

Communiqué 2012 -  
Some parting thoughts  
The planet we want



The Evian Group  
Economic Order in the Global Era



Dear Friends of The Evian Group,

I convened the first Evian Group meeting in April 1995: four years after the collapse of the USSR, the year of the founding of the WTO, a time of optimism when it seemed that a new open world order would prevail. The premise behind the establishment of [The Evian Group](#) was that globalisation was basically a “good thing”, however that it could not function on auto-pilot, that the global economic order was precarious, hence efforts at developing an open, inclusive, just and sustainable global market economy should be unflagging and engage as many as possible. This was all the more critical at a time when the global firmament was undergoing its greatest transformation in centuries. To that end Evian built a solid multi-stakeholder, multi-national, multi-generational coalition and network.

In 1997 when I was offered the chair of International Political Economy at IMD I “brought” The Evian Group with me. From 1997 to 2011 The Evian Group was an independent association, located at IMD, but not of IMD. In part reflecting the great transformations occurring in the global business environment, as of the end of 2011 The Evian Group has become integrated into IMD.

I would like to share with you IMD President Dominique Turpin’s words in his announcement to the IMD Community about our integration, *“Please join me in congratulating our Evian Group colleagues, and the entire Evian network, on their essential work in building an integrated global system, and welcome them into the core of the IMD family.”*

This transition is taking place as I am retiring as Director of The Evian Group (and as chair of International Political Economy at IMD); the process of succession is in place and should be completed by this summer. I shall communicate again before then; hence these “parting thoughts” are not my last word (!), but ones that seem pertinent in the context of the global context and the Evian/IMD agenda.

Now, a word on the global context; this is still a remarkable world full of opportunities even when compared with only 10 or 20 years ago. Yet we are still under the shock of the 2008 crisis – a financial crisis, but even more so a systemic crisis and a crisis of confidence. Global collaboration – increasingly an oxymoron – is sadly wanting on key areas of trade, finance, poverty, disease, food, water, climate and geopolitics. The world appears like a volcano that may erupt at any moment.

The Financial Times began the year with a series entitled “[Capitalism in crisis](#)”; in an editorial, “[Capitalism is dead; long live capitalism](#)”, it writes: “the resurgent capitalism that emerged in the 1980s, under the leadership of Ronald Reagan and Margaret Thatcher ... has proved not just unstable, but, in important respects, unjust. The result has not only been a devastating crisis, but also a sense that the achievement of extraordinary wealth may not reflect exceptional merit.”

Capitalism and the global market economy it has spawned will survive, but only with radical reforms. Reforms are essential not only in institutions and policies, but also in culture and mindsets – the ways we conceive the planet as it is and the planet we want.

Here then are some thoughts on where things went wrong and making them right. They are in no particular order of priority, but they all need to be successfully addressed in order to make the planet the kind of place we would like to live in and would like our children and grandchildren to live in.

**The pitfalls of complacency – the imperatives of sober realism.** It is untrue that the crisis was not foreseen. Of course it was not in its exact details. But note just one sentence from Joseph Stiglitz’s 2002 publication, *Globalization and its Discontents*: “*Today, the system of capitalism is at a crossroads just as it was during the Great Depression*” (p. 249). Had he been more widely listened to, perhaps there would be no need for an FT series in 2012 on Capitalism in crisis and instead we could be reading about “Capitalism in final stages of repair”.

This has been my experience with Doha. I strongly supported the launch of the Round in 2001. However as observer at the Cancún Ministerial Meeting in 2003 I went away absolutely convinced that without serious adjustments, Doha would fail. It was not a matter of the technicalities; the spirit was just not there. I said this publicly and frequently and was heavily criticised for so doing. In fact, had the state of Doha been diagnosed early on from a perspective of sober realism rather than wishful thinking, we would not, I am sure, be in the situation we are now with grave risks of the decomposition of the multilateral rules-based trading system.

In the years that preceded the crisis there was a pervasive sense of complacency both in government and business circles. This has proved very costly.

**Elites need to change.** Barring a number of exceptional individuals, in assessing the causes of the current crisis it is the case that the planet generally has been badly served by its elites. Otherwise we would not be in the mess we are in. What is striking above all is the sheer degree of incompetence. While this applies principally to finance, others must bear responsibility, in both government and industry, for allowing the financial sector to cause such immense damage, both economic and social.

In addition to incompetence, the global elites appear insensitive. The many demonstrations, à la OWS, are not motivated by resentment against wealth per se, but how the wealth is obtained. As the FT article points out, there is a "*sense that the achievement of extraordinary wealth may not reflect exceptional merit*". A great deal of this extraordinary wealth is not creative wealth. What has society gained? What jobs have been created? Those who do, like the late Steve Jobs, are greatly and justly revered. But so many others?

We need new or reformed elites. There has to be not only much greater actual competence in our elites, but also greater responsibility, more sensitivity, more consciousness and much more humility.

**Finance must be on tap and the real economy on top.** The situation in recent decades has been the reverse – finance has been on top and the real economy on tap; this lies at the very source of the crisis of capitalism. There is no need to expand on the subject. Until and unless finance is brought to heel, the crisis of capitalism will continue and probably lead to its demise. This is an imperative also for addressing the real cancer that is destroying societies worldwide: injustice.

**The imperative of a concerted and successful fight against injustice.** Again quoting the FT, "resurgent capitalism ... has proved not just unstable, but, in important respects, unjust." There is a widespread sense of injustice virtually everywhere. This is reflected in the very high and generally growing levels of inequality – not only of income, but perhaps especially of opportunity, in education, health and environment. The unconsciousness and irresponsibility of the elites cause and aggravate the problem. The injustice is not sustainable – it cannot be part of the planet we want. While ultimately attacking social injustice should mainly be under the aegis of government, it must be the responsibility of all and especially of the elites that are in a position to make things happen. It is here that mindsets and culture need radical change.

**Restoring respect to public service and a sense of community.** At the US presidential inaugural ceremony in January 1961 John Kennedy famously stated: "ask not what your country can do for you - ask what you can do for your country". There was an underlying assumption of the dignity and obligation of public service. Two decades later, at his inaugural ceremony Ronald Reagan equally famously stated: "*In this present crisis, government is not the solution to our problem; government is the problem.*" Since then and up to the global crisis there has been a tendency to venerate the market and denigrate government.

When I was teaching at a university in the UK in the 1970s most of our students wanted to be social workers; the next decade they mostly wanted to be investment bankers! The pendulum need not swing to such extremes, but there has to be much more emphasis on public service and community. Indeed it should be incumbent that every person of privilege should devote part of her/his time to public service. The emphasis here is on time. Giving money to charity may be admirable, but it is also quite easy. It's people who have advantages who bring these advantages to the disadvantaged who are the models we look for and who build the planet we want.

**Bring back the humanities.** Part of the post-80s zeitgeist and another cause for the crisis of capitalism has been the marginalisation of the humanities in favour of more "practical" subjects; notably business studies, accounting, marketing, etc. These may be useful for applying certain skills, but they are not for understanding the world and the human condition. There has been a net preference given to people who can act as opposed to people who can think. Though, once again, the ideal is people who can think and act, part of the cause for the crisis of capitalism is that there has been too much acting and not enough thinking. The new/reformed elite must be capable of action, but also have a sound and profound intellectual base. To understand the human condition and fashion the planet we want, there should be far more study of history, geography, literature, art, music, philosophy, anthropology, religion, etc. This will significantly improve the quality of our elites and may be the sine qua non for a successful assault on injustice.

**Generating the feast not the clash of civilisations.** The world is not adjusting at all well to the challenges of creating a global village. There is a lot of visceral xenophobia pretty much across the globe. Look at what is happening in Europe with the rise of chauvinist populist parties and exchanges of racist insults.

Seen from a global perspective there is no doubt that what Kishore Mahbubani, the Singaporean scholar, calls the ignorance and arrogance of the West must take a good deal of the blame. This is what struck me so much at the WTO meeting in Cancún. With the rise of the global south, reflected in Cancún by a coalition of emerging economies led by Brazil, China, India and South Africa, the US and EU delegations sought to resist rather than to reflect and adjust. Given this mindset, it seemed impossible that any real understanding and serious agenda could materialise.

Western elites are for the most part very badly prepared for the global transformations. Very few have more than superficial experience outside Western Europe and North America, hardly any speak Chinese or other Asian languages, an infinitesimal few have studied in non-Western universities. This is another key aspect in which we need new or reformed elites: ones who know the planet well, not just one corner of it!

The ignorance is striking. In teaching executive programmes at IMD I often use what I call a “globalisation literacy test”: generally fifty or so “global general knowledge” questions. In spite of the masses of information that are easily available on the net and the fact that many have travelled a good deal of the world, the results tend to be depressingly poor. (I am sure they would be much worse in other business schools!)

The questions are pretty much Globalisation 101 and not PhD level. One of the factors that is perplexing and that I often discuss with Dominique Turpin (a former PhD student of mine in the early 1980s who did his thesis on Japanese business) is why there appears to be so little curiosity. For example, virtually every member of the Western elite now travels to China, they hear a lot about China, including the name of Confucius, the fact that he is one of the greatest intellectual influences, and who has in recent years been enjoying a renaissance. But when you ask even basic questions about him, eg when did he live, there is a blank. One is not expecting great erudition, but what about spending ten minutes reading the entry on [Confucius](#) in Wikipedia?

Unless that minimal element of curiosity is there, how can we envisage the planet we want if in constructing the global village we do not have the interest to get to know our fellow villagers?

In creating the global village the importance of the humanities is crucial. While reading BCG, McKinsey, etc, reports on particular regions or countries may be useful in understanding the body of an economy; it does not help in understanding its soul. To do so not only should there be a basic knowledge of the sources of a society’s culture and civilisation, but there should also be a “feel” for its current dynamics and aspirations. This can be achieved through contemporary literature. How much better one understands India (one of the two great re-merging Asian giants) by reading, for example, Vikram Seth’s [A Suitable Boy](#)? The insights gained provide also the potential for that quintessential requirement for building the planet we want: empathy.

When the Chinese premier Wen Jiabao, a great Shakespeare fan, visited Stratford-upon-Avon in June last year, according to [a report from the FT](#) he spoke about “of how literature and culture could be a bridge between nations”. While many Chinese have read Hamlet, King Lear, etc, “he wondered how many Britons knew of the [Monkey King](#) of Chinese literature”. And he added: “China has 5,000 years of history and 2,000 years of written history. Some leaders negotiate without understanding the history of countries they deal with.” (Need one say more?)

This is the longest of the issues I have addressed in this annual communiqué, in part because I think it is the most important and the most relevant to the Evian/IMD agenda. A global business school needs to develop global cultural literacy, understanding and empathy. Though the Evian agenda has mainly focused on trade, it has also been very much based on the strong philosophical conviction that a global market cannot function without a robust global village.

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As I mentioned above, I shall have occasion to write again and formally take leave as Director of Evian/IMD. Afterwards, I intend, to the extent my successor will permit (!), to retain a strong and active commitment to Evian.

In the meantime, I am affiliated also as Senior Fellow with the [Fung Global Institute \(FGI\)](#) in Hong Kong. The main goal, *raison d’être*, of FGI is to provide “Asian perspectives on global issues”. With the fantastic team that has been assembled at the FGI, at the other end of the earth from Lausanne, we will also be working on creating a global village for the planet we want.

In extending best wishes for the new year, I should also like to thank you for all the support you have given Evian, your contributions and friendship.

Jean-Pierre  
18 January 2012

Jean-Pierre Lehmann, D.Phil (Oxon)  
[lehmann@imd.org](mailto:lehmann@imd.org)  
Professor of International Political Economy & Founding Director  
The Evian Group @ IMD  
Box 915  
1001 Lausanne, Switzerland

Please note if you wish to write to me personally do NOT reply to this e-mail, which is only used to emit large distribution e-mails, but to [lehmann@imd.org](mailto:lehmann@imd.org)

» Tel: +41 21 618 0551

» Fax: +41 21 618 0619

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