



# JEFFRY FRIEDEN

Professor of Government at Harvard University

## Jean-Claude TRICHET

Jeff, you have the floor.

## Jeffrey FRIEDEN

Not surprisingly, since we have done this before, what I have to say flows in many ways from what Daniel was saying. There are a lot of issues we could discuss in international finance, and I hope we will. International politics, and international money and finance, are particularly complex these days. We could talk about crisis management and whether we are prepared for another crisis. As we did in the plenary session, we could discuss the role of the dollar, the euro and perhaps other currencies. There is the politicization of finance with sanctions and how that relates to things like the rise of China and how all that relates to socially responsible investing.

We could talk about all these, but if we did only that, we would miss the main issue that faces international finance today. – indeed, not only international finance but the international economy more generally. For anyone who believes in the desirability of an integrated international economic order, the main issue facing international finance and the international economy today is domestic, and it is political. As some have called it, it is a revolt of the masses reminiscent of previous eras.

I do not agree with those who represent the revolters, many of whom I find revolting, but it is justifiable, in the sense that they represent a response or reaction to perceptions that globalization, or globalism as Donald Trump calls it, has created extraordinary increases in income inequality. There are perceptions that globalization has created pools of wealth that are undeserved, and it has contributed to the decline of communities, and of entire regions. This is a perception that is very widespread. It is not just American. It is not just French. It is not just Brazilian. It is virtually global, in almost all of the OECD countries and in many developing countries as well.

I do not think we should fool ourselves into ignoring reality. And there is no question, at least in my mind, that international finance is a target. Whether that target is correctly aimed or not is another matter, but we have a precedent and the precedent is that of the inter-war years. Mainstream political parties and mainstream political and economic actors were incapable of finding a solution to intractable problems that affected the lives of tens and hundreds of millions of people.

If mainstream political parties and mainstream economic actors do not find solutions, others will fill that vacuum. The big question is, what will those in and around international financial institutions do? We have an early answer in the United States.

For the first time since the 1930s, we had two presidential candidates who ran on explicit platforms of hostility to international trade, international finance and international investments. One of those candidates won the presidency. The other one is running for it again, Bernie Sanders. This was in response to the victory of someone who campaigned against globalism, international finance and international trade.

The American international business community has essentially been silent. The usual conclusion is that they do not like the protectionist policies much, but they did get tax cuts and they did get deregulation, and maybe that is more important.

From the standpoint of any individual firm, that is probably true. From the standpoint of the international economic order and the international financial system, that is a terrible mistake that will lead us into something like a repeat of the



1930s, in my view. My question is, what are people going to do? When will the business community and international financial institutions start doing something about this fact? Virtually every country in the world is facing objections, in some cases majoritarian objections, to the way the international economic and financial order is structured.

**Jean-Claude TRICHET**

Thank you very much Jeff. I am not surprised by your analysis and also your call for appropriate reaction. I must confess that I was amazed myself to see that about Hillary. You mentioned Bernie, but even Hillary was very much signaling that she would go back, in comparison with the previous drive towards liberalism and the open market. Thank you very much indeed. Again, all the participants should take note, and what we need is your reaction and your questions, because we are restricting this considerably. I also take into account the fact that you probably saw a piece of paper I wrote on with a number of questions only as a suggestion for things to be examined more carefully. Thank you so much, Jeff, for your call for an appropriate response to populism.