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Pierre, it is your turn to close this first round of comments.

Pierre Jacquet, Professor of Economics at the École nationale des ponts et chaussées (ENPC), member of the Cercle des Économistes

I would like to make four points. First, let me insist on the centrality of domestic politics. In a way, we have been in a world in which national politics was embedded in the post-war vision of an integrated, liberal global economy, which was taken for granted and consistent with economic rationality and global capitalism. This global economic polity somehow superimposed on the nation-state fragmentation is collapsing, leading to much debate, on whether and how to maintain it. In leading Western countries, domestic politics was governed by this vision of a globalized world economy: to paraphrase Wolfgang Streeck (*Taking back control*, 2024), democratic nation states were seen as technocratically embedded in the global economy. This is no longer working for a lot of reasons related to geopolitics but also a widespread dissatisfaction with the results of globalization inside our countries. At least transitionally, a reverse logic and rationality is bound to apply, by which a vision of the global economy needs to be embedded in domestic politics. The question is how domestic politics can lead us in our various countries to shared new rules for the international economic game. This is a difficult question because how that happens and the nature of that vision depend on the country we sit in. This process will take time, and it is bound to be a transactional process: there is no other way because it cannot currently be driven by a shared ideology that simply no longer exists. The challenge ahead is thus to gradually reconstruct such a shared ideology about the global rules of the economic interaction game.

My second message is about the economics of globalization. A number of speakers have said, and I agree, that globalization is still alive and kicking and it is not only about trade and finance, but also about human mobility, cultural and scientific exchanges. Research is increasingly conducted internationally through collaborations, health issues, notably the response to the Covid pandemic have been international at least as much as national. Another aspect of globalization is the prevalence and importance of global public goods, including climate change and threats to biodiversity, which call for joint actions, which is a much more demanding form of international cooperation. In the face of that continuing globalization, the prevalent message from mainstream economics has tended to be politically simplistic. For example, even this basic idea, which I have myself supported as an economist,

that trade is a positive-sum game depends on what “players” we consider: it is a positive-sum game among nations (though some may not recognize it), but it is not among individuals whom these nations are made of: there are benefits and costs, unequally distributed, and winners and losers. The perception of the overall outcome depends on how individual and group welfare is experienced, measured, and weighted. More granular data and analysis are needed on how income distribution is affected by trade and what policy responses should be. Recommendations to further open countries or keep them open need to consider this balance between benefits and cost and discuss how to shape it and make it acceptable. Beyond making more room for externalities, including the environment, climate change, etc., a challenge for economics is to move to more precise assessments of the benefits and costs of various forms of globalization. Ultimately, the balance between benefits and costs that can be deemed socially desirable and manageable between winners and losers is a political question that, no longer addressed within a shared global liberal ideology, does not belong to the realm of normative economics.

My third point is that global economic governance is in a transition period in the sense that the former rules of the game have lost legitimacy, credibility, relevance and support for a lot of reasons, and new rules of the game are needed. During this transition, the world has become increasingly uncertain because there are no shared behavioral standards respected by all agents. In facing that uncertainty, it seems quite normal that private sector companies are trying to derisk and go back to a world where they can better understand and manage the risks they are taking. This is a new environment for companies and investors worldwide. They can live with risk, as a quantifiable, probabilistic characteristic of their environment, but they try to avoid “uncertainty”, i.e. in a Knightian terminology, the possibility to see unknown events happen, or known events take place with a probability that cannot be computed. They are tempted to retract to environments which, for them, as less uncertain. As such, de-risking is a response to political fragmentation. But it may also make political fragmentation more palatable from an economic point of view, which will not help the process of building a different international order. Yet, de-risking can also contribute to globalization by maintaining interdependence. For example, a rational response to the threat or reality of protectionism is to locate production in the target markets: international (direct) investment thus replaces trade flows. Globalization is still active, but it takes different forms.

Finally, in this transition period, two major trends stand out. One is the primacy of transactional behavior: building new rules implies a global, complex negotiation, i.e. a process in which all participants set out their own interests and try to advance them. Any instrument that may advance their own goals is likely to be on the table. Moreover, a preliminary challenge to organize such a discussion among national representatives is to manage the domestic processes through which national interests may be assessed and defined. We should not worry too much about declarations, however extreme and shocking, what matters in the end is debate, discussion and negotiation. The second, inescapable trend, is multipolarity. All countries deserve a seat around the negotiating table, and an increasing number of countries carry a lot of weight. The former “big powers” are no longer representative, and this corresponds to the spirit of this World Policy Conference, which as Thierry mentioned gathers medium-sized powers. This global negotiating process is not going to be easy, negotiations between two or three major countries are already difficult and with 20, 25 or 40 countries, negotiations will take much more time. This is why we need an intense



dialogue on all these issues, but we should make a continuous effort to reconnect economics and politics because the two cannot be dissociated. As economists, we have tended to forget that reality, we were living in a world in which geopolitics was reasonably understandable and stable, and we could ignore it. This is over, at least for some time. Rebuilding a shared, “high politics” vision of the world should be our priority.