



Presentation of Session 6: Reinventing Rejected Institutions

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The crisis is far from behind us, but we must already imagine the *Next World*, and thereby the institutions that will lay down the rules of the game. Because free market economies cannot be reduced to the adjustments that take place on the markets. The works of Douglas North or Daron Acemoglu has shown that weak institutions were at the heart of the decline of nations. Formal or informal, they are not limited to the political system but cover the legal rules applying to economic agents, the articulation between public policies and the game of competition, the powers of the welfare state, the dominant beliefs or incentive systems, the specific social contract of each type of capitalism, the governance of globalization...

Before the crisis, many of these institutions were criticized, some were rejected because growth was too weak, because inequalities were growing, because globalization threatened the autonomy of Nation-States and democracy. Not to mention the delays in the fight against global warming. The COVID crisis has revealed what many have refused to see and we are living in a critical moment because profound institutional changes appear to be the only reasonable answer to avoid getting bogged down in the economic and social crisis and the risk of political chaos.

But it is doubtful that the *Next World* will result from a *great evening*, from a spontaneous craze for a new ideology (and by the way which one?) And the ex nihilo creation of new institutions. With the return of States, the *Next World* will result from an incremental process, responding democratically to the dissatisfactions of the past while learning the lessons of crisis management.

Because COVID-19 has overturned the guiding principles on which many institutions were based. The urgency forced them to break away from the old routines and to change software: resilience in front of extreme shocks, and not just efficiency in front of short-term turbulence; cooperation, not just competition between States or between companies; the solidarity between men and the social value of their survival, and not only the maximization of wealth ... Their specialization to ensure its effectiveness was matched by the versatility and multiplicity of targets. Strict respect for the missions embodied in codified rules has been replaced by discretionary action which transgresses many taboos.

Central banks have responded to the extreme events linked to the pandemic, far from their mandate. Bank credit, largely guaranteed by governments, must have been like *rescuing companies as a last resort*. States have regained consciousness of their infinite



horizon by avoiding the question of fiscal sustainability. The gap between politics and the markets became porous when the competition authorities endorsed the explosion of state aid and when the European Commission displayed, rather than free and unfair competition, its objective of industrial and technological sovereignty and health independence. The dividing line between the experts and the political decision resulting from representative democracy has shifted... We must now translate this new software by reinventing the institutions of the *Next World*.

This is the purpose of this session to examine the past failings of institutions, explaining the criticisms they were subjected to in the pre-crisis, and their re-founding in the *Next World*.

This thematic covers several types of questions among which the participants in this session are invited to answer, either by being situated on a generic level, or by choosing a particular section relating to their own experience, organizations or sectors in which they operate, from their own work, either by combining the two sides.

- First, in reference to the pre-crisis, the slowdown in growth, the risk of secular stagnation, the rise in inequalities... have been associated with many factors: globalization, technological change, demographic dynamics, macroeconomic imbalances... But this also covers the institutions, understood in the broad sense given to it by economists, from Douglas North to Daron Acemoglu via Dani Rodrik. Suddenly, which ones were found to be failing, explaining that they were criticized, even contested?
- Secondly, the management of the COVID-19 crisis resulted in a change of software, by the extension of unconventional policies or responses, on the side of States, central banks, companies, banks... What are the *models* of this reconfiguration? Are these institutional changes, these changes of course on the level of policies or strategies, on the scale of the targets as well as that of the mobilized tools, are they specific to a context of crisis or are they led to perpetuate themselves, becoming thus the outline of a profound change, the beginning of a *Next World*?
- Finally, how to consolidate and coordinate these new institutions, how to give them more coherence, in order to contribute to higher, inclusive and sustainable growth in the *Next World*? And on what scale? Only that of the Nation-States? Or on a larger scale, regional or global, depending on the future of globalization. And what are the obstacles which could arise, such as to decelerate the adjustments among the institutions, even the conflicts which could arise?