

YANN COATANLEM

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There is no doubt, at least in my mind, that the Bretton Woods institutions and the Washington Consensus have played a useful role through time. And they probably have shown more flexibility than they are often credited for. But in light of the global nature of many crises, the increasing interdependency of our societies, the architecture of the so called international economic order needs to be tweaked in key areas. I would like to make two concrete proposals that contribute to the common good.

I will start number 1 with Macroeconomic and financial stability and how we can revive the spirit of the Pittsburgh G20 summit. Something that would have been very useful during the 2008 crisis is a global financial contagion model. How can we anticipate domino effects across multiple counterparties, countries and regions of the world? Some work has already been done at a country level, usually at the initiative of a central bank (in Brazil for instance). In the EU, the European Market Infrastructure Regulation (EMIR) would have most of the data to perform such an exercise. But we need to actually do it, and do it globally.

It would also be very useful to have some kind of extreme risk measure of the entire world economy, across many dimensions: market risk, credit risk, climate risk, cyber security, operational risk. Nothing new here: let's reuse the same models and stress tests that are applied to institutions that are deemed too big to fail. Once you have what's called a stressed Value at Risk number for the entire financial system, you should also have the ability to slice and dice along all institutions and risk factors, so we can attribute risk where it belongs. Of course, that will require us to stress test all financial players, including shadow banking, sovereign states themselves and FinTech.

To conclude on this point, having a common risk framework helps us find common interests, which I think is the key to international goodwill, not treaties, rules, pressure, you name it. Common interest can change the balance of power, very little else.

Number 2 in my wish list is Equality of opportunity for companies, countries and individuals. I go much deeper on these issues in my latest book, *Le Capitalisme contre les inégalités*, but here are a few important points.

First, did you know that 1% of companies control 98% of all the useful patents? That is a staggering number. Look at the fascinating story of generic drugs in the US. They were launched 40 years ago, and today, they represent 90% of the market. Seems great, right?! Well, unfortunately, costs of prescription medicines have continued to increase overall and innovation has been deterred by price gouging. What happened? Patents were just too much abused. This



is a perfect example of excessive rents. To me that amounts to what we call in the book private taxes, especially if you consider their net effect: we show that the rent going to the top 1% exceeds the official tax redistribution from the very same top 1% to the rest of the population! So net, you end up with something regressive. But equity is also about fighting externalities, first of all in climate change. Should we do it according to Nobel Prize winner William Nordhaus, by creating a club structure, with penalties for countries outside the club? So we can meet our carbon emission goals faster? Or should we create a compensation scheme for poor countries, like the fund proposed by the COP27? In fact, I think we should do both, because then you provide fairness to the system, but without perturbing the price signal too much.

A final word about equality of opportunity for individuals. The key to me is to optimize human capital over the entire life of people. That is tricky for governments because they need to do more long-term planning. They will need to beef up their ability to monitor the performance of public policies, both in terms of return on investment, but also in terms of fairness of the welfare system.

I strongly believe that large scale big data models can be beneficial to governments the way they are already to many private companies.

Jean-Claude Trichet, Vice Chairman of the Académie des sciences morales et politiques, former Chairman of the European Central Bank, Honorary Governor of the Bank of France

Thank you very much. I take your message as concentrating on maybe let us continue to have a G20, a Financial Stability Board and everything that goes with it continuing to function. It would be part of your message on maintaining rules at a global level and let us not destroy what exists and still exists at the moment we are speaking, even if it is not perfect. I take your point on fairness for firms and fairness for individuals as also a very important message.