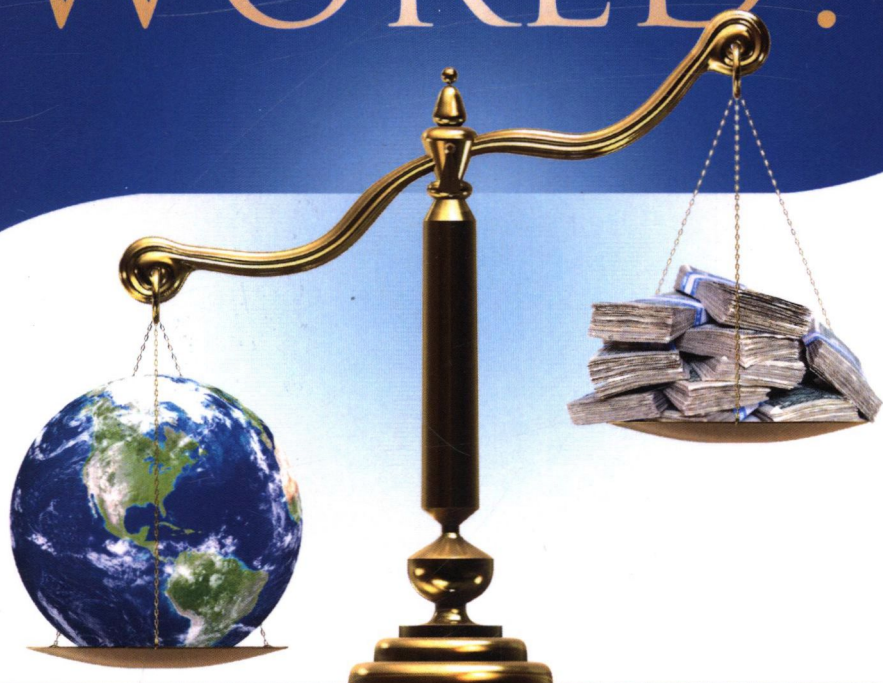


BERTRAND BADRÉ

Former Managing Director of the World Bank

CAN FINANCE SAVE THE WORLD?



**REGAINING POWER OVER MONEY
TO SERVE THE COMMON GOOD**

Forewords by **EMMANUEL MACRON** President of the French Republic
and **GORDON BROWN** Former Prime Minister of the United Kingdom

HOW TO MAKE FINANCE A FORCE FOR GOOD

Just as Thomas Piketty offered a sweeping critique and progressive reassessment of capitalism, former World Bank Group chief financial officer Bertrand Badré looks at the destructive role finance played in the global economic crisis of 2007–2008 and offers a bold prescription for making it a force for good. Badré describes how finance can be harnessed to help us solve many of the world's biggest problems—climate change, poverty, infrastructure rebuilding, and more. As he writes, “When controlled and used intelligently, with benevolence and inventiveness, finance can accomplish great things.”

“Bertrand Badré is a practical visionary. He fully recognizes the power of the backlash against financial globalization. But finance is an essential tool. As he argues in this heartwarming book, innovative partnerships between the public and the private sectors remain essential if we are to enjoy a cooperative world and a better future.”

—**MARTIN WOLF**, Chief Economics Commentator, *Financial Times*

“Finance can do a lot of bad. But it can also do a lot of good. Bertrand Badré's book shows concretely how, with a focus on public-private partnerships, and the specific role of multinational development banks. This is important, practical work.”

—**OLIVIER BLANCHARD**, Fred Bergsten Senior Fellow, Peterson Institute for International Economics, and Robert Solow Professor Emeritus, Massachusetts Institute of Technology

“Creating a world where no one is left behind requires a clear road map. We have the sustainable development goals, and Bertrand explains how the financial system can play a more effective role to help them come alive.”

—**PAUL POLMAN**, CEO, Unilever

“Can finance be a force for good? When a PPP (a person with in-depth private practice and a profound public commitment) proposes that PPP (private-public partnership) improves people's lives and future, then it can prove transformational for the role and purpose of finance and help make progress on the road to the sustainable development goals.”

—**CHRISTINE LAGARDE**, Managing Director, International Monetary Fund



BERTRAND BADRÉ is CEO and founder of Blue like an Orange Sustainable Capital. Previously, he was managing director of the World Bank; chief financial officer of the World Bank Group; CFO at two of the world's largest banks, Crédit Agricole and Société Générale Group; and a partner of Lazard.



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Berrett-Koehler Publishers, Inc.
www.bkconnection.com



CURRENT AFFAIRS/
ECONOMICS
ISBN 978-1-5230-9421-9
US \$24.95
CAN \$33.95

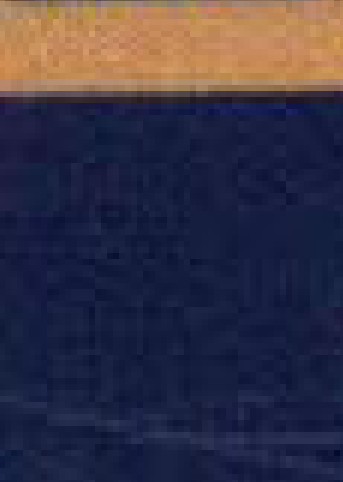
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a BK Business book

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Berrett-Koehler Publishers, Inc.

1333 Broadway, Suite 1000

Oakland, CA 94612-1921

Tel: (510) 817-2277 | Fax: (510) 817-2278 | www.bkconnection.com

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Cataloging-in-Publication Data is available at the Library of Congress.

ISBN: 978-1-5230-9421-9

FIRST EDITION

23 22 21 20 19 18 | 10 9 8 7 6 5 4 3 2 1

Book producer and text designer: BookMatters, Berkeley, CA

Copyeditor: Mike Mollett

Proofreader: Janet Reed Blake

Indexer: Leonard Rosenbaum

Cover designer: The Book Designers

Praise for *Can Finance Save the World?*

"Agree or disagree, Bertrand Badré has written a hugely important book on the future of finance. He provides a compelling vision for ethical global finance that makes current political debates seem petty and thoughtless."

—**Lawrence H. Summers, Charles W. Eliot University Professor, Harvard University**

"Bertrand Badré knows as well as anyone what gave rise to the disenchantment with the world of finance. His aim in this important and provocative book is to point to a new world in which finance is no longer a threat but becomes a handmaiden to order, stability, confidence, growth, and greater equality."

—**Ezra Suleiman, Professor of Politics and IBM Professor of International Studies, Princeton University**

"Bertrand has definitely witnessed the financial crisis from the inside and has drawn important lessons. More importantly, this book shows that things can actually be done, walking the talk rather than just talking the talk."

—**Ricardo Ernst, PhD, Baratta Chair in Global Business and Professor of Operations and Global Logistics, McDonough School of Business, Georgetown University**

"A wake-up call. An expert's valuable overview of the need to support the nascent revolution in finance to improve lives."

—**Sir Ronald Cohen, Chair, Global Social Impact Investment Steering Group, and cofounder of Apax Partners**

"This book is a must-read for anyone interested in understanding why finance has become such a powerful force for our times. Can finance save the world? Maybe, but it could also cripple it. Badré's insights reflect the rare combination of a keen intellect and a wealth of hands-on experience in the world of international finance."

—**Masood Ahmed, President, Center for Global Development**

"This book is a powerful call to action for global leaders to reinvent the way that the public, private, and social sectors collaborate and describes the important and unexpected role that finance can play in uniting stakeholders across political and socioeconomic boundaries."

—**Dominic Barton, Global Managing Partner, McKinsey & Company**

"Everyone says we need more public investment. Everyone says the public and private sectors must work together. Nobody has told us how—until Badré spelled it out practically and providentially in this book."

—**Adam S. Posen, President, Peterson Institute for International Economics**

"Colorful, confronting, and compelling! Bertrand Badré presents the case for reshaping the international financial architecture and mobilizing global financial

flows as drivers of inclusive growth. This book is a call to action for all of us—as we continue to grapple with the legacies of the global financial crisis.”

—Angel Gurría, Secretary-General, Organisation for Economic Co-operation and Development

“Bertrand Badré makes a convincing argument for how financial institutions—and particularly multilateral development banks—can help humanity conquer some of its greatest challenges, from climate change to the quest for building more equitable societies. His book is a valuable contribution to the debate about development finance.”

—Luis Alberto Moreno, President, Inter-American Development Bank

“Bertrand Badré’s creative and insightful book on international finance paints a holistic picture of the practical and ethical dimensions of this very important social tool.”

—John D. Negroponte, former US Permanent Representative to the United Nations and former Deputy Secretary of State

“Building on the seminal idea that finance, like any human activity, is here to serve the common good, Bertrand Badré outlines in this easy-to-read book a number of avenues that humankind can and should explore and embrace to address the challenges it faces today, using finance as a tool, not an end. An inspiring and practical invitation to choose the right path at the crossroad the world finds itself at.”

—Hubert Joly, Chairman and CEO, Best Buy

“It has been a long-held belief of mine that leveraging the private sector much more efficiently as well as being innovative in how we use capital are two of the essential keys to unlocking development. Bertrand Badré carries these as central themes throughout his well-argued book. What is even more impressive is Bertrand’s bold move to implement what has long been discussed in theory into real life and concrete action. This is why I am really proud to support him and Blue like an Orange.”

—Olivier Goudet, CEO, JAB Group, and Chairman, Anheuser-Busch InBev

“Bertrand Badré offers a holistic view of finance. Like technology, it is neither good nor bad in itself. But an intelligent partnership between private financial institutions, international organizations, governments, and the philanthropic sector can produce fabulous results. To help us understand how these partnerships can be crafted and the crucial role ‘domesticated’ financial institutions can play, he draws on his deep experience in both the public and the private sectors. A must-read for the development finance community.”

—Kemal Dervis, Director of Global Economy and Development, Brookings Institution, and former head of the United Nations Development Programme

"In these times of uncertainty and increasing nationalism, Badré makes a powerful case for the inherently global nature of finance and its capacity to be used as a tool for good."

—**Agustín Guillermo Carstens Carstens, Governor, Banco de México**

"Drawing on deep expertise, wide-ranging practical experience, and the vantage point of a thoughtful insider, Bertrand Badré provides important insights on how society can—and should—regain control of a bipolar finance system to deliver better and more sustainable outcomes for more people around the world."

—**Mohamed El-Erian, Chief Economic Advisor, Allianz; former CEO, PIMCO; and author of *The Only Game in Town***

"Bertrand Badré and I worked on promoting the G20 infrastructure agenda during the Australian presidency. The ideas we pushed are the ones that are at the heart of *Can Finance Save the World?* Ideas are essential, but this book is about trying and doing. A true call for action."

—**Honorable Joe Hockey, Australian Ambassador to the United States, former Treasurer of Australia, and former Chair, G20**

"A blueprint for forceful, collective action. Against a rising tide of economic nationalism, Badré lays the course to address an unprecedented range of global threats—climate change, pandemics, inadequate access to infrastructure and water, and refugee crises. With his new venture, *Blue like an Orange*, Badré is also practicing what he preaches, reimagining finance as an equalizing force for the vulnerable among us."

—**Antonio Weiss, Senior Fellow, Harvard Kennedy School**

"This book is refreshingly different. Written by someone with a deep understanding of both the flaws and the possibilities of the financial system, it presents a level-headed analysis of what went wrong. However, it goes much further and offers a constructive view of what can be achieved if we move beyond the postmortem and remember what tremendous potential finance can bring to economic and social development. Indeed, it argues for the right kind of innovation in our financial system as an indispensable ingredient to solve many of today's global problems and create a more equitable world."

—**Klaus Schwab, Executive Chairman, World Economic Forum**

"Postcrisis financial reform efforts have focused on how to make the global system safer so that 'it can't happen again.' Bertrand Badré instead addresses the forward-looking challenge of making finance effectively serve broader interests of social and environmental progress, in addition to promoting growth."

—**John Lipsky, Senior Fellow, Johns Hopkins School of Advanced International Studies, and former First Deputy Managing Director, International Monetary Fund**

“Bertrand Badré played a key role in providing the analysis of the role of finance in achieving the sustainable development goals. We all agreed that the way forward was not going to be ‘business as usual.’ This is why this book is so helpful, important, and timely as it serves as a how-to guide to inspire action among a multistakeholder society.”

—**Charlotte Petri Gornitzka, Chair, Development Assistance Committee,
Organisation for Economic Co-operation and Development**

“Bertrand lays out an ambitious, but I believe completely doable, path for the public and private financial markets to take to achieve our common human objectives. And he makes a forceful argument for why it is in the best and self-interest of the financial sector to feel responsible for helping achieve the goals the world has set and to help eliminate the growing cancer of increasing inequality.”

—**Ray Chambers, UN Secretary-General's Special Envoy for Health in Agenda
2030 and for Malaria and former Chairman, Wesray Capital Corporation**

“To build an inclusive world, Bertrand lays out ideas on how finance can be used as a force for good and inclusion. Such inclusion will significantly help reduce the societal unease that is leading to political crisis in many countries by allowing humanity to address some of its most pressing problems, including global warming, pandemics, and inequality.”

—**Paul Desmarais III, Senior Vice President, Power Financial Corporation, and
Executive Chairman, Portag3 Ventures and Sagard Holdings**

“This book is a passionate call for leadership and joint action. As Badré reminds us, finance is not a blind and uncontrollable force. It is not good or bad in itself but as good as we use it—and, going forward, we will indeed have to use this tool a lot and as wisely as we can to master the global challenges that we all face together.”

—**Dr. Werner Hoyer, President, European Investment Bank**

“Bertrand’s critical expertise, acquired through his work at the heart of the financial system over three decades, is brought to the fore in this outstanding work. We all have a stake in ensuring that the international finance system succeeds and serves society, not the other way around.”

—**Mark Carney, Governor, Bank of England, and Chairman, G20 Financial
Stability Board**

CAN FINANCE
SAVE THE
WORLD?

FOREWORD

Emmanuel Macron

Hasty and definitive judgments about finance are frequently heard. For some, finance is the enemy of the people, dispossessing them of their sovereignty. For others, finance is a tangible expression of human greed; it is merely an instrument of domination, making it possible to create value without effort and to accumulate wealth without producing. For still others, finance has become a religion before which our societies should prostrate themselves. These caricatures miss the mark. They do not recognize that finance encompasses diverse realities. They do not make it possible to understand that finance is only a means to serve human ends. We must use finance—not serve it.

At its core, finance does not constrain us: it obliges us. It is this reality that Bertrand Badré, with whom I have considered these questions regularly for years, highlights in this beautiful work. Throughout his professional career, Badré has been a privileged witness to world-changing events, such as the acceleration of trade, the progressive integration of our economies, the emergence of new challenges, notably environmental ones, and the advent of new risks, especially threats to security.

The reflections he shares here are a call for determined action.

Indeed, recent history shows that we have made the collective choice of inaction. The decades of prosperity after the Second World

War, based on the Bretton Woods Agreement, the Marshall Plan, and the beginnings of the European construction, forged a stable and organized financial system. This cycle broke with the suspension of the gold convertibility of the dollar, and then the first energy crisis. After this shock and the ensuing stagflation, the conservative and neoliberal revolution of the 1980s ushered in a new period of our economic history. Growth and considerable progress were achieved. But by unleashing the movement of capital, by drastically reducing regulation, and by expanding public and private debt, governments finally relinquished their power to make finance serve their greater goals, or to use finance as a tool for action. In 2007 the financial crisis suddenly lifted the veil on this pernicious system. The political and social disorders that it engendered and the fractures that it accentuated were the violent outcome. However, it would be a grave error to conclude that this crisis discredited finance itself. I believe this is a misconception. The crucial lesson of this crisis is the urgent need to regain control of the global financial system. In particular, we must address three global challenges.

The first challenge is the environment. I am convinced that the necessary ecological transition will first be an economic transition. At a time when the president of the United States seems to have abandoned this battle, France and the European Union must understand that their responsibility is all the greater. To succeed we have to accelerate the mobilization of private and public actors, politicians, and civil society. Success will also require massive use of global savings in order to transform our productive model and create the conditions for environmental innovation. Finally, it is important to reorganize our financial system so that it can better integrate the ecological imperative. Finance is the arena in which progress can be made, such as accounting for the long term, valuing externalities (in particular, the price of carbon), and holding economic actors accountable. In this matter, France recognizes its role and is on the front line. The financial center of Paris is in the process of adopting a strategy and

rules of the game to turn it into an international leader in green finance. I will encourage this movement in favor of a useful finance.

The second challenge is innovation. We are no longer in an economy of catch-up priorities and big projects, as was the case some 30 years ago. Our course is no longer toward the imitation of products imagined abroad; it is found in innovation in the developed countries and in all the countries of the world. The strength and power of the emerging model resides in the alliance that companies are able to seal with millions of users. The result is a formidably decentralized, more horizontal economy, in which it is a question of constant investment to create employment and encourage our businesses to grow. The digital revolution is revealing itself to be at the heart of financial cycles. The released energy thus appears to be without limits; the effects are colossal and can cause alarm. They must, however, benefit all. In this battle, we must put finance to the task. Investment needs to exceed the capacity of governments. Cooperation between the public and private sectors requires new approaches and new tools. It is not enough merely to better regulate! We must also innovate in the financial field, in order to allow all the territories and all the actors to benefit from the waves of progress. And such crucial-innovation is now unfolding in a renewed framework. Bertrand Badré recalls an exchange with Sir Ronald Cohen: "The 19th century was the age of rewards; the 20th century was that of risk/reward; the 21st century looks like the age of risk/reward/impact." Investment is at the heart of the economic policy I lead in France. It is more broadly a major challenge for Europe as a whole, which must invest more and better to accelerate the digital revolution and boldly enter the new economy.

The third challenge is development. The needs are immense, but they have never been more urgent. Climate change, the rise of migration, and the unprecedented risks associated with pandemics require us to act quickly and to mobilize the necessary resources. Again, public institutions alone will not be able to cope with this global challenge. The money exists, but it is poorly allocated. It is

important to reinvent forms of international cooperation, to renew our multilateral tools by adapting them to the new demands, and to encourage private institutions to take risks for the general interest—to invest most heavily where needs are greatest.

Environment, innovation, and development—these three global challenges are at the heart of a new paradigm that we must imagine and build after 10 years of crisis. Together, they demonstrate that we cannot do so without finance, albeit useful and responsible finance. To refuse to put the financial system at our service would be to give up action and prepare the conditions for our collective failure. Of course, this book provides neither all the answers nor all the solutions. But it allows us to confront the fatalists, the adherents of decline, and all those who imagine or imply that we are disarmed. Yes, finance can help save the world. It is up to us to claim it for ourselves.

FOREWORD

Gordon Brown

Few have done more to expose the challenges globalization throws at us than Bertrand Badré. And few have come up with more positive proposals for how to manage globalization in the interests of those who need our help most than he has done—first in his capacity as Chief Financial Officer of the World Bank and then as the inspirational architect of the “From Billions to Trillions” proposals, which were agreed at the Addis Ababa Conference as a means of financing the Sustainable Development Goals. He now challenges us with his plan for managing international finance and as the author of this new book, which introduces us to new thinking about globalization, he suggests how it can be made to work for the poorest of the world.

Dean Acheson spoke about his role as a US diplomat and later Secretary of State in evolving the new institutions of the post-1945 world and said it felt like being “present at the creation.” Then the task was to create multilateral institutions for what was still a world of detached nation states. Now in a new generation—the post-millennium interdependent world where we need global solutions to global problems—Badré and other leading economists are present at the creation, or at least at attempts at the creation, of a new more relevant global architecture for this still young century.

New thinking at the turn of the century influenced the introduction of the path-breaking Millennium Development Goals, which

were kicked off in 1999 when the then UN Secretary General, Kofi Annan, called for a “global compact of shared values.” In a visionary speech, Annan argued that “the spread of markets [was outpacing] the ability of societies and political systems to adjust to them.” His warning, that globalization was fragile and “vulnerable to backlash from...protectionism, populism, nationalism, ethnic chauvinism, fanaticism and terrorism” as extremists exploited discontent, led him to propose new ways of dealing with poverty, malnutrition, disease, illiteracy, and inequality.¹

And the process he initiated that was formally launched with the commitment to the MDGs in 2000 had to be rethought, adapted, and streamlined in the wake of the global financial crisis of 2008, and as we came to understand the urgency of co-ordinating global efforts to deal with climate change. This evolution in the world’s thinking is charted by Badré in his book.

Finance is, as he says, a good servant but a poor master and the global financial recession exposed the reality that while we had global banks and financial institutions, they were inadequately supervised by purely national regulatory systems. But the crisis asked even more profound questions: it challenged the very idea of self-adjusting financial markets and was so all encompassing that it forced world leaders to agree to the biggest rescue operation ever attempted.

To underpin the recovery of the world economy, one trillion dollars in grants, loans, and trade support guarantees was made available, but as Badré suggests a lot more has to be done to turn a rescue operation into an exercise in repairing the world’s financial system. Even after the welcome strengthening of the global Financial Stability Board no one can be sure that we have done enough to protect ourselves against the next financial crisis.

And in our journey from Copenhagen’s failed climate change summit of December 2009 to the success recorded at Paris in December 2015, new thinking has had to be developed to reduce global carbon emissions. Some of the results of these efforts are contained in