

MONEY
HONNIE



Et si la finance sauvait le monde ?



Préface par Gordon Brown

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À Michel Camdessus

PRÉFACE*

Few have done more to expose the challenges globalisation throws at us than Bertrand Badré. And few have come up with more positive proposals for how to manage globalisation in the interests of those who need our help most than he has done – first in his capacity as Chief Financial Officer of the World Bank and then as the innovative architect of the “From Billions to Trillions” proposals, which were agreed at the Addis Ababa Conference as a means of financing the Sustainable Development Goals. He now challenges us with his plan for managing international finance and as the author of this new book, which introduces us to new thinking about globalisation, he suggests how it can be made to work for the poorest of the world.

Dean Acheson spoke about his role as a US diplomat and later Secretary of State in evolving the new institutions of the post-1945 world and said it felt like being “present at the creation.” Then the task was to create multilateral institutions for what was still a world of detached nation states. Now in a new generation – the post-millennium interdependent and interconnected world where we need global solutions to global problems – Badré and other leading economists are present at a new kind of ‘creation’.

* Traduction disponible sur le site internet des éditions Débats Publics, www.debatpublics.com

or at least a fresh attempt at the creation of a new more relevant global architecture for this still young century.

New thinking at the turn of the century influenced the introduction of the path-breaking Millennium Development Goals which were kicked off in 1999 when the then UN Secretary General, Kofi Annan, called for a “global compact of shared values.” In a visionary speech, Annan argued that “the spread of markets [was outpacing] the ability of societies and political systems to adjust to them.” His warning, that globalisation was fragile and “vulnerable to backlash from... protectionism, populism, nationalism, ethnic chauvinism, fanaticism and terrorism” as extremists exploited discontent, led him to propose new ways of dealing with poverty, malnutrition, disease, illiteracy and inequality^I.

And the process he initiated that was formally launched with the commitment to the MDGs in 2000 had to be rethought, adapted and streamlined in the wake of the global financial crisis of 2008, and as we came to understand the urgency of co-ordinating global efforts to deal with climate change. This evolution in the world’s thinking is charted by Badré in his book.

Finance is, as he says, a good servant but a poor master and the global financial recession exposed the reality that while we had global banks and financial institutions, they were inadequately supervised by purely national regulatory systems. But the crisis asked even more profound questions:

I. Source : <http://www.un.org/press/en/1999/19990201.sgsm6881.html>

it challenged the then fashionable neo-liberal idea of self-adjusting financial markets and the fall out itself was so all-encompassing that it forced world leaders to agree the biggest rescue operation ever attempted.

To underpin the recovery of the world economy, one trillion dollars in grants, loans and trade support guarantees was made available, but as Badré suggests a lot more has to be done to turn what was a rescue operation into a more forward-looking and long-term exercise in repairing and reforming the world's financial system. Even after the welcome strengthening of the global Financial Stability Board no one can be sure that we have done enough to protect ourselves against the next financial crisis.

And in our journey from Copenhagen's failed climate change summit of December 2009 to the success recorded at Paris in December 2015, new thinking has had to be developed as part of a longer-term strategy to reduce global carbon emissions. Some of the results of these efforts are contained in the Sustainable Development Goals agreed unanimously by the United Nations in September 2015 after the Addis Ababa Conference in which Bertrand Badré played such a large part under the leadership of Ban Ki-moon, the Secretary General of the UN, and Jim Kim, the President of the World Bank.

The new SDGs now see economic growth, social justice and environmental sustainability not as antithetical to each other but as complimentary objectives. Never again will important international initiatives for a low carbon world and clean environment be ignored. But the question

remains as to how in difficult financial times we can realise all three objectives and to what extent we can improve the multilateral co-ordination necessary to do so.

For although we all agree that the world is more interconnected and interdependent, our collective ability to tackle urgent issues has been weakened as a result of trade protectionism and cuts in international economic support and aid. As Georg Kell, the former head of the UN Global Compact, has recently argued, the case has again to be made for multilateralism. Perhaps in every generation we have to make anew the arguments for co-ordinated international action. But in no decade is the imperative as great as now and reinventing multilateralism is what Badré seeks to achieve in his set of essays: they set out to show there are better ways of mobilising finance for public good, so that instead of finance being a threat to the stability of the global economy, it can become the key that unlocks economic and social problems.

The new thinking which stresses the urgency of enhanced global co-operation is underpinned by Badré's analysis of what globalisation means and how it can be better managed. Globalisation can be described in many ways: some see it as economic phenomenon only; some as a cultural phenomenon – that we eat the same global foods, we watch the same global TV programmes, and so on; and others see it simply as a new phase in the evolution of capitalist economies and the development of markets.

If, however, we start by identifying the seismic shifts we have recently witnessed in the international economy,

we can come closer to understanding the reason for the widespread discontent at the impact of globalisation and the challenges that those of us who believe in enhanced global co-operation have to surmount.

Of course we have seen a revolution in communications since the 1980s empowering us to connect instantaneously across borders but two other big changes have swept the world since the 1980s – the move from what were primarily national flows of capital to global flows, and from the national sourcing of goods and services to their global sourcing. These shifts have had a dramatic effect on the industrial and occupational structure of modern economies. Industrial change has reduced the share of mining and manufacturing in modern economies from the peak of 40% of all jobs reached at the height of the British industrial revolution. According to Professor Tyler Cowan: “In the United States the proportion of the work force engaged in manufacturing peaked at about 25-27% in the 1970s. In Sweden manufacturing employment peaked at about 33% of the work force in the mid-1960s, and for Germany manufacturing employment rose as high as 40% in the 1970s. South Korea managed a manufacturing share of employment of 28% in 1989.”

But in emerging markets like Brazil and India, manufacturing has barely exceeded 15% of employment and writers like Dani Rodrik talk of “premature deindustrialisation.”^{II} The figures suggest that the old model

II. Source : <https://www.gmu.edu/centers/publicchoice/faculty%20pages/Tyler/Manila.pdf>

of modernisation through export-led manufacturing growth is becoming of less significant a route out of poverty for developing economies; fading questions about what kind of economic future lies ahead for today's low income countries.

Occupational change has been if anything more dramatic in its impact on working people, creating a polarised labour force, as many traditional skilled jobs from typists, secretaries, clerks, administrators, to draughtsman and boilermakers have declined in importance and the labour force has become divided between an elite of highly educated professionals who can command high salaries (at least for now) and a mass of unskilled and semi-skilled whose bargaining position is weak, whose job security is limited and for whose children opportunities appear to be poor.

This is not just the kind of problem that is unique to the advanced economies. In country after country, the gap between the promise of globalisation and people's day-to-day experiences of insecurity, joblessness and stalled living standards is so stark that we are almost certainly likely to see more Arab Springs, more Occupy movements and more 'take back control' protests.

What is the fall out? Globalisation creates the need for co-operation but also awakens in people the need to belong. For while the logic is economic integration, the emotional response is to demand that we 'bring control back home' – a slogan that has become commonplace in protectionist movements in many continents. Such reactions demand a

political response. In recognition of both the importance of identity and the imperative of co-operation, nation states must strike the right balance between the national autonomy people desire and the sharing we need. It is indeed a balancing act: too much integration and people feel their culture and identity are at risk. Too little integration and their prosperity is at risk.

So the policy imperatives are two-fold: as a world economy to show we can manage globalisation well by co-ordinating policies where appropriate; and as individual nation states to get the balance right between autonomy and integration. To quote a recent article by the NYU academic Jonathan Haidt: “The great question for Western nations after 2016 may be this: how do we reap the gains of global co-operation in trade, culture, education, human rights, and environmental protection while respecting – rather than diluting or crushing – the world’s many local, national, and other ” ‘identities, each with its own traditions and moral order? In what kind of world can globalists and nationalists live together in peace?’”^{III}

Across Europe and beyond countries are now having to respond to nationalist and protectionist pressures and show they have struck the right balance between autonomy and co-operation. Much has been written of how national government should help those who feel they have lost out from global change by the adoption of innovative training, employment and income support policies. Much less has

III. Source : <http://www.the-american-interest.com/2016/07/10/when-and-why-nationalism-beats-globalism/>

however been written about how we can finesse the international architecture. Here Badré's work can help as he shows us in his essays where and how global co-operation can be enhanced to best effect. It is not a choice between whether we have open and closed societies: we want open societies. The real choice is between those like Badré who want to lead, manage and tame what should always be an open global economy; and those who oppose all kinds of positive intervention – either because they favour a neo-liberal global free-for-all or are anti-globalisation protestors who shelter, insulate and protect themselves against change.

Badré's focus on how we can strengthen global co-operation through the repair and reform of the global financial system and how we can raise the funds necessary to finance the SDGs leads him to make innovative proposals. His work that started in the early 2000s with innovative initiatives in global health has now been extended to proposals for financing other public goods including infrastructure and global education. A further set of proposals revolve around a new role in infrastructure and other areas for public-private partnerships.

When Kofi Annan spoke of a global compact in 1999, he called on businesses, both on their own and together, to “embrace, support and enact a set of core values in the areas of human rights, labour standards, and environmental practices” and to “use these universal values as the cement binding together your global corporations, since they are values people all over the world will recognize as their own.” He added: “unless those values are really seen to be

taking hold, I fear we may find it increasingly difficult to make a persuasive case for the open global market.” He might have referred not only to human rights, labour standards and environmental practices but also to how business approaches issues of democracy and the rule of law. But the importance of partnerships is that they transcend the often sterile and self-defeating battle for territory between public and private sectors and instead focus on how each side can work better together. Since then the UN Global Compact led in by Secretary General Ban Ki-moon and stewarded by Georg Kell – and organisations like the Global Business Coalition for Education – have expanded our ideas of what is possible. As Kell has put it: “A growing number of companies across all continents have started the journey of reconciling societal priorities with corporate missions, strategies and operations based on universal principals... in an era of transparency, the societal and environmental implications of investor behaviour can no longer be externalized. They must be accounted for and priced. Doing well and doing good can happen together.”^{IV}

How the public sector can aid private-public co-operation is explored in Badré’s essays below, as it is through the work of Klaus Schwab at the World Economic Forum and in the new thinking on macroeconomic policy that has arisen from Larry Summers’ contention that the world has to break free from what he calls “secular stagnation”. Part of the new direction in policy has come through the creation of new investment institutions where

IV. Source : http://www.huffingtonpost.com/georg-kell/globalization-four-ways-t_b_11081332.html

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China has been in the lead – the BRIC Bank, the Asian Infrastructure Investment Bank and the Silk Road Fund. The challenge now is to develop a more co-ordinated and collaborative approach and, in encouraging a wider debate about the future of the Bretton Woods Institutions, to investigate whether we can find a consensus on the new international architecture needed to cope in the years ahead as we face wave after crushing wave of global change. Right across the world in the immediate aftermath of 1945 there was an explosion of new thinking that led to new initiatives and new institutions: as this book shows, we need the same ferment and new thinking now.

Rt Hon Gordon Brown

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and former Prime Minister of the United Kingdom*

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