

Session 10

Finance: Weapon of Mass Destruction or Armed Wing of States?

No Choice but Rebuilding Trust

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Many disruptions –the new buzzword– have happened in the last 15 years. And today anxiety and anger prevail. One culprit: finance also confused with or assimilated to globalization. Finance has become, after the so-called «global financial crisis», actually a north Atlantic financial crisis, the public enemy number 1. And there are good reasons for that. Most troubles faced by the world since 2008 are echoing the great disillusion of those who thought that we had found the holy grail of a financial system granting peace prosperity and economic development forever.

People feel embarked carried over by something too big, too distant, too complex on which they have no control and too little understanding...

The world nevertheless has never produced such an abundance of riches. The trouble is that, this abundance does not benefit all. And growing inequalities appear less and less as an accident and more and more as a trend, fostering rage or depression.

The main cost of the financial crisis is the reduction of trust in the system. Trust is the mortar of our modern capitalist economies as well as the cement of democracies. Some trust has vanished. Actually we have little choice but to rebuild.

We are at a crossroads. Either we let it go and new mediocre will be for a while the new name of the game. Lack of trust, lack of cooperation, rising borders and walls, tensions... Or we find the terms of a new arrangement where collective action, joint efforts, trust building are considered a more appropriate way forward.

I am not naive and I certainly do not underestimate the ambition. It requires an effort from most if not all: north and south, civil society, public and private sector, countries and international organizations, emerging, advanced and developing economies.

This is the ambition of the 3 global commitments agreed in 2015:

- Financing for Development in Addis Ababa in July,
- Sustainable Development Goals in New York in September
- Global agreement on Climate during COP21 in Paris in December

So far these commitment are just commitments. Extremely important ones though. Not yet history. They will be if we all agree to make them a reality.

I know it is doable. I know we can build a better world. I also know there is no free lunch. This is what finance people are supposed to never forget. And this is also what they tend to forget on a regular basis believing that «this time it is different». I am however convinced that finance has a role to play.

Not a secondary one but a central one. Finance led us to catastrophe. Finance looks discredited. Finance was and is still often consider the problem. I would like to make the case that finance is part of the solution. As per the gospel money is a poor master but can be a great servant!

Finance left to itself has no natural compass. But finance is a tool not a guide. And a tool can be controlled and made work for the common good all the more as it is a very powerful tool. Finance is the key to mobilize and allocate resources over space and over time. It allows preparing the future, to handle risk, to enter into cooperative agreements with others. Saint Therese of Avila had this wonderful formula «money, excrement of the devil but what an amazing fertilizer».

How to get there?

It will be a combination of different pieces to build a nice puzzle.

- Regulation probably comes first. This is how you repair and fix. It is not enough. We now need to have a holistic approach. What is the system that we want?
- Financial actors are also essential. I would like to emphasize the critical role of institutional investors. They largely took over influence firm banks in the past 10 years. They will soon manage 1000,000 billion of dollars. Their influence, as demonstrated, during the climate conversation, is enormous.
- Multinational can participate on their own and not just under the pressure of investors. The growing preoccupation for some of sustainability mutuality shared values ... is acting as a forceful driver.
- International organizations, forums and development institution have also a particular responsibility. They represent all countries and a form of global society.

Civil society has to influence all of the above. We cannot hide behind a comfortable and anonymous and distant «they». «We» are consumers, investors, taxpayers, members, voters... and we have a voice. We have to open our mouth and be heard.