Manifesto of Observatoire de la Finance

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Observatoire de la Finance
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For finance
that serves the common good

Manifesto of Observatoire de la Finance

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The current financial turbulence is systemic in nature. It is a symptom of steadily increasing pressure that is undermining the material, social, and intellectual aspects and ethics of the liberal socio-economic system. In a recent report, the Observatoire de la Finance carried out an extensive analysis of this transformation. More emphasis will deflect the market economy from its principle vocation, that of promoting the dignity and well-being of humankind.

Society is never set in stone; it is characterised by an on-going quest for the arrangements best adapted to a given time. Today is no exception. During the last thirty years, finance has constantly increased not only its share of economic activity but also of people's world view and aspirations. We call the greater practical and conceptual role of finance "financialisation". The Observatoire de la Finance dedicated its last report[1] to the analysis of the multiple dimensions of financialisation. The report shows how financialisation has transformed both our economy and our society by increasingly organising it around the search for financial efficiency. Today, pushed to its extremes, this tendency is coming close to its breaking point.

THE DIAGNOSIS

By the mid 70s, most Western countries had linked their promises of pensions and retirement benefits to investments that depended on sustainable liquidity. The long-term viability of this model is dependent on the profitability of financial instruments. At the same time, other savings instruments were developed. This progressively exposed the rest of the productive economy to the vagaries of finance, thereby producing an increasing need to devote more and more of the added value to the remuneration of the savings thus invested and more and more self-nourishing complexity.

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[1] Dembinski, Paul H., *Finance servante ou finance trompeuse ?*, Report of the Observatoire de la Finance, Paris, Desclée de Brouwer, March 2008, 200p (more information: www.obsfin.ch).

Pressures on the companies from stock exchange and from private equity fund have been translated into other pressures in three complementary directions: on their staff to achieve ever-increasingly improved performance; on consumers, who came under increased pressure from sophisticated marketing techniques; and on the companies' suppliers and larger distributors as well as on many SMEs (small and medium-sized enterprises) in both the North and the South to achieve increasingly unsustainable results.

Though initially financial, the demand for financial results has trickled down through the entire economic system and become an omnipresent part of the culture of everyday life. This evolution has now resulted in a paradoxical situation for Western societies. The system of capitalisation and shareholder value, by imposing demands for the future, has compromised the present. This "radiant future" is proving to be as much of an illusion as the communist utopia.

This process of "financialisation" has been facilitated by the political appeal of deregulation, as well as by "laws" and other "theorems" postulated by Nobel prize-winners. The "ethos of efficiency" has also been allegedly validated by "scientific" truths, and has progressively overcome moral and ethical resistance.

After over thirty years of "financialisation", the state of the economic and social system is worrying on more than one count:

- **"Financialisation" has led to the almost total triumph of transactions over relationships**. Contemporary finance has prevailed because it has carried to its ultimate the search for capital gains and instant results. At the same time, patience, loyalty, enduring relationships, and trust have been undermined leading to increased distrust. The liquidity of financial markets is nothing more than a mechanical substitute for interpersonal trust.

- **The ethos of efficiency has become the ultimate criterion of judgement**. If pushed to the extreme, the preoccupation with efficiency leads to internal procedures that distribute tasks and responsibilities in an increasingly strict manner, until the point of "ethical alienation" has been reached. Employees lose their sense of meaningful employment and replace it by gainful employment.

- **The ethos of efficiency, when disassociated from moral considerations, has led to the increasingly brutal expression of greed**. This is obvious in the subservience of trust to transactions. Repeated acts of self-interest can push any society to the breaking point. The free market, based on a sense of responsibility of its actors, is about to be replaced by a "greed" market - which will require escalating controls and costs, in both public and private spheres. This, in turn, will breed the unwillingness of the actors themselves to take responsibility for their actions.

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POSSIBLE LINES OF ACTION

This analysis suggests that the fundamental values of free judgement, responsibility and solidarity - which form part of the common good, and without which a free and humane society cannot exist – are under threat. The Observatoire de la Finance proposes three lines of action:

- **Carry out a critique - in the positive sense of the term - of the world vision underlying contemporary economic and financial theories**. This critique would include both their relation to social and economic realities and the conceptual and ethical dimensions of their underlying assumptions. This should lead to a challenge to the dogmatic pre-eminence of the preoccupation with economic and financial efficiency as well as to the reinstatement of ethical concerns and of the primacy of common good.
- **Encourage the development of long-term commitments in all aspects of financial life**. Such commitments would slow or even reverse the destruction of relationships due to the current focus on extracting surplus through ill-considered transactions. This would be a huge undertaking with implications in several different fields: finance, taxation, salaried work, local development, etc.
- **Loosen the stranglehold which the unrealistic promise of retirement benefits currently brings to bear on productive activity**. This will require great political courage, since the professional interests of financial intermediaries could be at stake. However, it is crucial since it is increasingly obvious that pension financial promises will prove unrealistic, and that the pursuit of strategies to earn the returns demanded are undermining the ethical basis of capitalism. But the work must be undertaken before the threatened breakdown of the current saving and pensions system becomes a reality.

APPEAL

The above text aims to alert men and women of goodwill to a serious threat to the economic and political freedom we treasure. This threat is the result of having succumbed to the illusion that private greed could contribute to the common good. While private greed may give the impression of increasing economic efficiency, this is at the cost of the very basis of society: trust, respect and solidarity. It has now become indispensable to take our future in hand - to walk out, to slam the door of the apparently golden prison of financial promises, to free humankind from the illusions of “financialisation”, and to set it to work for the betterment and dignity of all.

The *Finance & the Common Good/Bien Commun* reviews, as well as the Observatoire de la Finance’s website, are at your disposal.

Please send your contributions to **manifeste@obsfin.ch**.

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