

The Honorable Barack Obama
President of the United States
Washington, DC 20500

March 30, 2009

Dear President Obama:

In your January address to the joint session of Congress, you told the nation: “As we stand at this crossroads of history, the eyes of all people in all nations are once again upon us – watching to see what we do with this moment; waiting for us to lead.” The April G-20 Summit will be a critical test of whether the United States can inspire the governments of the other major economies to join together to counter the deepening downturn, and to begin the vital work of creating a global economy that delivers a future of widely shared economic prosperity and security at home and abroad.

The devastation caused by the global economic crisis to the lives and livelihoods of hundreds of millions of people here and abroad is not merely the result of bad practices by large financial firms. Rather, it represents the catastrophic failure of domestic and global economic policies and governance focused on eliminating the government regulation and oversight that are necessary to ensure markets operate in a stable and productive manner.

Contrary to press reports that the crisis has ended the era of market fundamentalism, in fact many of the core “neoliberal” policies remain in place in the agreements of the World Trade Organization (WTO) and in the policies of international agencies, such as the International Monetary Fund (IMF) and the World Bank. Changes to these institutions and agreements are essential to ensure that the world’s governments have the policy space necessary to stimulate their economies and to establish effective new financial service regulation on the domestic and international levels.

A first priority is coordinated efforts to counter the deepening recession. Your administration has shown the way with its stimulus and budget plans, with the federal government providing the investment needed to put people back to work, while aiding those displaced by the crisis. But the United States cannot and should not counter the global downturn alone. It is vital that the governments of every large economy join in major deficit-funded spending to generate domestic demand. Only with the world’s governments working together can we hope to lift the global economy out of its recession.

In addition, steps must be taken to help those countries that do not have resources to act, particularly the developing countries that did not cause the crisis, but are being victimized by it. New funding for poor countries should come in the form of debt relief and grants, not loans; and should be channeled through appropriate development institutions, not the IMF. Further, we have very serious reservations about the Treasury Department’s proposal regarding the IMF. No new money should flow to or through the IMF without the achievement first of significant, verifiable changes in Fund policy.

While rich countries must undertake major stimulus programs, developing countries also must be given the freedom to adopt comparable policies. Yet the IMF continues to impose cramped budgetary restrictions on many poor countries. Rich countries are aggressively loosening monetary policy. Yet the IMF continues to demand contractionary monetary policy from developing countries. Developing countries are vulnerable to rapid financial outflows in part because they do not have capital controls in place. This often reflects IMF policy prescriptions, even though the IMF’s own review of the Asian financial crisis showed the benefits of such controls.

Among the specific policy measures we would like to see in advance of a commitment of new resources to the IMF: a guarantee that countries will have flexibility to expand healthcare and education spending, irrespective of budget caps; and a prohibition on financial deregulation as an IMF conditionality or

policy recommendation. The Fund must also give countries more macroeconomic flexibility, regarding both fiscal and monetary policy.

To be effective, the G-20's work to establish new financial sector regulation must include revisions to the WTO's 1999 Financial Service Agreement (FSA) which exports worldwide the extreme financial service deregulation that is a cause of this crisis. These existing WTO rules impose specific barriers to the re-regulation of financial services in the United States and globally and in fact legally obligate the 105 signatories to this pact to continue many of the very policies that Congress and legislatures worldwide are now working to reform.

Among the WTO FSA terms that must be altered are those that forbid governments to limit the size of banking, insurance and other financial service firms or to establish "firewalls" that, for instance, forbid firms involved in commercial banking or in providing insurance from gambling peoples' savings on risky investment businesses. Another target for change is the "standstill" commitment taken on by the United States and the other member countries of the Organization for Economic Cooperation and Development. Even as reform efforts are focusing on bringing the "unregulated" financial sector under government oversight, this WTO standstill rule explicitly forbids establishment of new policies that conflict with the expansive WTO regulatory constraints with respect to the vast array of such financial services that previous governments in these nations bound to comply with WTO terms.

Moreover, the WTO Doha Round agenda includes as one of its main pillars *further* financial service deregulation and liberalization. The imprudence of further global financial service deregulation may have been less apparent when these talks started in 2001, or when specific financial service deregulation proposals were tabled in 2005. However, today it is clear that, rather than calling for completion of the current Doha Round agenda, the leaders of the G-20 countries must agree to review and repair the existing WTO limits on financial service regulation and devise a future WTO negotiating agenda that takes into consideration the harsh lessons of the crisis.

In closing, we reflect on your statement that "Now is the time to act boldly and wisely – to not only revive this economy, but to build a new foundation for lasting prosperity." In this respect, we request that the Communiqué coming out of the April 2 summit reflect the matters enumerated above.

Today we are living with the consequences of leaving our nation's economic well being to the whims of private interests who focus on quarterly profit statements, while operating under a global system they helped devise that eviscerates their obligations and responsibilities to the rest of us. That you have spoken bluntly to the American public about the causes of our economic ills and provided a vision of how we can rebuild an economy that works for all has inspired hope for many.

Remedying the current crisis, avoiding future crises and achieving economic justice and stability will require a new approach to domestic and global economic governance. In this era of globalization, success on domestic reforms will require reforming the current rules of the global economy. The April G-20 summit is a critical opportunity to begin this process and we stand ready to support such efforts.

Sincerely,

Campaign for America's Future
Public Citizen
Africa Action
Americans for Democratic Action
American Federation of Government Employees

Center of Concern
Change to Win
Communication Workers of America
Essential Action
Global Citizen Center
Global Exchange
Grassroots International
Health Alliance International
International Association of Machinists
International Brotherhood of Teamsters
International Federation of Professional and Technical Engineers
Jubilee USA Network
Jubilee Northwest Coalition
Labor Council for Latin American Advancement
League of Rural Voters
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Mennonite Central Committee USA
NETWORK: A National Catholic Social Justice Network
Progressive Democrats of America
TransAfrica
United Methodist Church, General Board of Church and Society
United Steelworkers
Washington Association of Churches
Workers United