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Official Opening

After five years since the beginning of a crisis that initially seemed to be "financial", its clear that its origins and consequences have been economic. From the crisis, flourished a new agenda for the International Economic debate. This agenda has a basic core of concepts besides the wide diversity of visions that surround it. Fundamentally, the principle that states "one size does not fit all" is the most relevant. There's no unique model that can be applied successfully in every nation, every case. Diversity in human capital, resource allocation, capital accumulation, culture and institutions shows that to have just one valid theory or discourse has failed, being an attempt of modern colonialism, mostly built over prejudices.

At the same time the concept of a world which has at its core an efficient and rational financial system, has fallen under the "bubbles" that reality has brought upon us.

I do believe that while we suffered, there are many lessons to be learned. Nevertheless, as we now experience some partial signs of recovery in the global economy, those experiences will probably be forgotten, the new agenda buried and with that, the essential reforms we owe to us.

I believe that the main lessons this crisis has brought us is not a new one. The key to achieve a sustainable, resilient and peaceful economy is the constant improvement in income distribution.

I would like to stress this, that appeared to be forgotten during discussions over the International Financial Architecture, International Financial Institutions' reforms, International Trade Architecture, public debt analysis and fiscal scenarios.

I believe that this main lesson we refer to, that has an economic and social nature, was brought **upon** by the crisis and has been hidden and put into darkness by technical and excessively biased toward financial system technicalities. The lesson is as simple as we have had it before, since there's no doubt about that it is, in essence, the same that underlay the Great Depression of 1930. Nevertheless, we continue to not pay sufficient attention to it.

We can define it by simply saying that there's no sustainability in growth, without inclusiveness. Going straight to the point: economy and growth cannot be sustained without improvements in income distribution. Growth that does not create quality jobs sooner than later ends in a sudden stop. Let me be straight: many means of payment in just a few hands create bubbles, and when these bubbles explode it matters to all, since it is harmful the whole society.

When a substantial part of all the means of payment are betting and locked into the financial system, while a significant part of the population can't afford food, clothing or housing, the whole economy cannot sustain itself and markets' resource allocation become inefficient.

This assertion has been validated more than once by the facts… In a painful fashion: generating crises that have destroyed jobs, brought hunger and desperation to large groups of people, loss of faith and hope in the economic system and the possibility of understanding life as a way of collective and individual improvement through work, effort, knowledge and innovation.

The good news is that this issue can be tackled with the tools we know and have available. In this sense, the role of the State is crucial. If anything was proven by the recent financial crisis is that markets do not have the capacity to work by themselves. Or, to put it more precisely, if markets operate alone, isolated from the wider community they cause profound damage to the whole population.

What is indeed surprising is the persistence within mainstream economic and political science of the perception that less regulated markets are the "natural" frameworks in favor of economic prosperity, development and even freedom. This is a very vested vision. What we know as free markets are, in practice, markets with strong regulations that protect only a few above the whole.

Then, let's address a specific topic, a topic that still keeps us awake and that was part of the agenda during 2008 – 2011, but is now quickly being forgotten when the situation is improving: the role of Credit Rating Agencies (CRAs). First; it is clear that they are not "natural" institutions, that they are the result of a particular idea of financial regulation. From the idea of "deregulated markets" we end up having a financial architecture that gives almost endless power to channel resources to a few private firms which their only purpose is (and it is valid under this logic) maximize their own profits. Obviously, this does not come from nature; this is the outcome of laws and regulations that make impossible to channel financial resources outside the decisions and judgments of these firms.

Thus, CRAs have become at the same time judges and participants in the working of the financial system. This was worsened and strengthened by other contradictions that are not “natural” but also are institutional arrangements:

Inequality and distortions of capital flow systems; transactions in goods and services; people movements across borders and the unstoppable growth of multinational corporations.

Free capital flow among countries is advocated but free movement of people is being discriminated and restrained. Free market of goods and services is being presented as the best option to increase the welfare of people but from developed countries many barriers to the exports of developing countries are raised. Transnational corporations organize their production and supply networks maximizing the use of cheap labor and low social protection, combined with transfer prices to minimize their contribution to public sector financing.

All these examples reveal with clarity that nowadays the international financial architecture and multilateral institutions are organized in a way that worsen income distribution and centralize ever more all decisions. I have mentioned that capital allocation decisions following CRAs was evident during the failure that started in 2008, where the financial system collapsed and needed to be rescued by the States directly (through capital contributions and bail outs to specific institutions) and indirectly (through monetary and regulatory policy oriented towards benefiting the financial system).

Close to the end of the 90’s, mainstream theorists developed and spread the “moral hazard” concept, and in its base abandon, for example, Argentina and interrupt all financial aid in its harder times.

At that time the acknowledgements we heard afterwards by the involved IFIs but my country has been virtually destroyed. The public sector collapsed. Public budget was cut. Unemployment rose by 25% while public workers salaries and pensions benefits were also cut. All as part of a “plan” involving other restrictive consolidation measures that were set (and agreed!) before as conditionalities by the IFIs.

These prescriptions, plus the application of the moral hazard theory, bought a community close to the point of social dissolution.

Let’s realize the difference of framework during the last financial crisis. Talk about moral hazard has stopped. Now everything was about too big to fail. That is to say. Lets help the big ones which is this case are the firms and not the countries.

That implies partial and ideological stances determining the lives of millions, presented as scientific knowledge.

Help was available for big entities and corporations but not for the millions of unemployed not yet recovered all over world.

We were talking about the debt burden over the countries and societies. When there is talk of excessive public spending and fiscal consolidation, the aim is to make room for the ever servicing of debt payments.

I believe the spending should be focused instead to improve income distribution, to promote growth and build infrastructure. Inclusive growth first.

The public budget can be one of the most important tools to improve income distribution, both directly and indirectly.

Transfers permit the transferring of resources from greater income brackets to those most propense to consume and spend. But also enhancing health and education expenditures permit a better distribution in a more dynamic fashion in time, by improving future income of the less privileged.

I delighted to share these ideas and experiences with you. We clearly share, from our diverse stances, the passion to construct a new world. A safer world, fairer, more inclusive, more in peace, more secure, with greater understanding amongst people. I am certain that these objectives require both a better distribution of wealth between and within countries and I am sure that with courage and the correct interpretation of history this can be achieved. Concerned but highly optimistic I thank you for the possibility of participating here today.