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Position Paper
“Global Economic Crisis 2007:
The Role of Church Social Teaching”
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Abstract:

The economic and financial crises happened more frequently in the modern times. Compared to the 19th century, the crises in the twentieth century have been multiple of those in the previous century. But the crisis in the 21st century, which has passed only less than a decade passage, has happened more frequently and more intensely. By comparing to the 1930 depression, the 2007 crisis only several degrees lower than that of the 1930.

Some of the presumed inadequacies of the public policies in the 1930 have been corrected, namely by the quick response of the US government to injecting a huge sum of fund to the financial system through the Treasury Department, in addition to what has been pumped by the US Federal Reserve discreetly. As a matter of fact the amount of fund injected by the Fed in the US to the banking and financial system is much higher than that through the Treasury Department, reaching an amount of around 2 trillion US dollars.

This is a gigantesque bail-out effort in a capitalistic economic system ever made.

The same crisis hit the other industrialized countries, from London to Frankfurt, and from Tokyo to Sidney. But the epicenter of the present global financial crisis is in the US, triggered by the break-up of the housing bubble. The phenomena of the price hikes in the housing sector have been engulfing almost the whole industrialized countries since the beginning of the 21st century. Behind all of these developments, there was a built-up process of imbalances in the world balance of payments (BOP), which is attributed by some economists to the inadequacy of the global monetary system.

The crisis has triggered the lowering of the interest rate to the situation of ‘du’ ‘jamais vu’ since the Great Depression of 1930, approaching zero or almost zero percent. It has been dubbed a ‘de facto’ shariah or anti-usury finance. In this paper it will be shortly touched due to the latest statement of Pope on this issue.

Sumario:

Crisis Económica Global 2007
(Djamester A. Simarmata)

Las crisis económicas y financieras han ocurrido con mayor frecuencia en los tiempos modernos. Comparando el siglo 20 con el siglo 19, las crisis han sido muchas más en el siglo actual que en el anterior. Pero las crisis de esta primera década del siglo 21 han sido hasta más severas y más frecuentes que las del siglo anterior. Comparada con la depresión del 1930, la crisis 2007 es solo un poco menos fuerte.

Algunas de las presuntas ineficacias de la política pública de 1930 han sido corregidas, por ejemplo, a través de la rápida inyección de fondos al sistema financiero implementada por el Departamento del Tesoro del gobierno de los EE.UU., y más discretamente, a través de sus sistema de Reservas Federales. DE hecho, el monto de fondos inyectados por esta segunda vía es el más alto, superando 2 millones de millones. Este es el mayor esfuerzo de rescate de un sistema económico capitalista en la historia.

Esta misma crisis ha afectado otros países industrializados, desde Londres hasta Frankfurt, de Tokio a Sydney. Pero el epicentro de la crisis financiera está en los EE.UU., catalizado por la abrupta caída de valores en

un mercado de vivienda sobrevalorado. El fenómeno de aumentos de precio en el sector vivienda ha estado afectando a los países industrializados desde principios del siglo 21. Detrás de estas situaciones se encontraba un desbalance de pagos, atribuido por algunos economistas a la insuficiencia del sistema global monetario.

La crisis ha provocado una baja en la tasa de interés no vista desde la Gran Depresión de 1930, llegando al cero o casi cero por ciento. Es de facto un sistema de finanzas sharia, en contra de la usura. En este trabajo, abordaremos los comentarios más recientes del Papa sobre este asunto.

Abstrait

La Crise Economique Globale 2007

(Djamester A. Simarmata)

Les crises économiques et financières sont arrivées plus fréquemment dans les temps modernes. En comparaison du dix-neuvième siècle, les crises du vingtième siècle sont plus souvent de ceux-là dans le siècle précédent. Mais la crise dans le 21^e siècle, qui a passé seulement moins qu'un passage de décennie, est arrivée plus fréquemment et plus intensément. En comparant à la 1930 dépression, la crise de 2007 seulement quelques niveaux de cela du 1930.

Certaines des insuffisances présumées des politiques publiques dans le 1930 ont été corrigés, par exemple par la réponse rapide du gouvernement d'Etats-Unis qui injectent une somme énorme de fonds au système financier par leur ministère des finances, en addition de ce qu'a été déjà donné discrètement par le Réserve Fédéral de Etats-Unis. En fait, la quantité de fonds injectés par le Réserve Fédéral des Etats-Unis aux opérations bancaires et le système financier est beaucoup plus haute que cela par leur ministère des finances, atteignant une quantité d'autour de 2 trillion US \$. Ceci est un effort de sauvetage de gigantesque dans un système économique capitaliste jamais fait.

La même crise a frappé les autres pays industrialisés, de Londres à Francfort, et de Tokyo à Sidney. Mais l'épicentre de la crise financière globale présente est aux Etats-Unis, déclenchés par la rupture de la crise de logement. Les phénomènes d'augmentation de prix dans le secteur de logement ont englouti presque l'ensemble les pays industrialisés depuis le début du 21^e siècle. Derrière tous ces développements, il y avait un processus d'accumulation de déséquilibres dans la balance des paiements mondiale, qui est attribué par quelques économistes à l'insuffisance du système monétaire global.

La crise a déclenché la baisse du taux d'intérêt à la situation de « du » < jamais vu > depuis la Grande Dépression de 1930, approchant zéro ou presque zéro pourcent. Il a été adoubé un < du fait > sharia ou la finance anti- usure. Ce document va discuter ce sujet la et liée a la dernière déclaration de Pape sur ce problème.

Introduction

The economic and financial crises happened more frequently in the modern times. Compared to the 19th century, the crises in the twentieth century have been multiple of those in the previous century. But the crises in the 21st century, which has passed only less than a decade journey, has been roaring all over the world. By comparing to the 1930 depression, the present crisis may be several degrees below both in depth and wide.

Some of the inadequacies of the policies in the 1930 have been corrected namely by the quick response of the US government to injecting a huge sum of fund to financial system through the Treasury Department, in addition to what has been pumped by the US Federal Reserve discreetly. As a matter of fact the amount of fund injected to the banking and financial system by the Fed in the US is much higher than that through the Treasury Department, reaching an amount of around 2 trillion US dollars. This is a gigantesque bail-out effort in a capitalistic economic system ever made.

The same crisis hit the other industrialized countries, from London to Frankfurt, and from Tokyo to Sidney. But the epicenter of the present global financial crisis is in the US, the break-up of the housing bubble. The phenomena of the price hikes in the housing sector have been engulfing almost the whole industrialized countries since the beginning of the 21st century. At near the end of the previous century, 1989, the prices of the urban land in Japan was unbelievably high, so that the value of the land and its buildings in the Tokyo Large Area was equivalent to those of the United States as a whole. The bubble in Japan's urban land and stocks prices broke up in 1990 which was widely known as a *double crash* event. Its economy is until now caught up in a domestic economic *malaise*. Fortunately the export sector fared well, supporting the Japan economy in general. The domestic economic weakness is indicated by the long-time low level of interest rates, in the range of almost zero percent and 0.5 percent. Today it is at the level of 0.3 percent.

There is a similarity between the urban land crisis in Japan in 1990 and the house credit crisis in the US today. Since 1990 the prices of urban land were declining in Japan, with a negative effect for the banks due to the fact that most of the loans having lands, especially urban land as its collateral. Even though the price hike in the housing market is not as spectacular as it was in Japan before 1989, the rise in house price is sufficiently high. The subsequent decline in house prices adversely affect the bank and the financial institution because it was financed through the *mortgage* mechanism.

Useful Works for Common Goods

Since the creation of the world man has been called for to subdue the world. It is clear that the domination of the world needs many works to be done, both intellectually and manually. In the ancient time the kind of work has been used to classify man into social classes. Manual works requiring mostly the exercise of physical strength, the work of muscles and hands, was considered unworthy of *free men* and was therefore given to slaves (*LE \$6, 4*). But Jesus Christ, *being God* became like us in all things devoted most of the years of his life on earth to manual works at his father Joseph carpenter's bench. Jesus Christ therefore spreads a *gospel of work*, testifying the dignity of all kinds of works. Hence the basis for determining the value of human work is not primarily the kind of work being done, but the fact that the one who is doing it is a person, an *image of God*. From this the work has a subjective dimension. It means that the human side of the works should be always considered as a paramount importance to the determination of its value. In other word the man conducting the works should not be considered as a commodity like all non-human factor of production. This is running in opposition to the mainstream ideas in economic literatures where labor force is equally considered as other non-human factor or production, or even worse, labor force could be economically considered less valuable than other factor of production, especially capital. In the usual economic model labor is assumed to be complementary to capital, not the other way round.

The previous explanation stresses the fact that each working man could use means of production, facilitating the conduct of his works. In the present time any working man is dependent on many types of equipment which could be technically simple and cheap in price. Or it could be more complicated and very expensive in price, so that it could need a huge sum of money or capital. But besides that, an isolated working individual is very limited in the present world economy. Each person must work together with other person or persons in order to make things done. Working with other fellow man has wider meaning in the sense that it could be based on specialization and working separately in the same building and the same location or in different building in different locations or countries. Specialization is the bases for the market economy either in the local economy or even in the world economy. Specialization has an individual trait which could be attributed either to talent of the person or could be the result of an education, training or work experiences. As such, the market is the friend of the individuals instead of the foe, as some presume. The market is a social construct to push the cooperation

of man based on their contribution to the common goods, either locally, nationally, regionally, or even globally. The market puts the works of one individual to those of the others to a mutually complementary mode of relation, without knowing each other. Cooperation has been much intense and wider in spatial scope than before, thanks to specialization.

According to Apostle Paul, every man has to work to earn his living. "If any one will not work, let him not eat." 2 Thess. 3: 10. In today's world economic context it means that man has to do his task diligently and productively based on his specialization. Further in another passage *he encourages* his readers: "Whatever your task, work heartily, as serving the Lord and not men, knowing that from the Lord you will receive the inheritance as your reward." Coll. 3: 23-24. But it is intended to push the seriousness of each person in doing everyone's work, contributing to the common goods.

It is going without mention that the works done by any working man are assumed to be useful for human beings. Each individual mostly works in collaboration with his fellow human beings, every one according to his specialization, but finally contribute to the satisfaction of the human needs. Every works that exact a lot of human efforts and sacrifice must be useful for human beings (CA, 430). Even though robbery is full of risks and efforts it is not useful for human beings, leading only to forced transfer of belongings or wealth, without any contribution to the goods satisfying human needs. This must be enlarged to the whole human work that it must be contributing to the provision of goods necessitated by human beings. Useful work contributes to common goods, a key word.

In the present highly sophisticated and interrelated world economy a robbery of wealth needs not be in the form of physical forced transfer of property or belonging. It could be either through corruption of the government funds or state budget, or through seemingly legitimate manipulation in the market places. To be economically healthy, each additional purchasing power of any person must be a counterpart of his contribution in goods or services to the economy satisfying the necessity of fellow human beings. An individual working to produce a good need not be a consumer of that good, but it is to the satisfaction of the other fellow man. By working in the provision of that goods he get a wage as reward, which raise his purchasing power, either in the form of money or wealth, or other form. This is a sustainable and healthy process for wealth creation.

Any increase in the purchasing power of a person will raise the demand for any goods in the economy. If the rise in the purchasing power is without any counterpart in the provision of any necessitated goods, it will raise inflation, because aggregate demand is greater than the aggregate supply. In the economic *parlance* it is a kind of *inflation tax* which weighs as a burden for the public at large. The money printing could be working in that sense if the money so created belongs to the banks and it is beyond the needs of a growing economy. Analogically the rise of land price along the newly constructed road will also raise the PP if the capital gains due to the new road will not be subject to tax. The fund used in the public road construction is paid by taxpayers, hence the capital gains of the land owners is a transfer of wealth from the general public. To be economically sound and fair, the costs of the road construction must be borne by the land owners.

By using the encyclical concept the occurrence of the rise in the purchasing power of any group of people in the economy either in the national context or in the global context without an equivalent value contribution to the provision of the economic goods will not contribute to the common goods. Otherwise stated it is not a useful work. But we have to be careful because usefulness of a work could have relative dimension, without absolute measurement. It could be useful in one place but not in other place, and it could be useful in one period but not in another period, and so on. It has a relative dimension. But it is a fact that the work was conducted by human beings, an image of God.

A Case of Land in Real Estate and Housing

Land and property in general is an asset. The price of an asset is determined by the present value of its prospective product in the future, which could be represented by a cash flow. But land is fixed in its total amount all over the globe and also in its location in every country. Land and real estate in general is a *non-tradable good*, so that it is not subject to the law of perfect competition in the sense of *tradable goods*. The tradable goods are transferable from one location to another and also are storable. To some extent, land and real estate assets are subject to *quasi* monopoly situation, because any parcel of land is really unique in its characteristic. No two locations are really equivalent, which is one of the conditions of product homogeneity for perfect competition in the economy. A house consists of building materials and the land over which it is constructed. Building materials in the structure with its architectural value are calculable based on the market information in the usual method, but the land component could be subject to arbitrary determination. By reducing the existing environmental infrastructure costs namely roads, drainage system, local parks, and other public goods, one gets the residual, which is the cost of land component. In many cases the value of land is arbitrarily determined.

Why land is specifically raised in this issue. Because any property like housing is to be built on a parcel of land. Land in its original form is available in the nature and the price of a house is decomposable into its constituting components. Land cost as a residual could be a significant component, which could have an arbitrary proportion. In Indonesia it could reach a proportion until 85 percent of a house price. Due to the fact that land is not produced and its value in the property market could contain the so-called *le revenue non-gagne* in France, or a non-earned income, meaning that no counter-product value is rendered to the economy in return to the revenue, it is an empty-value creation process. It is a bubble, consisting mostly of empty space containing air inside a very thin film of liquid. Otherwise illustrated it is like *candy floss*, mostly empty, containing air and very little in substance. Substance in the above economic transaction is useful works, which is very thin or even zero, but is big in appearance, high nominal value of money.

The land problem is taken as a case due to its worldwide occurrence. It happened mostly in urban areas, but a lot of people can grasp such a problem in land price even though in the rural areas. In many occasion the rise in land price is very often not the result of the efforts of works of the owners. The rise of a financial value of a parcel of land, and hence the wealth is without any product contribution to the economy. By any indirect means it entails a transformation of that happening into the rise of demand for other general goods and then by a rise in general prices. General Price hike is inflation, and the rise in the land owners' purchasing power due to the land price becomes a tax, the so called *inflation tax* for the general public. This is distortive and of course *unfair*.

The same phenomena arise in many other economic activities where the increase in the purchasing power is without counterpart to the provision of goods or services in the economy. The logistic speculation is one case, where by hoarding a huge amount of any commodity will trigger a (pseudo) scarcity of the commodities concerned, raising its prices, and then by an accurate planning of provision, the speculator will cash-in a huge sum of profits. The phenomena will render an increase in the purchasing power of any group of the population, entailing a price hike appropriately to compensate the increase of the newly created PP. But one scariest thing happened recently in the financial sector, a capacity to create purchasing power out of the air. It is the rise in the loan outstanding beyond the normal amount deemed commensurate to the available deposit.

Financial Sector Innovation and Crises

Any innovation or even invention in the real sector is to solve problems, but it could create a new ones. The invention of the automotive vehicles increases the speed of transportation, namely reducing

the necessary raw-material stocks on hand, and so on. But it rendered the horse-cart firms obsolete, ruining those firms employing the old technology. It provoked unemployment in the substituted activity. The newly substituting activities of the transportation experienced a substantial growth, which in turn promote general growth of the economy. The big loss in the horse-cart transportation was more than compensated by a multiple value in the benefits of the new system, accompanied by a significant rise in the general economic activities and progress, which was aggregately beneficial. The aggregate benefits should be greater than the aggregate loss if a new sector is to be considered beneficial.

One of the advantages of the innovation or invention in the real industrial sector is the easiness of grasping the process hence its tractability leading to more transparency. But in the financial sector, some of the processes are *invisible*, difficult to trace. Before going further it is opportune to sketch briefly on the monetary creation. It dated back to the goldsmith era, where they issued receipt, which was later accepted as notes to be used as “money”. The aggregate value of the note is higher than that of the gold deposit.

The present banking operation is based on fractional reserve system. Under this system, the reserve of the bank is a fraction of the bank assets. Otherwise stated, banks “create” money in their lending activities. But the money borrowed will be returned with its interest charges. Some of the loans are used for investment, creating productive power in the economy. Hence loan is a prepayment for fixed component of the production costs. But some loans could be used for consumption and later repaid. Theoretically the present value of both loans repayment is balanced with the previous expenditure borrowed from the banks. Here there is a shift in the expenditure pattern either for the sake of smoothing in production or in consumption, but no *empty creation of purchasing power*.

None the less, there must be an appropriate sequence of expenditure magnitude, so that no over-lending leading to over-expenditure with a consequence of higher demand than the *concurrent* supply of goods, entailing an increase in prices, inflationary process. But the effects of the inflation pressure due to temporary mismatch between supply and demand are of brief nature compared to the PP increase due to land price hike for example, which has lasting effects in the economy as a whole.

Too much or **excessive** loans in a time period is surely detrimental to the economy and there must be vigilance on the excess of loans in an economy. The history of crises in the world economy showed that they were usually preceded by excessive credits. This has been the case before the 1990 double crash in Japan, the East-Asian crisis in 1997, and the same things happened in the process leading to the present housing credit *fiasco* in the US. The excessive loans created over-capacity which would be idle.

Commodities and Other Assets.

The crises have many other sources. Import commodities, export commodities, banks, canals, metallic coins, tulips, mines, building sites, copper, agricultural lands, gold, new industries, real estate, derivatives, and so on. The common thread is the excess of credit during the manic phase and then follow suit the panic phase, a revulsion phase. In all these happenings, the creation of purchasing power out of void is a general rule. Or there are always the occurrences of *non-useful works*, because it does not contribute the goods with an equivalent value to the economy. The occurrences of mania and panic are an indication of irrationality, contrary to the assumption of a rational economic behavior.

One of the disturbing problems is related to the primary commodities, mostly produced in the less developed countries (LDC). These commodities are subject to boom and bust cycles. At the time of bust phase, the producing country will be suffering a lot, triggering a cut in the state budget or forced to borrow at a high interest rates plus other conditionality. In Indonesia the present crisis has been hardly hitting the rural areas, the location of the production activities. As such the poverty index will rise mostly in the rural areas, but also in the urban areas as well. From this point of view it is worthwhile to

seek an international stabilization program for the commodity prices. The present crisis will surely hamper the MDG advancement in Indonesia.

Anyhow the present financial crisis will impoverish the lowest strata of the people so that all efforts to abolish or at least to minimize its occurrences are welcome. Such a financial crisis will be double hitting the lowest strata of the population through the deterioration of the economy entailing the decrease in income and the taxes for the economic stabilization. Rural population is active in the agricultural commodities and the boom and bust of its prices will be directly impacting their welfare.

Megalomania

One of the latest tendencies in the corporations all over the world is the love for bigger and bigger size, even those of the TNC. It is quite noteworthy that banks are seeking bigger size through Merger and Acquisition (M&A). The bigness of the bank corporations leads to a delicate problem of the so-called TBTF (too big to fail) problem, forcing a massive bail-out in case of the occurrence of crises, bank's potential insolvency or massive illiquidity. The bail-out is badly needed due to the potential of vast negative consequences, namely a threat of massive layoffs or bankruptcies of other firms and other corporations in the economy. The present situation in the US has triggered a demand for bail-out for the non-banks corporations, the big three in the automotive industries (GM, Ford, and Chrysler). It seems that the same demand from automotive industries has arisen in Europe. Bail-out will be footed by the general public through taxes.

The existence of the quasi obligation of the government to bail-out the big bank or even other big financial institution, and at present the giant corporations of automotive is a source of concerns. The bank and big corporation executives will take advantages of the situation by engaging in highly risky activities. There will be vast and wide *moral hazards* in these kinds of corporations. Unfortunately the tendencies of the corporations in the developing countries like in Indonesia are modeled to those in developed countries, trying to build big banks or corporations. Hence the *moral hazards* problems will be widening in the economy, which at the time of crisis will be demanding bail-out but at the cost of the general taxpayers. In fact mega size corporations avoid competition, and so let there be competition which would be promoted by many almost equal size, which has been reduced and crippled by mega size firms.

Church Social Teaching and the Economy

Several vital lessons can be derived from the CST namely that man has to work for his daily bread. Working is inherent to the human nature, and producing things is for the common goods. Work must be useful work in the sense that it must be contributing to the availability of goods to satisfy human wants. The value of Work should be based on the kind of work done, but by the facts that it is done by man. It is a subjective side of work. The ancient tradition of classifying human beings into slaves, who conducted the works requiring physical, muscle strength, and non-slaves who does other works, is not anymore acceptable. Man is asked to subdue the earth. Human beings are called for to continue the work of creation in the world, which could be related to the advances of the sciences and knowledge. In that sense the meaning of *useful work* is vital, as it should not be destroying the world created by God and has to contribute to raise the human welfare on earth, both during his presence in the world and after life.

From economic stand point, work should contribute to the provision of common goods, namely the human needs in life. Each work has a reward in the form of wage and it is a purchasing power, sufficient to support a decent living. Any purchasing power (PP) must be a counterpart for a provision of any goods in the economy, resulting from useful work. Any PP not resulting from that process is economically detrimental and humanely unfair and contradicting to the human nature as a whole. It is

economically detrimental because it will end up in inflation. It is contradicting to human nature because every man has to work, useful work, to earn his bread. By referring to human rights, all man has the same right to enjoy the fruits of his work, and must be resulting from his useful work, which should be equally valid for other people.

As it was explained before, several human activities could provide PP without an appropriate contribution to the common goods. All these activities should be kept away from happening. Adequate amount of some of kinds of activities could be good for the economy, but if it surpass any limit, it will be disastrous. It is like fire, where when it is small, it is useful, but if the fire is getting large it will cause conflagration and the likes. These are the cases for insurance, derivatives, speculation, and so on in finance.

The latest financial innovation, namely CDS (credit default swaps), securitization, CDO, many other kinds of derivatives have been used beyond its initial intended use, as an insurance instruments. The use of these instruments can multiply the amount of credit out of the same banking deposit compared without their use. Derivative trading created additional liquidity and leverage. As at the end of 2006, derivative outstanding were at the level of \$ 485 trillion. This amount is more than eight times the global GDP, standing at around \$ 60 trillion. As is well known, derivatives are highly leverage commercial bets on changes in interest rates, shares, commodities, and of course in currencies. Money is an financial instrument for means of exchanges, as an accounting measure, and then as a means of storing value. But amazingly, the present financial instrument could be creating value without real contribution to the provision of goods in the economy. Assets trading could create a lot of money and wealth in such a way. From the other side the aggregate value of global foreign exchange amounts to almost \$ 4 trillion per day, which could be equivalent to almost \$1000 trillion per year. But the total value of global trade in goods and services is only \$ 16.870 trillion, which is only around one fifty-ninth of the foreign exchange trade value. Foreign exchange trade is of dubious worth for people.

Financial instrument and currency trades could create a lot of nominal value but in reality is not contributing to the production of merchandises and services which are the real needs of human beings. Some of those transactions must be economically needed and therefore contribute to the common goods. In such a way the related works are of course useful works. But the rest surely does not constitute the result of useful work. Such a huge magnitude of the derivative outstanding, the total value global FOREX trade, could be an indication of the facts that many related works done in those activities were not useful works. It is a bubble, thin liquid film enclosing air, or like candy floss with very small essence but significant air.

The latest global financial system is simultaneously “too much” and “too little”. It is too much liquidity, too much leverage, too much complex financial engineering, but too little return for risk, too little understanding of the risks. This TMTL situation is the roots of the present financial crisis. But all these are amounting to the facts on the huge amount of derivative outstanding, the gigantesque volume of FOREX transactions, where the end result is showing the dominant role of the not-useful work in the global economy.

Growing Inequalities

From the other point of view the world economy is replete of inequalities, hence unfair. In the year of 2002 the salary of a French corporate executive could reach two hundred times of the average salary, which is outrageous. But the ratio in the American top executive is more startling. In 1980 it was only at the level of 42, in 1990 it became 107, and in 2000 it has reached another skyrocketing ratio at the level of 525. Fortunately it decreased in 2006 to the level of 364, which is still much higher, then that for the French corporations. This is really an unfair waging system in the corporations. It has been opposing the demand of the Holy Scripture that the value of work not to be related to the kind of work

but to the fact that who is doing it is a man, an image of God. How can it arrive at that ridiculous unfairness and injustice in the salary determination?

A picture of income distribution in a nation is exemplified by the salary scale of all employees including the top executives in the firms and corporations. A more just one will contribute to a better economic growth, which is a result from the latest study in the development economics. Hence both from economic point of view and the CST, just wage system should be a better foundation for the economic growth, leading to better welfare of the citizens.

The just wage system is not only required within a state or a nation, but also in the global scale. According to Richard Duncan (2005), the world trade imbalances could be reduced by having a global minimum wage. Raising wage is equal to raising its PP, hence enlarging the market, either nationally or globally. An increase in national wage will raise the absorptive capacity, which could lead to a reduced trade surplus due to higher local demand for the nationally produced goods, in addition to higher demands for foreign goods. The higher the wage differentials between two nations, the higher the potential for trade imbalances. So the global justice needs a more equitable wages between nations. It has to be acknowledged that the wage is based on appropriate productivity. Without suitable productivity, the wage could contain a *non-earned* income component, which is also unjust. Hence the role of work and productivity measurement is decisive. A suitable distribution system will lead to a certain proportion of PDB which will be nationally consumed. Otherwise stated, it could lead to the necessity of a certain degree of self-sufficiency. The crisis could be reduced by having such a self-sufficiency level which could maintain the minimum GDP capable to support the lives of its population. As such, it is deemed necessary to refer to the ideas of the first president of Indonesia, Sukarno. But his concept of self-sufficiency should be adjusted to the present global situation.

Globalization and Change

The world has been experiencing a faster change in the economy, social, politics, due to higher speed of invention and innovation, both in the technological hardware or in the software technology. Software technologies are mostly invisible, because it could be in the domain of ideas, concepts, and so on. The shortening of the product life cycles has a vast impact to all social, economic and even political infrastructures. Short terms capital is to be related to the shortening of the PLC. Change is a salient feature of the present world, and globalization is inherent in it.

The main problem for humanity is to manage the change in the globalization so that it will no be detrimental to human development and life. Man made environment and social, economic and political construct should be adapted to the process, maintaining the human dimension in all processes. In all that, human beings should not be an appendix to the system either man-made or natural. It has been said in Genesis that man has to subdue the world. Understanding the factor for the changes in the globalization is a must, and the CST or the Holy Bible as a generic source of salvation should be referred to as a light in that journey. Change is inevitable and man has to consider it as a friend instead of a foe, but useful work has to be an inherent part of the change. Subduing the world has to be always based on the useful work, especially for the man-made system. The natural system must be corroborated in its original function, and not to destroy or make it dysfunctional which is exemplified by the threat of global warming.

What should be the Contribution of the ICMICA/PR

The world economy experiences more frequent crises, leading to the sufferings of people all over the world, but mostly the least capable to withstand that burden. In all of the crises, those who suffer were innocent and victimized by the actions of other business actors. The bail out plan, using the state

budget is paid by people through taxation. Hence people in general is victimized by the deteriorating economic situation, and is obliged to pay taxes intended for bail-out, not for providing public goods and public services, which are necessary for the provision of the common goods.

ICMICA/PR is obliged to make a great effort, so that all economic injustice in the world could be avoided or at least minimized. The position of worker in the economy has to be placed not subservient to capital, but must be the master of the system.

Based on the above information, the economy of each nation and in the world as a whole should be:

- Based on the useful work, promoting justice and human rights.
- The value of work should be based on the fact that the one who is doing it is a person, an image of God.
- This should be the basis for the wage scale system in each firm or corporation, substantial wage gap between the top executive and the rank-and-file worker should be substantially reduced.
- The usefulness of a work as written in the CST must be used to evaluate the real contribution of every economic activity, which is potentially containing the *non-earned* income component.
- The bubble component in the price formation of any goods or commodity should be minimized to the level not to be detrimental to the economy.
- The latest financial instruments are full of potential *candy floss* which will be paid at the *days of reckoning*, meaning suffering for general people.
- The economy in the developing countries should be based on the principle: *for each and for all, the transformation from less human conditions to those which are more human*. It should be analogically valid for the advanced countries, where the fact of exclusion for the little guy is rampant in their economy.
- Financial crisis hamper the achievement of MDG, disturbing the sustainability of the development efforts, hence its elimination will be contributing to its success
- The globalization process should be handled with care, because it could have negative impacts besides its beneficial consequences. As such globalization needs a correcting instrument conducted by good willing people.

These are the most important issues that should be elaborated and make into practice but need a lot of efforts, linking them all to the CST.