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We will talk a bit about that with Pierre, who is next, and if you take the European version, there are less subsidies and a bit more regulation. If this has a consequence in terms of influencing the pattern of trade flows, that is a price you just have to pay.

I think the question that we will have to pose is, how does one address that trade-off? Because we are no longer going to be in a world, in my view, where we can only sit on one end or the other of the spectrum.

The danger, in some ways, is there are two parallel conversations going on – one about what we frame as a liberal economic order, and one about a whole set of new issues that are on the table that people want to address at international level – but I am not sure that those conversations are coming together enough. It will be interesting to get your view on the role of middle powers in advancing that.

Pierre, you have listened to three of your fellow panelists and you have a set of views on this, so it would be interesting to get those.

Pierre Jacquet, Professor of Economics at the École Nationale des Ponts et Chaussées (ENPC), Member of the Cercle des Économistes

Thank you, and thanks to Thierry for inviting me to this major conference.

Let me reflect a little on the notion of international economic order. The first question is whether we need one and, as an economist, my answer would be yes because we believe in markets, and markets do not function in a vacuum. They need rules, they need predictability, and this is what “order” means. The reason why we were so prosperous after World War II was because there was a set of rules of the game and market players could believe in them and rely on them.

My second remark is that any order is not going to be stable over time. It reflects the current set of political issues, concerns, and challenges that need to be solved collectively and it is not likely to resist changes in the global environment.

In a way, there are cycles – and this is very well shown in a major work by Martin Daunton in his book *The Economic Government of the World* in which he exposes and documents such cycles. These cycles start with a loss of legitimacy of the existing order, leading to an interregnum, in which new ideas are discussed, there is disagreement, and that process eventually leads to a new order. Then, again, the new order in time suffers from losses of legitimacy.



Daunton argues that we currently are in the third such cycle. The first one was between the 1910s and the 1940s, starting with the loss of legitimacy of the pre-World War I globalized order. The interregnum lasted a long time – efforts were made to structure international cooperation, the League of Nations was created, as was the Bank for International Settlements; there were discussions about restoring the Gold Standard. These efforts mainly failed, the international London Conference in 1933 did not achieve anything, the US delegation was itself divided. But this is when the seeds of the later Bretton Wood agreement were built, and the new order that emerged was based on that 1944 Bretton Woods agreement.

That order in turn underpinned decades of high growth, but various crises heralded a loss of legitimacy starting at the end of the 1960s. In the early 70s, the Exchange Rate agreement within Bretton Woods collapsed, eventually leading to floating exchange rates among major currencies. Then came the two oil shocks. The interregnum lasted until the end of the 1970s with the emergence of a new liberal order with Margaret Thatcher, Ronald Reagan and the deregulation of financial markets.

This neoliberal order again suffered from a loss of legitimacy that became blatant in the aftermath of the 2008-2009 financial upheaval crisis (after an alert in 1998-1999 with the Asian crisis), and then again with the Covid-19 pandemic, leading to the interregnum disorder we live in, complex and multiform. Financialization failed to deliver prosperity for all and mostly benefited the rich. The existing world order proved unable to generate the collective action called for by the climate and environmental challenges, the complexity of value chains proved a source of major vulnerability and insecurity, the rise of emerging countries exposed the political imbalance of global governance structures and institutions. Moreover, a lot of political energy was devoted to addressing the global dimensions of some issues such as trade or finance, but much less to other, legitimate issues such as labor rights, migrations, health, and of course environment. Finally, current geopolitical tensions compound the political fragility of the prevailing world order.

That is where we are now. Politics has come back, and this is good news. We need to work on these challenges. The big question is how long will it take to reach a set of negotiated agreements that reconcile the national interest with international cooperation? This is what actually defines an international order.

For a number of years ahead, we are bound to muddle through. It may not be a catastrophe, but it means that markets will not be anchored on a stable and predictable set of rules. Therefore, we may have less growth, indeed. However, it may also be an opportunity to redefine what the purpose of economics is. Is it growth? Is it shared prosperity? How do we define growth? Is it the change of GDP? We all know that it is a very, very poor indicator. The current interregnum disorder can provide a wonderful opportunity but, as the 1930s demonstrated, there is no guarantee that I am not sure that we can and will manage this opportunity successfully.

Masood Ahmed

Thank you, Pierre. A very coherent and comprehensive set of issues that all need to be addressed. Two thirds of the way through the first round, we have got a very good sense of all the problems and also of all the things that need to be addressed. However, we also have a sense that the current set of international political relationships makes it hard to address any of those problems well.