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You pre-empted me, because I was going to start by saying that, as a political economist, I figured it would make sense for me to focus on the political. Finance is always political. We know that there is a direct connection between politics and monetary and fiscal policy, but it is more general than that. The financial system is in many ways a creature of public policy, and it is heavily affected by public policies. International finance is even more politically fraught than domestic finance, as we know from many hundreds of years of conflicts over sovereign debts.

We just had a fascinating panel with two of the other speakers on some of the political issues that international financial and monetary affairs raise. The situation we face now is one we all know, and Jean Claude has just referred to it. There is a global backlash against globalisation. Everybody knows that, while we believe that globalism is good for every country, there are winners and losers. We have found out that this is what the globalisation backlash is going to look like. We have seen it now in country after country around the world, and finance is directly or indirectly one of its central targets.

We could focus on the narrowly construed problems of international finance, which are interesting and important. However, I believe that there are even more important challenges that international financial markets and national financial markets face. These are going to come from the evolving political circumstances, both domestic and international. Almost everywhere, among some substantial portion of the population, there is a very strong sense that globalisation, including very prominently financial integration, has not helped them. There are different forms in different countries, different targets in different countries, different sources in different countries, and different political expressions in different countries. I can give some examples. In the Eurozone, there is tremendous resentment in the debtor countries of the periphery about austerity. There is resentment in some of the creditor countries about transfers. There is resentment virtually everywhere about what has been seen as a series of bank bail outs. Then there are bank failures that threaten the communities the banks are found in. In a sense, Italy is the perfect storm here, because the Lega is furious about transfers, Cinque Stelle is furious about austerity, and everybody in Italy is furious about the failure of Italian banks, which threaten, in one way or another, the savings of middle class households. Finance is an easy target for those who resent austerity, resent bank bail outs, and resent fiscal transfers. They resent attempts on the part of well-meaning bank regulators to close up banks that are insolvent.

In the US, there is continued and growing resentment about job losses that are often related to the mobility of capital, both within the country and across borders. During the campaign, Donald Trump famously blamed Wall Street and the financial markets for the offshoring of American jobs. He also blamed the existing political élites for bank bail outs. As we all know, these were a central part of the attempt to limit the effects of the crisis that began in December of 2007. Nonetheless, bank bail outs remain one of the least popular public policies in the last 30 years in the United States.

Jean Claude was just mentioning that we have seen the emergence of populism in the emerging markets. The new round of populism in the developing world is represented by people like Duterte and the man who will almost certainly be the next president of Brazil, Jair Bolsonaro. In the emerging markets, there is continuing resentment about currency crises, about austerity and about sovereign debt crises. There is, there too, resentment of the role that élites have played in all of those things. Some of this resentment may be misplaced, but that does not change its relevance, its political power or its importance.

It is not just central banks that serve as the target, but the entire financial system, which is in many ways a creature of the political order. As one example, Donald Trump and his supporters, starting with the Tea Party in 2010, have Andrew Jackson as one of their heroes. And Andrew Jackson's principal claim to fame was his fundamental hostility to banks and central banks. He closed down the central bank of the United States, thereby causing a financial crisis, and came close to closing down all the banks in the country. And Jackson was the hero of the Tea Party and of the supporters of Donald Trump in 2016.



This is the principal challenge that faces international financial actors, both public and private. That is to address this resentment, because resentment in politics turns into politicians and parties that win elections, which could turn into policies that threaten an integrated financial system.

I do not think that persuasion will work. Many economists say that if we just explained to people things like comparative advantage, they would not worry about the fact that they have lost their job. But people have legitimate concerns and legitimate complaints. They may have misplaced villains, but their complaints are legitimate and have to be taken seriously.

The real challenge is that faced by our governments. How do you address these legitimate concerns? How do you provide support for those who have been hard done by the economic and financial developments of the last 20, 30, or 40 years? How do you provide compensation for them? How do you provide them with a sense that they are being represented in the political arena? To date, I have to say, being a little bit pessimistic, I do not see any particular willingness to engage directly and take into serious consideration the need to deal with the concerns of those who are the base of the populist movements.

It is time to think about what kinds of benefits can be given to those who have been suffering and are in fact now rebelling in the political order. Finance and an integrated international economy will come under sustained assault. The best defence, in my view, is to work hard to develop new models of social policies and political representation that go beyond platitudes. These policies need to satisfy the real needs of people whose suffering is not imagined, but real. If that is not done, the axis that has been developing over the last five years, what we might call the Trump-Kuczynski-Bolsonaro-Duterte-Salvini axis, will soon find finance to be a very attractive target, and the target will have no weapons.