

The crisis, which crisis?

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The author is an economist, banker and theologian. He is the former Director of the local Cantonal bank and former Director of the tax/revenue service of Canton Vaud, Lausanne.

Jean-Marie Brandt has both a humanist and a technical approach to the recent European economic crisis by identifying various paradoxes affecting our societies. In fact JMB is already beyond the financial crisis suggesting that a new order has been born already. Crises are normal steps in human evolution and rather than stumbling over them he sees them as strong opportunities to reevaluate our values and choices. For many centuries crises have been a test for Mankind's ability to develop its judgment, conscience, opinions and values. Building the "HOUSE OF LIFE" (his words for "economy") is a permanent and a challenging task.

Volatility is natural to the new order which is based on finance, technology and communication all evolving extremely rapidly. What is at stake is the old Jewish-Christian ethics valuing every single person with his/her dignity, his/her free-thinking and self-confidence in controlling society's system of institutions.

A few of the paradoxes identified by JMB are outlined below

Growth vs credit.

Natural, real long term growth of the economy has been replaced by an artificial, financial and short term growth. The crisis revealed itself in the rushing ahead pretending that all risks can be eliminated whilst making capitalising on the risks for immediate profits.

Credit vs systemic risk.

A system assuming that a risk can be "eliminated" whilst making it "profitable" is contradictory. We have seen the costs of the systemic risks passed on to citizens whilst profits have remained privatized.

Trust vs liquidity.

The liquidity in the financial system is a testimony of trust (credit) in the system. The crisis brought the tension to a paradoxical level. The FED and other Central banks bought State debts injecting massive flows of liquidity. Yet they failed to restore confidence.

Free economy vs interventionism.

The liberal "credo" is that a free economy will deliver prosperity. The crisis revealed the fragility of this credo when an institution or organisation's survival is at stake. The financial world did not renounce state interventions when it suited private institutions.

Transparency vs shadow finance.

Corruption has mushroomed away from all control systems and created such an imbalance in the overall system that the need for transparency has emerged without really establishing new, reliable, fair and reciprocal ethical norms.

Might vs right (Force ratios vs legal order)

Espousals by governments concerning the importance of a legal order foundered as soon as the crisis hit financial institutions. Private interests overruled the legal order. The political system has been manipulated. The crisis has revealed the fragility of the world economy depending on the currency of a single nation or according to a single legal order.

State sovereignty vs budget and tax integration.

One of the instruments of State-sovereignty is the ability to levy taxes to finance the infrastructure, education etc. and to make its own budgets. It creates a strong bond between the state and its citizens. The crisis has ruined the idea of an integrated Europe and the building of the HOUSE OF LIFE.

Another paradox lies in the protection granted to large financial institutions over-ruling many states' sovereignties. The after-crisis has attempted to restore sovereignty of states to levy-taxes breaking here and there some privileges whilst strengthening some others, notably those of the big powers. The financial power excess has led to discriminations between States systems (Hermetic TRUST systems vs cooperative banking secret) and inside the States between finance and industry.

Economy vs finance.

When the HOUSE OF LIFE is abandoned to pursue short term financial profits a prompt degradation of the real economy follows. Finance is no more at the service of the economy. Finance has colonized the economy.

Economy vs moral hazard.

Moral hazard always existed and precautions or preventative measures of all kinds were the norm before the crisis (financial reserves, provisions, strong ethical values). The crisis revealed that it was believed that all risks had been hedged under the pretention that economy was a positive science, capable of delivering an absolute truth.

Euro single currency vs productivity differential.

The Euro was supposed to federate the European nations and strengthen their bonds, it did just the opposite, revealing the huge gap in productivity between North and South. The competition between North and South created tensions instead of cooperation. It may have revealed different conceptions of life, time and evolution between North and South. The single currency did not remove the cultural gap.

Private sphere vs taxation vs transparency.

The Swiss banking secretive practices have long been a strong protection for the private sphere and dignity of individuals persecuted in their own countries. It has been anchored in the Swiss culture of proximity and reciprocal respect for centuries. The purpose was not fiscal abuses (fraud) for fraud has always been illegal in Switzerland. It has been misused by greedy financial institutions who abused a system based on law, trust and a deep respect for persons. The crisis revealed the huge fraud and manipulations organized by large financial institutions. They have broken their most valuable asset: **TRUST**. Switzerland is likely to produce a new banking secrecy practice different from the old one, protecting the person without permitting tax evasion.

Swiss paradox: prosperity vs institutional crisis

Switzerland has resolved its financial crisis in 2008 and has yet no economic crisis in spite of its overvalued currency. If any crisis exists, it is one of the rich: Our institutions are being challenged from abroad. Banking secrecy has been dismantled. American law is applied in

its jurisdiction (FATCA ¹) with no reciprocity.

All these crises show that the world is changing faster than national and world institutions. The old culture of trust, reciprocity, equality, solidarity, respect, social responsibility is challenged by a new world order where new force ratios emerge. Cooperation is overruled by confrontation, selfish interests and tensions. Swiss prosperity will hopefully find its way out of this morass as long as its institutions are preserved.

¹ Foreign Account Tax Compliance Act

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