



## **Book review: “VALUES. Building a Better World for All”/ Mark Carney**

Signal, 2021, ISBN 9780771051555, 608 p.

*(door Carlos Bourgeois,  
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This is an interesting book about the fundamental problem of value in economics and economic policy, written by an equally interesting and important person. Mark Carney was the Governor of the Bank of Canada before becoming the Bank of England's Governor during the great financial crisis starting in 2008 and ending in the COVID pandemic<sup>1</sup>. It is a thorough book covering numerous areas of economic and financial life. It is also a call to all the actors of financial and economic life to set other priorities in the purposes of their activity.

In stead of simply providing the table of contents, this review highlights some elements I believe to be essential in the author's message. In that way, it certainly is incomplete, but at the same time I hope it will be an invitation to read this extraordinary book.

In addition to the two major chapters from his tenure - the financial crisis and the COVID crisis - Mark Carney mentions in his introduction the challenges of the fourth industrial revolution and the existential risks associated with the climate revolution. Underlying each of these crises are the following questions: what is value? What is it based on? Which values underpin value? How do market valuations influence society's values? How do we arrive at Oscar Wilde's aphorism: "*We know the price of everything and the value of nothing*"? (p.3)

In the first chapters, the author deals very thoroughly with the economic problem of value. In an extended, brilliant, and highly documented historical section, he describes how the various economic doctrines approached the market and valuation. The economists among us may have studied it all, but his point of view on "value" and its social consequences makes this a particularly valuable and "refreshing" analysis.

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<sup>1</sup> This review includes numerous quotes from the book. I will periodically refer to the page from the book.



In addition to the market and the consideration - or not - of "moral (social) values", the author covers the evolution of money, including a chapter devoted to the future of money.

The current monetary system has many advantages: the link between banks and central banks facilitates the central bank's activities, such as providing liquidity during periods of stress. Elements of the system can certainly be adapted to help deliver on the promises of the FinTech revolution.

The author is not convinced today's crypto currencies are the future (p.105). However, they challenge existing payment systems that must evolve to meet the demand for fully reliable, real-time, widely distributed financial transactions. The government must create the right environment to support the private dynamism at the basis of digital currencies. A Central Bank Digital Currency made available to the public may be a possible evolution for the better.

For the author, preserving the value of a public currency is one of the most important contributions to rebalance the value system: the future must become "*reliable, fair, inclusive, transparent, dynamic and responsible.*" (p108).

Crypto currencies are extremely volatile; they have neither intrinsic value nor external support. It is not clear how they will ever become a medium of exchange and so it is unlikely that they will ever become a unit of account. However, they do show the path that will shape the future of money.

Regardless, to be sound, money must be trusted. The author argues that independent central banks can ensure that the value of money is preserved, as long as they do it honestly and transparently, and are accountable for it.

In the sixth chapter - The Market Society and the value of nothing - Mark Carney discusses how the "Market-Society relationship" has evolved to its current state.

The domination of the market price erodes the values of a society, as there is no "price" for these values (altruism, solidarity, citizenship). The shift from moral to market sentiment reduces the level of "values" when making decisions. (p.147). The aspect of hierarchy of values is dropped as is the consideration of distribution. This plays into the trade-offs between growth now and in the future, between health and economy, between planet and profit.

It is vital to rebalance between the essential dynamism of capitalism and our broader social goals. (p148).

These reflections are elaborated by the author in the second part: "*Three Crises of Value(s)*": the global financial crisis, the COVID crisis and the climate crisis (which, for the author, must be tackled in the coming years at the risk of becoming unmanageable).



For each of these crises, he explains how the ebbing of "values" in economic decision making led to the crisis and how the reintroduction of values into regulation (financial crisis) and behaviour (COVID) led to the solution.

The climate crisis (p263) is not solved, but it can be, provided that everyone agrees on the diagnosis and that values prevail over immediate profits in all decisions.

The author devotes a long chapter to the CO<sup>2</sup> problem. According to him, the solution will come through engineering technology (through scale effects and innovation), political technology (setting the right targets), and financial technology (making sure that every financial decision takes the climate issue into account). For financial technology, he specifies three essential components: reporting, risk management and return (p.318). The author mentions the already existing institutions that provide advice in this respect. They are all ready-made models for governments and companies to tackle the problem.

Mark Carney devotes a broad analysis to cross-border financial flows and climate justice. Again, concrete avenues for resolution are outlined. The author believes that, as politicians take active and clear regulatory action, as well as fiscal and budgetary measures, private initiative will follow with confidence and clarity. (p.328 et seq.). Such a policy will lower costs in the longer term. Market forces can help in this regard<sup>2</sup>.

The third part deals with reclaiming our values. It begins with leadership, which must not only be efficient but also ethical (p.380). Successful leadership assumes a shared sense of purpose and catalyses action to achieve the purpose. Purposeful companies create value not just for shareholders but for all stakeholders and society as well. Again, values must be rebalanced: dynamism, responsibility, fairness, solidarity, and sustainability. This is especially important in times of great change (p.383). In setting a goal, the search for profit should not be relegated to a secondary role - after all it is necessary for the companies - but it should not be the only goal (p.417).

In the following chapters, the author explains how investors can measure, invest in, and create value(s). He discusses how investors are increasingly including the ESG (Environment, Social and Governance)- standard in their choices, alongside the financial ones. Further, there is clear evidence that sustainable investments outperform. He further analyses the investment ecosystem for stakeholder value creation (p.431), the importance of information and reporting requirements, including through the accounting system and annual reports, and the desired changes to the rating system.

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<sup>2</sup> "The policies for achieving our climate goals should be designed to encourage the economic adjustments and technological innovations at the least possible cost, while sharing the burden of adjustment as fairly as possible within countries and across nations. The critical success factors are the establishment of a broad social consensus, the use of clear, consistent communication and the building of credible and predictable track records for government and regulatory policies." (p 339)



In addition to ESG, there are also "Impact investment Strategies" oriented towards sustainable development outcomes while trying to be financially performant as well (p.443). Here the problem arises of how to express this in monetary terms and how to incorporate it into the accounts.

To achieve the climate goals, financial technology must also orient investments towards this goal. The author elaborates on this in detail in several basic considerations, advice and guidelines to follow to reach the goal of a 2° C maximum temperature increase.

Chapter 16 outlines how countries can create value for all. According to the author, the fourth industrial revolution offers many opportunities. But it also involves various challenges, one of them, of course, being the COVID crisis. The author recalls the advice he gave to governments that asked for it (p.465 et seq.). All institutions and markets must adapt to the fourth industrial revolution, but they won't be able to if they are not based on values.

The book ends by recapping and separately discussing the values that can lead to the creation of value for all: solidarity, resilience, sustainability, dynamism, and humility.

This is a very rich book. One does not have to agree with all the details. It is Anglo-Saxon in its choice of a very hands-on, business-like approach to the problems, but at the same time, that's exactly what makes the analyses and solutions offered so interesting, both individually and as a whole.

Furthermore, the author is very driven. His plea for values is impressive, not in the least because it is not ideological but intensely human.

In this way, economics really is a beautiful human science!