

## DEBATE

### From the floor

I am a former teacher of economics and a former administrative head of the French Ministry of Health for five years. I have two or three comments on health and one on catastrophe. I recently gave a conference on how you would look at different countries of the world if, instead of looking at GNP or GDP per head, you looked instead at life expectancy. You might not know that life expectancy in Louisiana is lower than in China or Algeria, so when you look at the US you have a very diverse life expectancy within states. Taking black and white differences, the black population in the southern US has a very low life expectancy, below that of many African states.

I wanted to disagree with you on a very important point. I think you make a confusion, which was made several times today, between ageing and the very peculiar situation Western countries have to face, which is the problem of the baby boom generation. We have problems because of the baby boom generation, not because of the ageing of the population, because of the structure of the demography within Western states. This of course will raise very important problems in our lifetimes, because the baby boom started in 1947 in France and finished in 1973, so that raises questions for pensions and so on now, and will raise questions for healthcare expenditure later in the game, but in 30 years from now it will be finished. Therefore, we have to be very careful not to confuse the question of ageing and the very specific question of the structure of the demography in most Western societies.

Secondly, I completely agree with everything you said, except for one thing, which is why ageing has almost no impact on healthcare expenditure, which is true, but the figure you gave is not right. You spend 17% of your total health expenditure in the last year of your life in France. The reason ageing does not play a role, although health expenditure is age-related, is that the structure of the age pyramid is very stable. Since the consumption of healthcare has to do with age, if the age group of each part of the pyramid is the same, that has no impact. I agree with most of what you said.

One risk nobody spoke about, and I think in France it is a higher risk, is the risk of precaution, and policy which is not adapted to this precaution. I have been writing a book criticising political ecology and could say a lot about this issue, but it is true that states which are willing to protect people destroy the object which they are trying to control. I will give one example. This summer I was on vacation not far from here, and I was struck by the fact that they were saying on the radio that 50% of French children do not take a vacation. When I was young, which was a long time ago, even lower class people used to go to summer camps, and the question is why they do not do this anymore. I called different institutions and they said they had closed them, and had done so for three reasons. They had requested so many rules and regulations for buildings that it was too expensive to spend EUR5 million on a building that would be used for less than six weeks a year. Secondly, they asked so much of the trainers, because they had to teach swimming, tennis, etc. Thirdly, it was because of the new laws, and no one wanted to take that responsibility. We overprotect an object and it disappears.

### From the floor

I work on ethics for organisational leaders across sectors, so that joins in with governance and risk. My question is about connecting the dots. When we take the panel's incredibly interesting comments about multiple overlapping risk systems, how do we govern that kind of complexity when we cannot even govern one financial institution? Secondly, how do we govern in a world where a lot of governance has typically resided at the top echelons of state leadership, when we have leaders in places like Syria and North Korea who have absolutely no respect whatsoever for human life and may not follow global governance of issues, whether antibiotic resistance, income disparity, ageing, terrorism, etc.? I agree about the importance of diplomacy, but how we do face the challenge of the places where diplomacy does not work?

**Christine Moran**

I wanted to bring up something missing from the risks and rewards of an ageing population and shifting demographics. There has been almost no discussion of how this booming population came into being, namely women getting pregnant. People have children as a result of choice or an inability to make a choice, depending on where they are in the world, and certainly one of the challenges we will face as a society is family planning and how to disseminate access to that. That ability is very different in the developing world than in the developed world, and you end up with very different social structures as a result. Something you brought up was the consequences of increasing child life expectancy; those can also be balanced by decreasing, for example, the number of children being born, but to do that, the people in control of that need to be in power. It is something we need to bring into the conversation, because it does have a big impact on demographics, and if we cannot solve the inclusion of even our young people in terms of equality into the workspace, we cannot expect to solve that for elderly people as well.

**From the floor**

I have a very simple question for Mr. Daianu, who has given us a fascinating analysis. You did not have the time to develop what you called a better managed globalisation. Could you elaborate on this point?

**Thomas Kirkwood, Associate Dean for Ageing, Institute for Ageing and Health, Newcastle University**

Let me start with the question on female reproduction, which I completely agree is a huge question which has to be considered. It is quite multi-faceted, because what we are seeing in some parts of the world are issues arising is that the lifespan is being extended but the fertile period for women is not being extended, so increasing numbers of women are delaying starting a family until ages when the decline in fertility associated with intrinsic ageing is having its impact. I was at a meeting discussing women's reproductive health across the life course that was trying to grapple with this. We actually need to devise ways of structuring people's freedom to make choices about reproduction across the life course; that is in the rich countries. This is a really important issue in countries that are making the demographic transition, and it is part of the adaptation to reduce child mortality. The consequence of that is that families do often exercise choice; even if formal family planning systems are not available, people have to some extent been making choices about fertility over centuries, and what we see are these shifting patterns.

What could we do to introduce supportive systems that help to steer the demographics of populations that will benefit the individuals concerned? There are health costs about multiple pregnancies, and there are also family costs; it becomes increasingly expensive to raise families in worlds that are becoming more commoditised. There is a whole raft of really interesting questions to be unpacked.

**Richard Cooper, Professor of International Economics at Harvard University**

I would like to agree with your addition of over-precaution. One of my best experiences when I was a child was being able to go swimming in the local lake and skating on it when it froze in winter. All of that has long since gone, not because of climate change but because of US liability law, and my impression, though I am not entirely well informed, is that Europe is ahead of America in taking precautions, and it is bad enough in America.

Regarding the demographic point, I will just make the factual observation that birth rates have fallen almost everywhere. Birth rates fall as incomes rise, and there are many reasons, not just one. The exceptions are a handful of Arab countries and a large handful of sub-Saharan African countries. Those are the places where women still have five, six or seven children. It is worth speculating on why this is so, but that would involve a lengthy conversation on those two areas of the world.

You raise a deeper question about what one does about the North Koreas and Syrias of the world. We live in a system which political scientists call the Westphalian system, which goes back to the end of the Thirty Years' War, and the whole UN superstructure is based on that system, predicated on the absolute sovereignty of national states. That makes it very difficult, formally, legally and politically, to deal with states that are disagreeable for one reason or another. As a naive economist I made the suggestion some years ago, observing that the UN trusteeship system we set up in the 1940s still existed but had no clients, that we should use it for putting poorly run countries into receivership, simply throwing the government out and installing a UN trustee. You can imagine many reasons why that



idea never went anywhere, not the least of which, though perhaps that is passing with time, is its overtones of colonialism. Many African countries which find their neighbours extremely unpleasant would nevertheless disapprove of putting UN management in charge and throwing the existing government out. Many governments in the world feel vulnerable, and they would not want an organised, formal system for throwing governments out. But I still think it is a good idea.

**James D. Wolfensohn, 9th President of the World Bank**

I spent a lot of time in Africa during my ten years at the Bank, and I once talked to each of the quartiles of Africa and said to each leader that they should have a private meeting and steal what they could over the next two or three years, and then have a meeting to adopt some sensible rules and ask them to be supportive. They could make as many millions as they wanted over the next few years, which would set them up in Europe. I suggested this, and there was a lot of unease in the room. I regret to say that the idea went nowhere in each quartile of Africa. It was sad, because the leadership were saying that there was no end to their corruption, and that unfortunately is true in so much of Africa. I do not know how we can do it. Maybe putting them into receivership would not be terribly well received in the continent.

**Daniel Daianu, member of the Romanian Academy; former Minister of Finance of Romania**

I would like to answer two questions. The first relates to how to manage complexity, to try not to be overwhelmed by complexity, and to how one can manage large organisations. Before this meeting I remembered Jamie Dimon boasting about the ability of the JP Morgan management team to manage complexity and to avoid the shame and the losses which befell other big banks; a short while afterwards JP Morgan had its scandal. Let me just tell you what I think as to what can be done about it. When it comes to the financial sector, the way it is structured and it is functioning right now brings more damage than utility to the overall functioning of society. It is very bad, it is extracting an undue rent, and it is straining societies socially and politically. Something should be done about it. Reforms are underway, but Glass-Steagall should be reinstated, the Volcker rules are more than welcome. The Tyrie report in the UK puts emphasis on ethics. Lots of people have lost their moral compass, and if we remember Adam Smith and Max Weber, they link ethics with the proper functioning of the economy and society. We cannot say economics is amoral, and that is it.

What should be done? I think we should try to have simpler organisations. Is it possible? Some people might say no, that it is beyond our control. It can be done. I think one has to redesign the rules inside organisations, but also redesign the social contract; this is also something which has to be done. There should be new rules of regulation and supervision. What I think is happening right now in many EU member states but also in the industrial world is that there is a crisis of governance which can easily turn into a crisis of democratic politics, and that is very dangerous. There is a huge shift in global power which is quite unique in modern history: it is the first time in modern history when the supremacy of the Western world, economic, military, and also technological, is questioned.

What about globalisation? I think there are objective limits to openness; human beings and communities are witnessing discomfort at opening totally. It starts with psychology, it goes into social and economic structures, and then we have the issue of the paradigm. The world is not flat, and human beings, groups and countries have objective limits to adjusting to change. One has to be quite ambivalent, if we accept that this is the case, about espousing the view that unrestrained globalisation will make everyone happy. Nowadays, there is a rising number of winner-take-all games in the global economy; it is also happening in Europe, where there are too many losers. The German model has proven its robustness and resilience as against the Anglo-Saxon model, but regarding the way the Euro area is operating, the Deutschmark is undervalued, and the Escudo and Drachma is overvalued. Those countries have a limited ability to adjust. Is it realistic to believe that, over a longer period of time, internal devaluation is the way to address and redress imbalances inside the Euro area? Something has to happen.

Think about it. We talk about the European social model, but this has to be linked with the European model as embodied by the institutional policy arrangements in the EU and the Euro area. What kind of social contract can be supported by an EU budget which is 1% of the accumulated GDP of the EU? Is it realistic over the longer term? This is a fundamental weakness of the way the EU area is constructed right now.

**James D. Wolfensohn, 9th President of the World Bank**

You asked about the birth rate and Richard Cooper gave you part of the answer. Another part of the answer is that there is a lot of work being done in education in these countries to try to educate women, which is the main way to affect the birth rate, and the more you see that, the more chance you have of achieving the goal you want, and I think any intelligent person involved in development would really like to see this. It is an educational issue, and in many countries it is already being effective, but the trouble spot is sub-Saharan Africa where family sizes are still large.

**From the floor**

I have a comment and a question on what Thomas Kirkwood said. Firstly, I am very much in agreement with your very important point that our governments and political systems simply have not yet taken into account what all of this means, and you can see it in the pension arrangements. I profit from the fact that I can still work full-time at 79, because having been forced to leave as a German professor at 65, I can work at an American university. The waste of intellectual capital is phenomenal. Many people find ways and means to deal with that, of course, but the implications are enormous. My question relates to the interconnection between what you are doing and the way the economics of the pension system in Europe operate. Everybody who has worked for 45 years can retire at a full pension; this is the current arrangement the grand coalition is trying to implement.

45 is the absolute limit, meaning that if someone starts at 20 it is 65. The French locomotive drivers can retire at 55 with a full pension, and the argument is that people who have worked very hard cannot be expected to work for too long. The model there is that there is only one way of working; when an engine drivers gets too old it is probably in our interest that he should no longer drive a locomotive, but he could do something else, he could do very valuable work. Do we not need to rethink the concept of work as well? We do different types of work in different phases of life, and the question is whether we can finance the system with this kind of thinking, that we all must retire at 63 or 65.

**From the floor**

It was quite useful to distinguish between risks, as in events which we cannot anticipate but which can happen, such as epidemics, earthquakes or cyber attacks, and trends which are predictable but for which we are not prepared, such as ageing, climate change or social security reform. You can make a list of half a dozen things we know are happening; we know there will be economic migrants from poorer countries to richer countries in the next 20 years, and we are not prepared for that.

It seems to me that you are saying that it is a failure of governments to articulate and plan for a strategy, and in part, for all of those issues, it is linked to the lack of credibility governments now have with many populations, so they are not credible in laying out a strategy. It would be useful to get a sense of how you can build a consensus. Regarding the first set, risks from unanticipated events, from what you were saying it seemed that, as regards the threat of viruses or inter-state warfare, the institutional framework for dealing with them is fairly clear. However, when there are non-state actors involved, particularly in cyberspace where non-state actors will be involved, or banks, which are non-state actors but are very powerful, we do not seem to have the institutional or governance frameworks for dealing with unanticipated disasters or threats, because our governance structures have historically been Westphalian governance structures involving states. I want your reaction as to whether a sensible way of thinking about the problem is that most of the areas where we are having difficulty establishing a framework for action on unanticipated threats are areas involving one or other form of non-state actors.

**Thomas Kirkwood, Associate Dean for Ageing, Institute for Ageing and Health, Newcastle University**

That is a very pertinent question: How do democratic governments respond to long-term changes? You have explained very clearly the vulnerability to our current systems of governments from the evident loss of confidence by the electorate, which we have seen in the UK and across other countries as well. Where voting is not compulsory, the turnout at elections is becoming quite frighteningly low; it is part of the perception of incapacity.



Looking at the specific question, I completely agree with all your observations, and what we have to do collectively is to rethink the concepts of retirement and careers with our increasingly long life spans, and most particularly, to rethink the concept of education. Most countries have a system where education is piled into the early years of life; then you may have some refresher courses to top up continuing medical education, and you may have leisure education, adult education which tends to kick in later. However, as people live longer and as the world is changing, we need to look at completely different ways of structuring educational processes that would facilitate this kind of flexibility in careers, to develop a kind of portfolio career. This applies to many of these people doing the tough jobs like train drivers or, more particularly, people digging holes in the road or whatever, people with physically punishing jobs that are difficult to sustain into older age, but may be in that position because of lack of educational opportunity earlier in life. We need to find a way of reengineering society.

We do that a lot by engaging with older people. In Newcastle, we have set up a panel called VOICE North; VOICE is an acronym for Valuing Our Intellectual Capital and Experience. We have over 3,000 people of all ages, but particularly older people, who bring new ideas; they have experienced these challenges and have mulled over possible solutions. Therefore, it comes back to the idea of the wasted mental capital that too often is set to one side by society, but actually derives from considerable experience of life.

#### **Richard Cooper, Professor of International Economics at Harvard University**

I have a slightly different take on the world in general and on decision making. I think we have done pretty well. The last half-century has been the best half century in the history of mankind, at least in material terms. Not a year has gone by which has not been a crossroads for someone. We are always at a crossroads and somehow we always manage to cross the road. Sometimes it is at excessive cost, but that brings me to my second point about democratic government, and here I am talking more about the United States; I leave it to the Europeans to see whether it applies to Europe.

I do not think there is a general loss of credibility by the government, although at the moment the US federal government has lots of reasons not to be considered credible; I think difficulty in taking forward-looking decisions reflects a natural scepticism on the part of an informed public. There are lots of trends out there that people like those in this room project and tend to believe. People are not generally scholars and do not read the scholarly literature; they are sceptical about the many sometimes competing projections made by various groups. Governments tend to act when the public sees an immediate need to act.

We had a short-run financing problem with Social Security, the US public pension system, in 1982. Alan Greenspan chaired a commission which looked at it and persuaded Congress that we needed to raise the age of eligibility for the public pension. . (The United States abolished the compulsory retirement age in 1979, over 30 years ago.) I believe we need to raise the eligibility age by at least a year per decade and tell young people now that, depending on their age, they will not be pensionable until they are 70 or 71. Unhappily, it will take more financial crises to generate that result.

We will probably not get any action on climate change in the US until there are three really unpleasantly hot summers and some more severe hurricanes. It needs events like the ozone hole over Antarctica to get public support for government action. The American public will not act on the basis of academic projections alone, or even IMF or IPCC projections.

#### **Christian Bréchet, Director of the Institut Pasteur**

I just wanted to address the distinction between unanticipated events and trends. You said that epidemics are unanticipated. That is the point; they are part of the trends, and the difficulty for global management of the whole thing is that we have to shift some of the risk from unanticipated to trends. My presentation was to demonstrate that they are there, that it is not an unanticipated risk.

I will take a very precise case. Today at the Pasteur Institute in Cambodia, we do an analysis of infection by a form of influenza, H5N1, something which may be nothing more than usual or the beginning of an epidemic. We do molecular





characterisation, and we find mutations which are capable of leading to transmission from birds to humans. Is this an unanticipated threat, a risk, or a trend? It is a trend. We see it in Cambodia, but it is the same elsewhere. The point, and this has been the major change, as well as the success, of the past few years, is that we are in a position to anticipate something which is a trend and to stop thinking that we live in a world where we do not have these trends.

I believe that we have a strong difficulty in classifying unanticipated events and trends, and I will take the opportunity to make one point unrelated to the question. Ageing and infectious disease are very closely related risks. When you have ageing, you have surgery for various reasons, and there is a major threat, which is a trend, resistance to antibiotics. We are not able to just use antibiotics anymore; it is a major change, something which will overhaul everything. One of the populations where this will be a very strong driver from an economic point of view is the population of ageing people.

Finally, we have the exogenous pathogens, and today I presented on exogenous viruses which can infect us. However, we all have about 1.5 kilos of bacteria in our bowel; these are populations of bacteria and are normal inhabitants. There is now very strong evidence that during the first few days after birth this population of bacteria drives the shaping of the brain, through immunology, cell biology, cell regeneration and so on. When there is ageing, this population of bacteria plays a critical role in the process, and is a target for nutrition-environmental changes; it changes everything. The intestinal microbiota are a sensor of the social and economic problems in the different populations.

You showed that we have to have a more comprehensive view of medical care; we need a more comprehensive view of the mechanisms. Bacteria have been here for millions of years, whereas we have been here for around 200,000. Our mitochondria come from bacteria. Bacteria are our second genome, and in the end bacteria always win. There is something in this co-evolution which will have very practical consequences for how we handle what we are discussing, but we need to anticipate it.

**Daniel Daianu, member of the Romanian Academy; former Minister of Finance of Romania**

Governments and states still have an enormous role to play. It is wrong to believe that they should be emasculated, that the way forward is a different architecture, and for a very simple reason. Take the case of the EU: in spite of the talk about the need to deepen integration and to emulate the European sentiment, what we are witnessing, for obvious reasons, is that societies are becoming more inward-looking. William Pfaff wrote a very interesting essay in 1992, *The Wrath of Nations*, after the fall of the Berlin Wall and the impetus given to European integration, and that was like a premonition. How can you structure decision making by believing you can deal with all non-state actors? You have to achieve strategic alliances, of course, but in the end the big guys, the US, the US, China and India, will have to come to an agreement, and I believe the future is a three-bloc world system.

**James D. Wolfensohn, 9<sup>th</sup> President of the World Bank**

Thank you for your contributions. I hope you have all found this as interesting as I have, and that we can leave here better informed than when we came.