

This automated translation of the original message in French has been revised only to correct the mistranslations.

English

Text also available in French.

The Jubilee: an idea to impose a rhythm to the economy

(Paul H. Dembinski and Jean-Michel Bonvin - Observatoire de la Finance)

The contemporary world lives eyes nailed on the control panel of the economic activity that became its first preoccupation. The time of the economy is taking the over on the rhythm of the seasons and cultures, it is imposed to the man's biologic rhythm, it modifies and cut the social time. Concerning the sacred time, it has been integrated to the economic time with its tourist transhumances and its big Mass of the shopping at the end of the year. Freed from ancestral constraints, the economy beats its own measure until an accident or an internal rupture come to disrupt its walk.

The jubilee idea appears in a vision of the time diametrically different from the one that governs the destinies of the contemporary economy. The time of the Jubilee is exogenous to the economy and the economy is tributary without no sprain nor possible exception. Thus, the imperative remission of the debts and the return promised in "its patrimony" every "fiftieth years" impose to the contracts a limit that doesn't have anything endogenous and that passes all economic considerations. A contractual relation, often becoming knotted between two unequal partners that try to master the inherent uncertainties in the future, is superimposed by an exogenous mechanism, recalling the viewpoint of the society (to avoid the systemic risk) and the necessity of a complete man's development. Within an economy whose wild rhythm essentially obeys profitability preoccupations, the Jubilee resounds like a beneficial call to order, putting back the social and human finalities to the heart of the economic and financial activities.

One day, if the contemporary finance was submitted to the constraint of the jubilee year, it should modify in depth some of its practices. Probably it would also get rid of some its systemic weaknesses. One of the clearest reasons of the contemporary financial crises is the absence of mechanisms within the financial institutions that would impose to the operators the middle and the long term to the detriment of their short-term interests. Also, endlessly seduced by an endogenous and malleable time, the operators have difficulty admitting that some potentially profitable transactions contribute to increase the systemic risk and therefore, the probability of a crisis. The absence of such gates, doubled by a prudence or merely clairvoyance lack, facilitate the meeting between an excessive appetite for the fresh funds by the side of the borrowers and the interest of short term by the side of the creditors. If it had been clear, since the starting, as the Jubilee suggests it, that to the fiftieth year the creditors would be fully responsible of payment difficulties of the debtor, the propensity to propose new credits would have been attenuated.

The Jubilee impose cycles of fifty years to the finance and at the end of it, with the risk of confiscation, neither debt nor credence should subsist. In fact, this cyclic vision supposes the dismantling of the financial intermediation activity during one year. Extrapolating the jubilee idea, we can imagine that the one year off to take the real measure of the things, to bring into question the previous evaluation and to adapt them to the "fundamental" as we would call them today. Therefore, the Jubilee would be a powerful mechanism to limit the financial exuberance and the apparition of "speculative bubbles" whose too sudden deflation can initiate a big systemic financial crisis. In other words, like the crisis, the Jubilee would be the opportunity to conduct the simplification of the financial system, except that in case of the Jubilee, this updating would be made in an anticipated and neater manner, without damages and losses.

Another interesting aspect of the Jubilee is that it deeply modifies the manner whose risks are distributed in the relation of debt. Contrary to the contemporary debt, the Jubilee bounds lenders and borrowers in a possible repayment problem. It raises the lender's interest to insure that the debtor really has the means to repay his debt before the jubilee year, at the risk of losing the totality of his engagement. The cleaver of the Jubilee leads the lender to take a responsibility, more tangible and clear than the present practice makes actually. Idealizing a little, we could speak of a real and concrete partners co-responsibility. In the Jubilee perspective, the debtor's and lender's interest consists in avoiding the overdebtedness, that means to maintain both the level of the debt well and the weight of its service in the limits of the tolerable.

The fifty-year cycle proposed by the Jubilee is very long to the look of the contemporary financial practices. Indeed, the financial contracts whose anticipated length approaches of the half century are too few. In the daily business, twenty to twenty-five years deadlines raise already of the very long term. From now on we can argue if the jubilee cycle - as far as it is imposed effectively to the finance - is not too long to play its disciplining role. It is clear that in beginning of cycle, the attitude of the operators would be more laxist than at the end of cycle, as the sanction becomes more and more real. Otherwise, the financial history of the last centuries suggests that the fifty years separating the Jubilee years let sufficiently time to the development of endogenous processes to the economy, and local crises explode from time to time. In other words, the Jubilee cycle, submitting the economy at a rhythm that transcends it, allows the economic machine to function in the interval. Therefore it would be illusory to invoke the Jubilee like protection against the possibility of all financial crises. At more - imposing to the finance a period of disengagement - the jubilee idea is likely to decrease the level of the systemic risk appreciably.

For us that are seated on the volcano of the globalized finance of which practically no one nor no institution is capable to fear the fronting and abutting parts, the Jubilee paradigm is attractive to more of a consideration. In the virtual time of the economy and finance contemporaries, it invites to substitute the time of the truth of the things, where the man is called to achieve himself in his multiple dimensions. The Jubilee, it is not merely an idea in air, it is a calendar fixed in advance. An appointment to not to miss at the risk of taking the virtual for the real, recall us the Leviticus.