development purposes. This gave rise to the idea of a FairWorldFund.[443] What is special about the FairWorldFund is that, in a similar vein to Fair Trade, it has succeeded in aligning international trade relations with ethical standards. Why shouldn't the core concern of Fair Trade, to make economic activities fair and sustainable, also be enforced on the financial markets? Thus, Bread for the World and the Südwind Institute developed the idea of a "fair" investment fund, which was set up in 2010 with partners from Union Investment, KD-Bank and GLS Bank, and which, in addition to ecological and social criteria, is also oriented towards strict development policy criteria.

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443 FairWorldFonds: http://www.fairworldfonds.de/.

The investment criteria[444] were jointly developed in a comprehensive catalogue based on the values of peace, justice and the integrity of creation. Companies with particularly controversial products or business practices are excluded from the fund's portfolio (exclusion criteria). These include, for example, companies that produce armaments or nuclear energy, conduct animal experiments or embryonic stem cell research, as well as countries that systematically violate human rights. From the outset, however, those involved went beyond a purely do-no-harm approach. This means it is not only companies and countries that are questionable in terms of sustainability criteria that are excluded. Rather, investments are also made in securities that make a positive contribution to sustainable development. Bread for the World and Südwind have drawn up positive criteria for this. When selecting the companies in which the fund invests, water treatment plants, generic medical products or telecommunication services that are adapted to the needs of disadvantaged population groups play an important role, for example. The successes of certain countries in the fight against poverty also count particularly positively.

The application of positive criteria distinguishes the FairWorldFund from most other sustainability funds on the financial markets. Another distinguishing feature of the Fair World Fund is the so-called Criteria Committee, which was set up by Bread for the World to monitor the fund and further develop the criteria. The Criteria Committee is made up of renowned development and finance experts, who continuously develop the positive and negative criteria, for example, in line with the UN Sustainability Goals of Agenda 2030 (SDGs) or, in the future, also in line with the requirements of the EU Action Plan on Financing Sustainable Growth. One challenge of the work in the Criteria Committee is to find a sufficient number of companies that meet the requirements of the fund. On the one hand, companies must not violate the exclusion criteria and should contribute to sustainable development. On the other hand, they must fulfil the necessary market criteria, e. g. be large enough and be tradable on the stock exchange. Many listed companies fall out of the portfolio due to a lack of transparency or poor working conditions.

The Criteria Committee meets at least twice a year. For each company that is to be included in the fund, a detailed company profile is prepared by an independent institute (imug)[445] and is then checked to see whether the investment criteria are met. Only then does the Criteria Committee decide on the inclusion of a company within the fund.

444 Cf. Brot für die Welt (publ. 2020): Kriterien: Nachhaltige Finanzen für eine nachhaltige Entwicklung. Wie Geldanlagen entwicklungspolitisch wirksam werden, Berlin; https://www.brot-fuer-die-welt.de/fileadmin/mediapool/2_Downloads/Fachinformationen/Profil/Profil09_Ethisches_Investment.pdf.

445 Imug: https://www.imug.de/.

Last, but not least, the strong sustainability criteria of the FairWorldFund and their constant review have ensured that an innovative project has become a successful model, and a sustainability fund has emerged that combines sustainability and returns in an exemplary manner.

6.1.8 Securitisation and Swaps

Securitisations are used, amongst other mechanisms, to convert loans into tradable securities. Before the financial crisis, the belief prevailed that this could be done in such a way that the creditworthiness of the securities was greater than that of the underlying loans themselves. The construction of these securities was done by special purpose entities set up by banks for this very reason. The private equity industry, hedge funds and other investment banks also played a role as clients and buyers.

Some of the other key players also included, on the one hand, the rating agencies, which provided the ratings of loan tranches, on the other hand, the classic commercial banks, which cleaned up their balance sheets by selling loans to third parties, and finally, the regulators, who set rules that made all these players behave exactly as they did do.

Roughly speaking, securitisation works by first buying several individual loans from the banks, then combining them and bundling them into packages. This removes them from the banks' balance sheets – which opens up opportunities for the banks to make further additional loans. Then the different levels of loss risk contained in the bundled loan packages are sorted and structured. This structuring (or tranching) should improve the saleability of the securitised loan: Securities of varying risks were created that could be sold according to the risk appetite of investors.[446] These supposedly "collaterised" securities were often domiciled in tax havens.

Another financial instrument, the swap on credit default risks, which was offered by investment banks and with which they made a lot of money, also contributed to the inflation of the financial economy. "A swap is a contract between parties who agree to exchange payment claims that they themselves have to make (such as interest pay-

446 Cf. Konrad-Adenauer-Stiftung (2020): Verbriefte und strukturierte Wertpapiere; https://www.kas.de/de/statische-inhalte-detail/-/content/verbriefte-und-strukturierte-wertpapiere.

ments) according to a certain rule."[447] Credit Default Swaps (CDS) are swaps with which the buyer or investor (e. g. a bank) "insures" itself against the default of a third party, whereby its contractual partner is not an insurance company controlled by the financial supervisory authority, but the seller of the swap. The quarterly payments of the buyer are exchanged for the one-time compensation of the seller if the "insured" default of the third party occurs. The bond of the "third party", whose default is at issue, is the underlying asset of CDS, which is therefore a derivative product (cf. Glossary).

Securitisation and CDS, i. e. ultimately the trading of risks, have made a significant contribution to increasing the volume of the financial economy in comparison with the real economy. However, neither securitisations nor swaps create value, they are economically a zero-sum game in which the risks, that are well hidden within the complicated models, suddenly came to light in the financial crisis and unfolded their devastating effect, which the experienced investor Warren Buffet had reason to compare to that of weapons of mass destruction. These fatal procedures were made possible and legalised by the regulators in order to promote innovation and start-ups, i. e. to give access to capital to those who would not have received it from the banks as borrowers.[448]

The problem, however, was that apart from the providers, hardly any of the actors involved (neither the regulators nor the buyers of the securities) understood and were able to gauge the potential danger that this posed to the global economy and the common good.

6.1.9 Financial Markets and Speculation

Financial markets support the real economy in various functions:

- On the one hand, in their allocative function, they bring actors with savings together with those players seeking finance to make investments;
- Secondly, financial markets provide the means of payment to enable international trade flows: The cross-border sale or purchase of goods and services is matched by the purchase or sale of foreign exchange so that trade can take place.
- Finally, they provide transformation services, namely spatial, temporal (maturity transformation), quantitative (lot size transformation) and risk transformation.

447 Münchau, Wolfgang (2008): Vorbeben. Was die globale Finanzkrise für uns bedeutet und wie wir uns retten können, München, p. 72.

448 Cf. loc. cit., p. 95 ff.

In the basic case, supplier A in country C finds a buyer B in country D for his goods G. He gives him the goods in which B is interested and, depending on the contract, receives a sum of money from B in return, which is invoiced in the domestic currency of country C or country D. Whoever has the foreign currency position – which for A would be the currency of country D and for B, the currency of country C – will then make a second transaction on the financial markets to exchange foreign currency for the domestic currency. Whether the transaction is lucrative for A or B thus depends not only on the price of the commodity G, i. e. on supply and demand, but also on the exchange rate between the currency of country C and the currency of country D, i. e. on the supply and demand of the two currencies involved on the financial market.

To facilitate transactions on the financial markets, three different mechanisms take place, which also strongly influence the determination of exchange rates:

- **Arbitrage** is the balancing of markets in different places. If the currency of country C is cheaper in country C than in country D, measured in units of country D's currency, then immediate movements from the market for foreign exchange in country C to the market in country D will occur in an attempt to sell the currency of country C in country D. The movements of supply and demand will lead to a decrease in the exchange rate in country D due to the increase in supply, and conversely to an increase in country C due to the shortage of supply. This is not very different from the price of potatoes, for example, which can differ in neighbouring cities in the short term. "Potato arbitrageurs" would lead to an equalisation of prices by transporting the goods from one city to the other, at least until the transaction costs – i. e. the transport costs of the potatoes – prevent a further price equalisation.
- **Hedging** refers to financial market transactions that make exchange rates more calculable in a longer-term perspective. Assuming that supplier A in country C has a buyer B in country D, and that the contract is concluded now, but the delivery date of the goods, and also the payment, is agreed for the future – six months is chosen here as an example. In order to be able to calculate with certainty, the contractual partner who accepts the foreign currency position would need to know now what the non-domestic currency will cost on the financial market in six months' time. Hedging in the optimal case means that two people, one from country C and one from country D, can be found on the financial markets: A would like to deliver an expensive machine to B in six months and an imaginary person E in country D wants to sell soy flour or bananas to person F in country C. Both persons will find the same price on the financial markets. Both persons thus find on the foreign exchange market a demand that corresponds to the supply of foreign exchange they will have in

six months' time; the trade becomes possible when both agree on the foreign exchange market today with regards to their supply and demand in six months' time.

- So what happens if there is no suitable offer from the real economy on the foreign exchange markets? This problem can be solved by **speculation**, namely if someone can be found on the financial markets who is prepared to take an "open position": either to buy foreign exchange in six months' time at a price that is not yet known today but is contractually agreed, or to deliver foreign exchange in six months' time that is not yet in the possession of the person who is, today, contractually obliged to deliver it in six months' time. The speculator hopes for price movements on the current "spot" markets that will make this forward transaction profitable: When buying foreign exchange, the spot market price would need to rise above the price agreed six months earlier on the futures market; when selling foreign exchange, it would need to fall. The matter is a little more complicated: even on the time-staggered futures markets – one month, six or twelve – there is supply and demand and thus equilibrium prices in each case, and there are always arbitrage movements that bring the prices on different international exchanges into balance.

On futures markets, there are often **purely speculative transactions**, in which, again, two imaginary individuals, G and H, meet, both of whom have exclusively open positions: G, for example, sells a currency with a payment deadline set for six months' time, which he does not have, to H, who does not need this currency. Both come together, because they have different expectations of the development of the spot market price on the financial markets. Although this type of transaction now predominates on the financial markets in quantitative terms, it should not be forgotten that the form of speculation described above assumes a risk position as a counter-position to hedging, and thus makes a safe transaction possible for the hedger in the first place. Without this mechanism, many transactions, especially long-term ones, would not be undertaken.

Even in the case of "pure" speculation, a positive effect can still be described, although its effect is often masked by the actual speculative markets (see below). Speculation with open positions is only successful if the price expectations they translate into financial market transactions, then occur in reality. Those who frequently have false expectations or make predictions that do not materialise will lose money and will not be able to stay in the market. Speculation in these markets, if successful, leads to prices that will occur in the future "anyway" due to the real development of markets being brought forward a little; necessary price adjustments in the future simply happen a little faster and better.

However, this statement, which is made on the basis of the assumptions of the "pure" speculation model, is, in reality, somewhat questionable for two reasons.

- On the one hand, speculative movements can increase the level and speed of price fluctuations, i. e. the so-called volatility of the markets increases as a result of speculation, especially in times of uncertainty. However, the frequency and magnitude of price fluctuations, in turn, determine the uncertainty in the real economy: Producers find it less attractive to increase their supply when prices fluctuate strongly. Speculation can therefore intensify a recession in uncertain times.
- Secondly, it is still empirically disputed whether it is possible, in the long run, to influence prices in the real economy for a length of time by steering substantial speculative movements in the direction that the speculator specifies. However, even if this thesis could be refuted, the effects on the real economy would still be quite considerable, so that even short- and medium-term price changes caused by speculation would at least be questionable in their economic effects. Even for this reason alone, regulation of the financial markets to curb speculation would be extremely helpful. Such regulations will not be able to prevent financial crises, but regulations are needed to reduce exposure to crises.

From this perspective, speculation is nothing more than the procurement of liquidity, and thus a normal case of financial transactions. The financial derivatives that emerged in the 1980 s were intended as a means of payment and securitisation. Speculation was redefined. It did not stand for uncertainty, but was meant to transform an uncertain future into a secure present. From this point of view, it is rather the one who does not hedge by securitisation, since he does not speculate, who can be defined as a speculator in the sense of an adventurer or a friend of risky bets. As a result, the chain dynamics of "pure" speculation in these securitisations on the financial markets meant that available capital could no longer be distinguished from "pure imagination".[449]

6.1.10 The German Banking System

In comparison to other countries in Europe, the banking system in Germany is exceptional in that it consists of three pillars: credit or private banks, public savings banks and co-operative banks.[450] For centuries, banking transactions were offered and pro-

449 Cf. Vogl, Joseph (2011/2012): Das Gespenst des Kapitals, Zürich, p. 95, 171.

450 Cf. in the following: Scholtes, Brigitte (2020): Deutsches Bankensystem. Ein Sonderfall mit unklarer Zukunft, in: Deutschlandfunk am 09.03.2020; https://www.deutschlandfunk.de/deutsches-bankensystem-ein-sonderfall-mit-unklarer-zukunft.724.de.html?dram:article_id=472071.

cessed exclusively by rich private bankers. A number of small private banks still exist in Germany. 150 years ago, large or joint-stock banks such as Deutsche Bank and Commerzbank, which also belong to the private credit institutions, were established. At that time, much larger banks were needed to finance and support the growing industrial and commercial enterprises, even abroad.

The savings banks, as the second pillar, began their business at the end of the 18th century and were founded to encourage citizens to save and to give those who had no possibility of keeping their money safe the opportunity to do so at a publicly protected institution.

The third pillar consists of the co-operative banks, which began to offer help for self-help as a collective at the beginning of the 19th century in view of the credit shortage of small farmers and tradesmen (cf. chapter 2.7). The controlling institutions of the savings banks are the federal state banks, the central bank of the co-operative banks is the DZ Bank. Both bank groups are not primarily profit-oriented. In order to be granted the title of a “savings bank”, a mission statement that is “oriented towards the common good” is required,[451] whilst co-operative banks (Volksbank and Raiffeisenbank) are committed to the co-operative values of solidarity and subsidiarity, as are church banks and many sustainable banks.

Nevertheless, the co-operative banks are currently the most profitable banking group in Germany. In 2018, their profit after tax was 5.4 billion euros:

> *A profit that the two big banks can only dream of. … BVR President Marija Kolak describes the co-operative banks’ recipe for success as follows: “It is very much the proximity to our members, the profound understanding of the individual regions. Our banks are local. If the region is doing well, the members are doing well, too. And that is our promotional mission, to then also support these members in the region in the best possible way.” The co-operative banks (Volksbank), but also the savings banks themselves, have fulfilled this mandate during the financial crisis. Unlike the big banks, they did not restrict lending, but even expanded it.*[452]

451 Cf. Deutscher Bundestag – Wissenschaftliche Dienste (2018): Gemeinwohlorientierung von Sparkassen, Berlin; https://www.bundestag.de/resource/blob/572608/5ceffcd12ee9ec544cddca9a36140eb2/WD-4-121-18-pdf-data.pdf.

452 Scholtes, Brigitte (2020): Deutsches Bankensystem. Ein Sonderfall mit unklarer Zukunft, in: Deutschlandfunk am 09.03.2020; https://www.deutschlandfunk.de/deutsches-bankensystem-ein-sonderfall-mit-unklarer-zukunft.724.de.html?dram:article_id=472071.

Savings banks and co-operative banks were and are closely tied to the respective regions, which corresponded to the regionalism in Germany at the time of their creation. They thus correspond to the decentralised economic and corporate structure which found its expression in the small and medium-sized businesses in Germany. These are, as is the banking system, a German peculiarity.

The different German system is a problem for the EU and its efforts towards uniform banking regulation and a banking union after the financial crisis. Savings banks and credit co-operatives complain that they have to comply with the same regulatory requirements as all major European banks, despite having their own security systems. Although the regionally oriented banks have proved to be advantageous in the financial crisis, the fragmentation of the banking market in Germany has some disadvantages, especially with regards to prices for customers and the profitability of the entire sector. The low profitability of banks can jeopardise financial stability by making it more difficult to build up equity and, at the same time, increasing the incentives to take on higher risks.[453]

6.1.11 Financial Transaction Tax (FTT)

In principle, a **Financial Transaction Tax** works like a value-added tax on banking transactions. There are different approaches: A foreign exchange transaction tax refers only to speculation with foreign exchange (international transactions between currency areas), a stock exchange transaction tax focuses on the turnover at a specific financial centre. A general tax on financial transactions aims to ensure that transactions in all areas susceptible to speculation (currencies, shares, derived securities, i. e. derivatives, commodities, real estate, food) are subject to a tax. Since share ownership is less common among the lower income groups, the introduction of a share tax and even more of a Financial Transaction Tax (FTT) would have a distributive effect. The wealthier would contribute more to the general tax revenue.

With the comprehensive Financial Transaction Tax, the state imposes a minimal tax on trading in almost all financial products. Tax rates of 0.01 to 0.5 % are envisaged. Depending upon the tax rate and the estimate, the tax would bring in several billion euros for the German state. The money raised in this way could be used for the

453 Cf. Sachverständigenrat zur Begutachtung der gesamtgesellschaftlichen Entwicklung (2019): Banken vor zyklischen und strukturellen Herausforderungen, Jahresgutachten 2019/2020, Chapter 4, p. 215; https://www.sachverstaendigenrat-wirtschaft.de/fileadmin/dateiablage/gutachten/jg201920/JG201920_04_Finanzmarkt.pdf.

common good, such as fighting poverty, financing development or protecting the environment.

In addition, it should slow down speculation on the financial markets. This is because the strong liberalisation of recent years has permitted particularly high-risk financial market products, and the complexity of these products has grown steadily, as has the speed at which transactions are processed. John Maynard Keynes advocated the introduction of a tax against currency speculation as early as 1936, as did his follower James Tobin in 1972. The idea is to “throw a spanner in the works” of excessive transactions by paying a certain tax rate for each transaction, which would be calculated according to the tax rate, the amount traded and the frequency of the transfers. Certainly, this task must be designed in such a way that it makes risky high-frequency trading moderately expensive and unprofitable. Therefore, the tax rate must be relatively low so that high costs only arise when large sums are traded speculatively (such as in algorithmic trading). The rate must be designed in such a way that the tax has the intended effect on high-frequency and algorithmic trading and does not impede long-terms asset accumulation, for example for the retirement provision of private investors and pension funds.

In 2011, the EU Commission presented a proposal for a directive to introduce a Financial Transaction Tax in the 27 member states of the European Union.[454] The tax should be levied on all transactions relating to financial instruments carried out between financial institutions, provided that at least one party to the transaction tax is domiciled in the European Union. Trading in shares and bonds should be taxed at a rate of 0.1 % and derivative contracts at a rate of 0.01 %. So far however, there is no comprehensive taxation of trading across all financial products. The most common objections to the tax pertain to a possible relocation of financial transactions to financial paradises. However, these concerns have already been dismissed as being exaggerated by Prof. Dr. Paul Bernd Spahn in 2002, in his study for the Federal Ministry for Economic Cooperation and Development.[455] London is the best proof of this: despite a transaction tax (stamp tax) of a comparatively high 0.5 %, it has remained the world’s largest financial centre. However, in the UK, it is only the trading in domestic

454 Cf. Europäische Kommission (2011): Vorschlag für eine “Richtlinie des Rates” über das gemeinsame Finanztransaktionssteuersystem und zur Änderung der Richtlinie 2008/7, Brüssel; https://ec.europa.eu/transparency/regdoc/rep/1/2011/DE/1-2011-594-DE-F1-1.pdf.

455 Cf. Spahn, Paul Gerhard (2002): Zur Durchführbarkeit einer Devisentransaktionssteuer. Gutachten im Auftrag des Bundesministeriums für Wirtschaftliche Zusammenarbeit und Entwicklung, Bonn; https://www.wiwi.uni-frankfurt.de/professoren/spahn/tobintax/.

shares that is taxed, which is why the Stamp Tax is not a suitable model for a Financial Transaction Tax that curbs short-term, speculative trading.

Reasons for a Financial Transaction Tax: A Financial Transaction Tax has a targeted steering effect on the financial markets, since short-term speculation geared towards speed has no benefit for the global community and becomes more expensive and thus less attractive. This includes, above all, speculation in the area of high-frequency computer trading. After the introduction of the Financial Transaction Tax, financial market players would rather be encouraged to concentrate once again on long-term, public welfare-oriented investments. The small investor would hardly be affected by the tax, nor would medium- and long-term investors who serve the common good. The counter-argument is that a Financial Transaction Tax would lead to greater volatility since transactions would only be made when the tax margin is exceeded.

Moreover, the Financial Transaction Tax would be a way towards greater tax fairness. Whilst a value-added tax must be paid on all products and services, there is no comparable taxation on the financial markets, i. e. the profits from substantial financial speculations remain untaxed. In addition, the tax would provide the tax authorities with important information on the owners of large financial assets and thus help to combat tax avoidance. Moreover, despite the low percentage, the tax could generate billions of dollars in revenue that could be used for global poverty alleviation and climate protection.[456]

The EU project of enhanced co-operation on FTT: In January 2013, the finance ministers of the European Union cleared the way for the introduction of a Financial Transaction Tax by those states that are willing to implement it within the framework of the so-called "enhanced co-operation". These are ten European states that together account for about 60 % of European economic output. The Financial Transaction Tax was seen as a political response to the global financial crisis and was intended as an instrument to distribute its burdens more fairly. The sales tax on financial transactions was designed to make banks pay and, at the same time, curb high-risk transactions such as the rapid electronic trading in securities.[457]

456 Cf. Steuer gegen Armut (n.y.): Für Einnahmen, Nürnberg; https://www.steuer-gegen-armut.org/steuer-gegen-armut/fuer-einnahmen.html.

457 Further to the debate within the EU on the FTS and political development, see: Steuer gegen Armut (n.y.): EU-Legislativvorschlag und Folgenabschätzung, Nürnberg; https://www.steuer-gegen-armut.org/politisches/europa/folgenabschaetzung-legislativvorschlag.html.

The Financial Transaction Tax in this "enhanced co-operation" was actually supposed to be adopted at the ECOFIN meeting, on 17 June 2016, in Brussels. However, the date was repeatedly postponed due to political difficulties and pressure from the financial industry.

On 3 December 2018, Germany and France finally agreed to abandon the originally planned comprehensive Financial Transaction Tax with a broad tax determination base that would include foreign exchange trading. Instead, however, the new plan only provides for a slimmed-down share tax, which is based on the design already in place in France. Unfortunately, this would exempt about 90 percent of financial transactions. Although about 40 countries worldwide have already introduced such a share tax, it lacks the progressive potential of the original version: namely, the regulatory effect and the substantial revenue to finance public goods. However, there has been no agreement on this reduced form of the tax either.

Within the framework of the German EU Council Presidency 2020, Finance Minister Olaf Scholz made a new push to advance the share tax within the framework of the enhanced co-operation of the ten EU states. He is striving for a compromise solution in which 0.2 % of the business value would be taxed on the purchase of shares in large corporations. This would provide the German state with an additional 1.5 billion euros in revenue per year.[458] Competition with London, after Brexit, as a financial centre is another important factor.

In November 2020, the European Council and the European Parliament agreed on the Multiannual Financial Framework (2021–2027) and the so-called recovery fund ("Next Generation EU"). For the first time, the EU will raise money on the financial markets to finance the recovery. To support the repayment of the funds raised, new equity capital will be introduced to complement the contributions of member states to the EU budget. The Commission is required to present proposals for a CO2-border adjustment system, a digital levy and a new equity capital category based on the emissions trading system. Other proposals for generating new equity capital include a Financial Transaction Tax.

458 Links: Video on the Financial Transaction Tax by Heike Makatsch and Jan Josef Liefers: https://vimeo.com/24566064; Die deutsche Kampagne "Steuer gegen Armut": https://www.steuer-gegen-armut.org/. Die häufigsten Fragen zur FTS: https://www.steuer-gegen-armut.org/steuer-gegen-armut/frage-antwort.html.

6.1.12 EU Taxonomy Regulation

The Taxonomy Regulation, approved by the EU Parliament in December 2019, establishes a general framework to develop an EU-wide classification system for ecologically sustainable economic activities. The regulation does not establish an exhaustive list of environmentally sustainable economic activities, but defines, for eight sectors, the conditions under which activities can be considered climate-friendly. This will be extended to other environmental issues in a second step. The classification system will provide the EU, its members states, market actors and consumers with the following:

- a common understanding as to which economic activities can be clearly considered to be environmentally sustainable;
- protection from greenwashing, also for private investors, by preventing claims of environmental friendliness and resilience of products, targets or policies, when they are factually untrue;
- a means to facilitate cross-border investments and counteract market fragmentation;
- a solid foundation from which to orient capital flows more directly towards sustainable investments, to manage financial risks resulting from climate change, environmental destruction and social problems, to increase transparency and to give finance and the economy a long-term perspective through appropriate standards, labels and changes to prudential regulations in the future.

The Taxonomy Regulation establishes six environmental objectives[459]

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

There are four conditions that economic activities must meet in order to qualify for the classification:[460]

459 Cf. Europäische Kommission (2019): Fragen und Antworten: politische Einigung auf ein EU-weites Klassifizierungssystem für nachhaltige Investitionen (Taxonomie), Brüssel; https://ec.europa.eu/commission/presscorner/detail/de/qanda_19_6804.
460 Cf. ibid.

1. they make a significant contribution to at least one of the six environmental objectives listed above;
2. they do not cause significant harm to the other environmental objectives;
3. they fulfil sound technical evaluation criteria that are based on science;
4. they comply with minimum standards on social and governance aspects, namely the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises.

Three types of environmentally sustainable business activities are recognised:[461]

1. activities that, by virtue of their characteristics, contribute significantly to one of the six environmental goals;
2. transitional activities: These are activities for which there are no technically and economically feasible low-carbon alternatives and which contribute to a transition to a carbon-neutral economy, such that limiting the temperature increase to 1.5 °C compared to pre-industrial levels becomes possible (e.g. by phasing out greenhouse gas emissions).
3. support activities: These allow other activities that make a significant contribution to one or more of the objectives. Activities related to electricity generation from solid fossil fuels are explicitly excluded.

From December 2021, the scheme must be adopted by the following actors:[462]

- Member states and the EU making any declaration that public policies, standards or labels for financial products or corporate bonds offered by financial market participants or issuers are environmentally sustainable;
- Financial market participants offering financial products. In the case of investments in **non**-taxonomy compliant activities, the financial market participant must state in a declaration that the investments of the product concerned do **not** take into account the EU Taxonomy Regulation.
- For sustainable financial products, the proportion of investments that are taxonomy compliant must be published.
- Financial and non-financial companies that fall within the scope of the Non-Financial Disclosure Directive must disclose how, and to what extent, the com-

461 Cf. ibid.
462 Cf. ibid.

pany's activities are linked to environmentally sustainable economic activities.[463]

- The dispute between Germany and France on whether climate-neutral nuclear power plants should be classified as "green" has been postponed.

6.1.13 Shadow Banks

The term "shadow banks" with its conceptual proximity to the "shadow economy" suggests activities on the edge of legality, which is, however, not factually justified.

The term "shadow banking sector" refers to a segment of the financial market that encompasses alternative financing and credit intermediation outside the regular banking system. Shadow banking activities account for about one third of the financial sector worldwide, and the same is true in Germany, so their importance should not be underestimated, also as regards the financing of the real economy.

Shadow banks collect money from various sources and then either lend it to others or invest it themselves. However, they cannot create money like banks (cf. background information on "Money Creation") and also do not have direct access to central bank liquidity. Therefore, it is more difficult for shadow banks to balance short-term liquidity fluctuations. Finally, the liabilities (accounts and deposits) of shadow banks are less well protected by government protection schemes.

The main players in the shadow banking sector are money market funds, investment funds that use leverage (such as hedge funds), securitisation companies and securities dealers. Shadow banking activities also include other alternative forms of lending, for example microfinance, i.e. lending or loan guarantees to small businesses, loans between private individuals and other forms of personal lending.

Processes of credit intermediation in the shadow banking sector are typically characterised by the fact that short-term lending or borrowing enables the granting of longer-term loans or investments in less liquid assets. This results in maturity, liquidity and credit transformation. Thus, shadow banks make a significant contribution to financing the activities of companies worldwide, especially small and medium-sized enterprises and start-ups, but also municipalities, for example.

463 Cf. ibid.

Large shadow banks can pose considerable risks to the stability of the financial markets if they are not adequately regulated and supervised, which was particularly evident during the financial crisis. Due to the diversity of the non-banks subsumed under the collective term “shadow banks”, however, a uniform regulatory approach is not expedient. Even a simple application of the capital requirements of the banking sector to all shadow banks does not do justice to the different business models and risks. Nevertheless, it is necessary (according to the FSB in Basel), that the activities and risks of the shadow banking sector – especially those that pose material risks to financial stability – are systematically recorded, regulated in a much stronger way, and placed under supervision.

6.2 Glossary[464]

Allocation – the allocation of scarce goods to different uses. In asset investment, this means the allocation of assets to different asset classes.

Arbitrage – the balancing of markets at different *locations* with the intention of making a profit for the buyer and, as the arbitrageur, for oneself through the discovery of more favourable prices. The exploitation of *temporal* price differences is referred to as → speculation.

Assets under Management – an important financial indicator for the size and market penetration of investment companies, insurers, asset managers and banks.

Banking supervision – helps ensure that the banking system is efficient and stable by monitoring the business activities of credit institutions. Since the ECB took over responsibility for the Single Supervisory Mechanism (SSM) in 2014, it has been the central banking supervisor in the euro area. It directly supervises the banks that are classified as “significant”. The national supervisory authorities, which in Germany is mainly the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht; BaFin), are also part of the SSM and support the ECB. In addition, they are responsible for the supervision of the remaining institutions.

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464 Based on the Glossary in: Evangelical Church in Germany (2019): Guideline for Ethically-Sustainable Investment in the Protestant Church, 4th updated edition, EKD-Texts No. 113, Hanover. German: Evangelische Kirche in Deutschland (2019): Leitfaden für ethisch-nachhaltige Geldanlage in der evangelischen Kirche, 4., aktualisierte Auflage, EKD-Texte Nr. 113, Hannover; https://www.ekd.de/ekd_de/ds_doc/ekd_texte_113_2019.pdf.

Basel I to III – also known as the Basel Framework, comprises Standards I to III of the Basel Committee on Banking Supervision. The aim is to improve the stability of the financial sector, essentially by increasing the minimum capital requirements for banks.

BEPS – Base Erosion and Profit Shifting; the reduction of taxable bases and the shifting of profits across borders.

CDP – formerly the Carbon Disclosure Project; an investor initiative with the aim of publishing environmental data such as greenhouse gas emissions and water consumption. Once a year, the CDP uses standardised questionnaires to collect data and information from companies on a voluntary basis, assessing CO2 emissions, climate risks, targets and strategies for the reduction of harmful effects on the environment.

CDS – Credit Default Swaps. With a CDS, a → derivative, the credit risk is detached from the underlying credit transactions; CDS are considered to be the "fire accelerator" of the financial crisis of 2007/2008.

Corporate Governance – responsible corporate management and control.

Counterparty risk – default risk of the contracting party, especially the → issuer

Cum-**Ex** – tax fraud which was handled, in the majority of cases (there were sub-cases also referred to as cum-cum), by three banks, which shared the spoils of the illegally acquired tax refund: a foreign → short-seller, a domestic bank as buyer and a third foreign bank, which resold the shares. The sales object were shares in German companies with (cum) and without (ex) dividend entitlement.

Debt capital – Debt capital providers are creditors who, as banks or investors, enter into a debt obligation with a company and receive interest for the capital provided for a limited period of time, which must be repaid. In the company balance sheet, debt capital is shown as liabilities on the right-hand side of the balance sheet and reduces → equity. On the financial markets, → issuers such as companies and governments issue bonds in order to obtain debt capital.

Derivatives – financial instruments, the price or rate of which is derived from the (price-)development of the → underlying asset on which they are based.

Divestment – If an investor applies → exclusion criteria to securities in his portfolio, this is referred to as divestment (disinvestment). The corresponding securities (e. g. from issuers that produce coal) are sold to other investors who do not apply corresponding exclusion criteria.

(Effective) tax rate of a company – the proportion of taxes in pre-tax profit and thus a measure of the minimisation of tax payments.

Engagement – abbreviated version of shareholder engagement. In addition to exclusion and positive criteria, engagement is an instrument of ethical and sustainable investment that is steadily gaining in importance as a way in which an investor can exert active influence on the companies whose securities they own. Engagement is exercised in the form of dialogue with companies and through shareholder voting rights.

Equity – net assets calculated as the difference between assets (on the left side of the balance sheet) minus debts (→ debt capital). The higher the equity of a company, the greater the value for the owners. In the case of an AG, the equity divided by the number of shares results in the book value per share, which, in relation to the purchase price, represents an important key figure in the price-to-book ratio. Investors can participate in the company and its profit and loss either as equity investors (e. g. as shareholders in the form of dividends), which usually entails both liability and participation in management (the latter is the basis of → (shareholder) engagement), or else the investors act as debt capital providers.

ESG – acronym for Environmental, Social, Governance; this usually refers to the sustainability aspects of ethical and sustainable investment.

EU-Taxonomy – The Taxonomy Regulation, approved by the EU Parliament in 2019, establishes a general framework to develop an EU-wide classification system for environmentally sustainable economic activities. The regulation does not establish an exhaustive list of environmentally sustainable economic activities, but provides a general basis for defining “environmentally sustainable” economic activities.

Exclusion criteria – an instrument of ethical and sustainable investment used to filter out the individual securities that are to be excluded from a so-called investment universe (totality of all possible investment opportunities). The exclusion criteria relate to the → issuers of securities, e. g. companies (shares and corporate bonds) and governments (government bonds).

Financial Transaction Tax (FTT) – The call to introduce a Financial Transaction Tax is primarily linked to the goal of curbing high-frequency trading. Huge sums of money are moved within milliseconds in order to both provoke and exploit price fluctuations and price differences. Due to the extremely unbalanced ratio of very high turnover and low profit, a tax of less than 0.1 % would presumably already lead to making high-frequency trading unattractive.

FinTech – The term FinTech is a combination of financial services and technology, and refers to companies that offer specialised financial services with the help of modern technology.

Forward transaction – purchase or sale in which performance is not effected until a later point in time; if, however, delivery/service is effected immediately, this is referred to as → spot transaction.

FSB – Established by the G20 in 2009, the Financial Stability Board is tasked with identifying weaknesses in the international financial system, submitting proposals for their elimination and monitoring the implementation; it is particularly concerned with proposals for the regulation of → shadow banks. Members of the FSB, which is regarded as the hub of the international financial stability discussion, include central banks, finance ministries and supervisory authorities from the G20 countries, as well as Hong Kong, the Netherlands, Spain, Singapore and Switzerland, the European Central Bank, the European Commission, and all bodies and organisations significantly involved in the global financial stability analysis and regulatory discussion.

Gini coefficient – statistical measure of the inequality of income distribution in a country; a value of 0 means total equality, a value of 1 means that the entire income of the national economy is attributed to an individual. Multiplied by 100, the result is the Gini index, which is expressed as a percentage.

Great Transformation – originally the title of a book (The Great Transformation) by Karl Polanyi (1944). The German Advisory Council on Global Change (Wissenschaftliche Beirat der Bundesregierung Globale Umweltveränderungen; WBGU) published its main report in 2011, "World in Transition: A Social Contract for a Great Transformation". In it, the WBGU justifies the necessity of a post-fossil-nuclear economy, at the same time demonstrating the feasibility of the turn towards sustainability and presenting ten concrete packages of measures to accelerate the necessary transformation.

Green bond/social bond – a project-linked bond (→ debt capital) in which the → issuer uses the proceeds from the issue to finance projects that meet certain environmental or social criteria.

Green Deal – an EU strategy, unveiled in 2019, with the aim of becoming the first climate-neutral continent by 2050. The transition to a modern, resource-efficient and competitive economy is to be shaped by a roadmap of measures that also shows which investments are required and how they can be financed, leading to an economy in which: no net greenhouse gas emissions are released by 2050; economic growth is decoupled from resource use; and no one, neither people group nor region, is left behind.

Global Compact – The United Nations Global Compact is the world's largest initiative for responsible corporate governance. Based on ten universal principles and the Sustainable Development Goals, it pursues the vision of an inclusive and sustainable global economy for the benefit of all people, communities and markets, today and in the future. The four thematic focal points are human rights, labour standards, the environment and the prevention of corruption. The initiative does not see itself as a certifiable standard or a regulatory instrument, but as an open forum to initiate processes of change and share ideas.

Hedge funds –Investment funds that use flexible investment methods and the possibility of → leverage or short selling in an attempt to generate profits. They have great freedom of investment, which is why, from an ethical and sustainable point of view, attention must be paid to the transparency of the investment process as well as the domicile and tax treatment of the hedge fund.

Hedging – (originally: "to fence in with hedges that protect against the wind.") The term generally refers to financial market transactions to hedge prices, exchange rates or interest rate risks. The risk of one transaction is offset by the opportunities of the hedging transaction.

High Frenqeuntly Trading– (high-frequency trading) off-exchange trading of securities carried out automatically and exclusively by computers. This fully automated trading is problematic, i. e., because it creates artificial instability on the financial markets, which can lead to massive price collapses – so-called "flash crashes".

Infungibility – inalienability; the opposite is exchangeability.

Intermediary – a mediator between different actors.

Leverage – An approach often pursued by → hedge funds to increase the total return on an investment by taking out loans in addition to equity, which is successful if the investor can borrow capital at more favourable conditions than the investment achieves in terms of total return on capital. The greater the debt, the greater the total return. However, at the same time as the chances of profit increase, the risk of high losses also increases, as the leverage works in both directions.

Liquidity – "solvency"; in the → magic triangle: a measure of how quickly an invested amount can be exchanged back into cash/bank deposits; in derivative transactions: the holding of cash/bank deposits.

Magic triangle – the term used to indicate that the three economic objectives of a financial investment (security, return → liquidity) cannot be maximised at the same time. Every investor has to make a weighting and, as an ethical and sustainable investor, they will also consider non-economic goals (e.g. social, environmental and climate compatibility, intergenerational justice).

Money creation – Money is created by the banking system, i.e. on the one hand, by central banks such as the ECB and the German Central Bank and, on the other hand, by commercial banks. Both central banks and commercial banks create money in two ways: lending and asset purchases (mainly securities purchases).

Mutual/special funds – investment funds that are, in principle, open to all investors. Shares in special funds, on the other hand, may only be acquired by institutional investors.

Offshore financial centre – also known as a tax haven: a financial centre outside the usual legal norms, characterised by low taxation, a high degree of intransparency and a low level of → banking supervision and regulation.

Open/closed funds – open funds are investment funds that enable many capital investors to participate in larger investments even with relatively small amounts of capital. The issued share certificates can, in principle, be traded at any time. Closed-end funds offer investors the opportunity to participate in certain projects, but are often limited in the number of investors and the tradability of the shares.

Positive criteria – criteria used to assess → issuers of securities in the same way as → exclusion criteria, and to enable an investor to identify and give preference to those investment opportunities of the same type that are better suited to his ethical and sustainable investment objectives.

Private equity – equity capital in which the investment made by the → equity investor is not traded on stock exchanges such as shares. If the capital is made available to young, innovative companies, or if there is a high risk (with correspondingly high growth opportunities), this is also referred to as venture capital.

PublicPrivatePartnerships (PPP) – Public-private partnerships are co-operations between the public and private sectors in the design, planning, construction, financing, management, operation and exploitation of public services that were previously provided solely under state responsibility.

Research – English term for financial analysis. Companies and capital investments are examined by specialised companies or individuals for certain aspects, the results of which form the basis for an investment decision.

Securitisation – conversion of non-tradable receivables into tradable (fungible) securities.

Shadow bank – (NBFIs: non bank financial institutions); shadow banks collect money from various sources in order to lend it to others, or to invest it themselves. However, they cannot create → money like banks and they also do not have direct access to central bank liquidity.

Shareholder – the owner/stockowner or equity holder, i. e. → equity investor.

Short selling – sale of → underlying assets that are not owned by the seller when the sales agreement is entered into.

Speculation – speculation for a rise (bull speculation) or a fall (bear speculation) in prices, rates and interest rates (bear speculation is only possible by concluding a → forward transaction). Speculation anticipates future developments and can fulfil economically useful tasks. However, speculation can induce price movements that lead to disruptions in the capital market and, in extreme cases, can be the triggering moment for a stock market crash.

Spot market – market on which supply and demand of → spot transactions meet, the counterpart to markets for → forward transactions.

Spot price – the price currently paid for immediate delivery.

Stakeholder – entitled parties of a company (including → shareholders), i. e. employees, customers, suppliers, but also local residents, communities in which company sites are located, and society as a whole.

Stranded assets – assets that drastically lose value before the end of their planned useful life, become completely worthless or lead to liabilities that have not been calculated for. Similar to → divestment, the term comes from the field of fossil fuel extraction. Fossil fuels must remain in the ground because otherwise the 1.5- or 2-degree-target would no longer be met; however, the term can be applied to other areas.

Sustainable Development Goals (SDGs) – Agenda 2030 was adopted by all UN members states in 2015 and applies to all countries in the world: developing countries, emerging economies and industrialised nations. At its core is a catalogue of 17 Sustainable Development Goals (SDGs), which, for the first time, take equal account of all three dimensions of sustainability – social, environmental, and economy.

Swap – contract brokered by swap dealers between parties who agree to exchange payment claims that they themselves have to make.

Underlyings – securities, reference values (interest rates, indices, etc.) or traded items (commodities etc.), the (price) developments of which determine the prices of derivatives.

Volatility – the fluctuation of a time series around its mean value. In terms of financial stability, a distinction is made between a volatility level that corresponds to functional price changes under regular market conditions and harmful excess volatility.

Wirecard – an insolvent payment services company (→ FinTech) that was responsible for one of the biggest financial scandals in post-war Germany with a billion-dollar accounting fraud uncovered in 2020. The damage to the → stakeholders of Wirecard could have been significantly reduced if the control and supervisory authorities (in particular auditors and → banking supervisors) had followed up on whistle-blowers' tips earlier and not protected the criminal top managers instead of the whistle-blowers.

6.3 List of Abbreviations

ACT	Action by Churches Together (Kirchen helfen gemeinsam; ACT Alliance)
AGEM	Advisory Group on Economic Matters (WCC) (Beratende Gruppe des ÖRK für Wirtschaftsfragen)
AKI	Arbeitskreis Kirchlicher Investoren (Working Group of Church Investors)
AMC	Advance Market Commitment (Verbindlicher Vertrag)
Attac	**A**ssociation pour la **t**axation des **t**ransactions financières et pour l'**a**ction **c**itoyenne (Vereinigung zur Besteuerung von Finanztransaktionen im Interesse der Bürger)
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht (Federal Financial Supervisory Authority)
BEPS	Base Erosion and Profit Shifting (s. Glossary)
BIP	Bruttoinlandsprodukt (Gross Domestic Product, GDP)
BMF	Bundesministerium für Finanzen (Federal Ministry of Finance)
BMWi	Bundesministerium für Wirtschaft und Energie (Federal Ministry of Economic Affairs and Energy)
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (Federal Ministry of Economic Cooperation and Development)
bpb	Bundeszentrale für politische Bildung (German Federal Agency for Civic Education)
BVR	Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (National Association of German Co-operative Banks)
BZSt	Bundeszentralamt für Steuern (Federal Central Tax Office)
CCPD	Commission for Churches' Participation in Development (WCC) (Kommission des ÖRK für kirchlichen Entwicklungsdienst)
CDP	Carbon Disclosure Project (s. Glossary)
CDS	Credit Default Swaps (s. Glossary)
CGAP	Consultative Group to Assist the Poor (Beratungsgruppe zur Unterstützung der Armen)
CPEC	Conference on Christian Politics, Economics and Citizenship (Konferenz über christliche Politik, Wirtschaft und Bürgerschaft)
CRS	Common Reporting Standard (Internationales Verfahren zum Austausch von Fianzkonteninformationen)
CSO	Civil Social Organisation (Zivilgesellschaftliche Organisation)
CSR	Corporate Social Responsibility (Unternehmerische Gesellschaftsverantwortung)
CWM	Council for World Mission (Weltmissionsrat)

DBK	Deutsche Bischofskonferenz (German Bishops‘ Conference)
EBA	Europäische Bankenaufsichtsbehörde (European Banking Authority)
ECOSOC	United Nations Economic and Social Council (Wirtschafts- und Sozialrat der Vereinten Nationen)
EDCS	Ecumenical Development Cooperative Society (Ökumenische Entwicklungsgenossenschaft)
EKD	Evangelische Kirche in Deutschland (Evangelical Church in Germany)
EU	Europäische Union (European Union)
EURODAD	European Network on Debt and Development (Europäisches Netzwerk zu Schulden und Entwicklung)
ESG	Environmental, Social, Governance (s. Glossary)
ESMA	European Securities and Markets Authority (Europäische Wertpapier- und Marktaufsichtsbehörde)
EWDE	Evangelisches Werk für Diakonie und Entwicklung (Evangelical Agency for Diakonia and Development)
EZB	Europäische Zentralbank (European Central Bank)
FfD	Financing for Development (Entwicklungsfinanzierung)
FEST	Forschungsstätte der Evangelischen Studiengemeinschaft (Research Center of the Evangelical Study Community)
FinTech	Financial Services and Technology (s. Glossary)
FIU	Financial Intelligence Unit (Zentralstelle für Finanztransaktionsuntersuchungen)
FSB	Financial Stability Board (s. Glossary)
FTT	Financial Transaction Tax (s. Glossary)
G7	Gruppe der Sieben: Deutschland, USA, Japan, Großbritannien, Kanada, Frankreich und Italien
G20	Gruppe der 20 wichtigsten Industrie- und Schwellenländer: 19 Staaten und die Europäische Union
GECC	Global Economic Coordination Council (Globaler Wirtschaftskoordinierungsrat)
GG	Grundgesetz (The Basic Law, German constitution)
GIZ	Gesellschaft für internationale Zusammenarbeit (German Corporation for International Cooperation)
GLS-Bank	Gemeinschaftsbank für Leihen und Schenken (Community Bank for Loaning and Giving)
IATF	International Agency Task Force (Interinstitutionelle Task Force)
IDA	International Development Association (Internationale Entwicklungsorganisation)

IMF	International Monetary Fund (Internationaler Währungsfond)
JET	Journal Entry Tests (Analyse von Transaktionsdaten)
JPIC	Justice, Peace and Integrity of Creation (Gerechtigkeit, Frieden und Bewahrung der Schöpfung)
JPSS	Just, Participatory and Sustainable Society (Gerechte, beteiligungsorientierte und nachhaltige Gesellschaft)
KD-Bank	Bank für Kirche und Diakonie eG (Bank for Church and Diakonia eG)
KENFO	Fonds zur Finanzierung der kerntechnischen Entsorgung (Fund for the Financing of Nuclear Waste Management)
KfW	Kreditanstalt für Wiederaufbau (Reconstruction Loan Corporation)
KWG	Kreditwesengesetz (Credit Services Act, CSA)
LDC	Least Developed Countries (Am wenigsten entwickelte Länder)
LWF	Lutheran World Federation (Lutherischer Weltbund)
NAP	Nationaler Aktionsplan zur Umsetzung der UN-Leitprinzipien für Wirtschafts- und Menschenrechte (National Action Plan on Business and Human Rights)
NGFS	Network for Greening the Financial System (Netzwerk zur Ökologisierung des Finanzsystems)
NGO	Non-Governmental Organisation (Nichtregierungsorganisation)
NIFEA	New International Financial and Economic Architecture (Neue internationale Finanz- und Wirtschaftsarchitektur)
NRA	Nationale Risikoanalyse im Bereich "Bekämpfung von Geldwäsche und Terrorismusfinanzierung" (National Risk Analysis on Combating Money Laundering and Terrorist Financing)
ODA	Official Development Assistance (Öffentliche Ausgaben für Entwicklungszusammenarbeit)
OECD	Organisation for Economic Cooperation and Development (Organisation für wirtschaftliche Zusammenarbeit und Entwicklung)
ÖRK	Ökumenischer Rat der Kirchen (World Council of Churches, WCC)
PCT	Platform for Collaboration on Taxes (Plattform für die Zusammenarbeit im Steuerbereich)
PEPP	Pandemic Emergency Purchase Program (Pandemie-Notkaufprogramm)
PPP	PublicPrivatePartnership (s. Glossary)
PSPP	Public Sector Purchase Program (Kaufprogramm für den öffentlichen Sektor)
SDGs	Sustainable Development Goals (Ziele für nachhaltige Entwicklung, s. Glossary)
SF	Sustainable Finance (Nachhaltige Finanzierung)

SFDR	Sustainable Finance Disclosure Regulation (Verordnung über die Offenlegung von nachhaltigen Finanzierungen)
SSM	Single Supervisory Mechanism (Einheitlicher Bankenaufsichtsmechanismus)
UN	United Nations (Vereinte Nationen)
UNESCO	United Nations Educational, Scientific and Cultural Organisation (Organisation der Vereinten Nationen für Bildung, Wissenschaft und Kultur)
UNCTAD	United Nations Conference on Trade and Development (Konferenz für Handel und Entwicklung der Vereinten Nationen)
UNPRI	UN Principles for Responsible Investment (Prinzipien der Vereinten Nationen für verantwortliches Investieren)
VENRO	Verband Entwicklungspolitik und humanitäre Hilfe deutscher Nichtregierungsorganisationen e. V. (Association of German Development and Humanitarian Aid NGOs)
WBGU	Wissenschaftlicher Beirat der Bundesregierung zur globalen Umweltveränderung (Scientific Advisory Board of the German government on Global Environmental Issues)
WCC	World Council of Churches (Ökumenischer Rat der Kirchen)
WCRC	World Community of Reformed Churches (Weltgemeinschaft Reformierter Kirchen)
WEED	World Economy, Ecology and Development (Weltwirtschaft, Ökologie und Entwicklung)
WWF	WorldWide Fund For Nature (Organisation für Natur- und Artenschutz)

6.4 Bibliography

Preliminary Note: All URLs were accessed in March 2021.

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6.5 Advisory Commission of the EKD for Sustainable Development

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Sven *Giegold* MEP, Brüssel
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Cum Ex and the Wirecard scandal – recent financial scandals clearly illustrate that there are deficits in responsibility in the financial sector and its control by politics and the rule of law.

For many years, the Evangelical Church in Germany (EKD) has been advocating the guiding principle of sustainable development. The dynamics, structures and guiding values in the financial system are of central importance for this. In the text at hand, the EKD calls for a social and ecological transformation of the financial sector. The paper prepared by the EKD Advisory Commission for Sustainable Development offers an Evangelical orientation for the reform steps required.

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