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Hello everybody. Thank you also for being here so early in the morning. I am reporting on the finance round table, presided over by Jean-Claude Trichet, and which was comprised of a well-balanced selection of people – a major banker, Josef Ackermann, central bankers such as Marek Belka, the governor of the central bank of Poland, and Jean-Claude Trichet himself of course, who was very generous with his contributions, and academics, Jeffry Frieden, and myself.

We heard a number of introductory presentations. The discussion was in fact very animated. I have taken it upon myself to summarise the event, presentations and discussion, by briefly describing, first the causes and where we are currently in the development of the financial crisis, then the numerous challenges that await us.

With regard to the analysis of the causes and the current situation, I find it very interesting that scholars and academics have devised a wide range of projects. For their part, central bankers, and Jean-Claude Trichet in particular, as you heard him say yesterday at lunch, have an interpretation of events that is quite well-established. What is very interesting, is that it is Josef Ackermann who started, and who gave an uncompromising presentation of the micro-economic and micro-financial causes, explaining that the industry had let itself be drawn into a way of operating in which the culture of risk and the control of liquidity had become very poor. The financial industry embarked upon strategies designed to create highly profitable, but high risk, portfolios, assuming, incorrectly as we have seen, that the liquidity which it required to operate safely could not evaporate so suddenly.

He also highlighted a certain number of episodes in which major financial companies embarked upon acquisitions, acquisition mergers, that were done at the wrong moment and at the wrong price. And finally to all that, i.e. to the initial mistakes by the financial industry, was added the enormous problem that people refer to when they talk about banking balance sheets and sovereign debts being too closely and intimately intertwined, which sovereign debts we now see are far from being risk-free.

On the macro-economic level, it was Jeffry Frieden who made a significant contribution, based on his observation of a contradiction between two trends that were apparent in the financial globalisation of recent decades. A trend that on the one hand supports the integration of capital markets, because it is a driver of global growth and the best allocation of resources, etc., whilst on the other hand, an integration of capital markets that did not act as a brake as it should have done, as happened in previous episodes of globalisation. It did not act as a brake to the development of global imbalances.

These global imbalances, that continue to be widely discussed in the academic literature, are based on a very paradoxical situation in which a country that remains poor – even if it is an enormous country – such as China, is financing a rich country such as the USA, which is contrary to everything that is stated in the manuals. Given this state of affairs, it is easy to understand why this system based on access to large amounts of capital allowed debt to increase not only in the wealthy countries, such as the USA, but also in the southern European countries. Revealing incitations that are quite perverse and giving rise to phenomena of moral hazard. And finally, when things started to go wrong, spreading imbalances.

This situation brought about an extraordinary and energetic response, and you know how Jean-Claude Trichet describes the reaction of the central banks from 2007 onwards, very fast and on an extraordinary scale, unconventional measures. Governments also reacted very quickly and en masse, and in his opinion – and I believe that many of us share this diagnosis – it was these very decisive economic, monetary and budgetary policies that meant that we avoided a repetition of the great depression. We only had a great recession, but we didn't repeat a cumulative mechanism in which the whole of the global economy gradually disintegrates. That is the situation with regard to the macro-economic level.

On the micro-economic, micro-financial level, there was, starting with the G20 summits, the implementation of efforts of international coordination and re-regulation of the financial system, the best known element of which is what is referred to as the Basel 3 agreements. There is work being done by the FSB, that goes beyond Basel and covers a very wide range of subjects.

This being said, actually, and this is where we consider the challenge that remains ahead of us, there are still a very large number of challenges, on both the micro-economic and financial level, and also on the macro-economic and political level. Let me quote Josef Ackermann again, who has also, with regard to the challenges that remain ahead of us, compiled a list that personally I found quite impressive in its clairvoyance in the midst of the multitude and complexity of the subjects that remain to be treated, or that have been dealt with only very partially.

I am giving you this list, just so that you can see the type of subject that people like to talk about when they need to work out on Sunday mornings.

There is still the question of the link between the banks and sovereign states, which is far from being resolved, with the under-capitalisation of the banks.

There are the operating risks that have multiplied, in a context that is much more uncertain than previously.

There is the fact that we have initiated a wide range of reforms, capital ratios, liquidity ratios, the supervision of a whole load of much stricter operations. But what we don't understand, is the cumulative effect of all these measures, with the fears that as these constraints increase, we will have effectively when all is said and done a reduction in the amount of credit being offered by the banks, that will compromise the recovery in the medium term.

The balance sheets of financial institutions still have vast quantities of poor quality assets about which there remain serious questions of valuation, with risks of losses that remain on the balance sheets, and which will be realised at some unknown time in the future.

There is the fact that we still don't know how to deal with the issue of major financial institutions that are too big to fail. This is all the more worrying as over the course of the crisis we began to see movements of concentration that have in fact increased the risk of institutions that are too big to fail rather than contributing to reducing it.

Added to all these sectoral challenges, point by point, there is also a further difficulty that is the fact that we can see in a situation in which capital markets are highly integrated, in this period of globalisation, we can see that in so far as is possible it is a good idea to harmonise the rules. This is what the G20 tried to do, to put in place a joint approach to deal with all these challenges.

But we also see the difficulty, as these are subjects in which the devil really is in the details. As soon as we start tampering with a regulation, we see that in fact, it has been adopted in one form in the USA, in line with that country's particular history, and that it has been adopted in a comparable but different form in Europe, given the financial history of Europe.

Jeffry Frieden has, in this regard, made a number of very interesting observations, by effectively highlighting this difficulty of international co-ordination in a period, like the present one, where it would be really useful. He explains this difficulty by the fact that, in the financial sector, the same as in other industries, many things depends on history, are the product of a long history, and are incorporated into cultural and institutional practices that make the rapid implementation of joint solutions difficult. These are the challenges on the micro-economic level.

On the macro-economic level, there are also a number of very difficult problems in the area of cooperation and the coordination of economic policies. Such coordination would be particularly useful at a time when there are two forces at work; on the one hand the need to put some order back into public finances. It's true in the USA, given the prospect of the fiscal cliff. It's true in Europe, with the austerity policies that are being implemented more or less everywhere. It's true in Japan, in a country where debt has reached absolutely astronomical levels. Everywhere pressure is being felt more and more regarding the need to put some order back into public finances. Clearly, it's not a context that is very favourable to supporting demand. You don't have to be a doctrinal Keynesian to think that if everybody applies the brakes at the same time, then the prospects for growth will not be very good.

And this macro-economic outlook has a retroactive effect on the financial aspect. Since, as we can see in the countries of Southern Europe, in particular in Spain, we see that the fact that the economic situation, business, the GNP and tax receipts are getting worse, is one of the major obstacles to solving the financial problems. What we see very clearly when we look at the debt to GDP ratios, when we make efforts to reduce deficits to contain debt, these debt to GDP ratios, very often increase, simply because the denominator falls.

To conclude, I will repeat in my own words something that Jean-Claude Trichet said. Firstly, we have seen that the financial system whose merits and solidity were being lavishly extolled just ten years or so ago, was in fact much weaker than we thought. Appropriate measures and a general climate of very welcome international cooperation have managed to ensure that we have avoided the repeat of an enormous catastrophe, but, given the scale of the challenges that lie ahead of us, we cannot rule out the possibility that it may present itself again.

In the short term, this gives rise to definite risks of fragmentation in the financial sphere. People are talking about the renationalisation of financial systems. Renationalisation not in the political and institutional sense, but in the sense that the financial systems will fall back upon their national base in order to avoid becoming dependent upon countries whose health is being called into question. This financial stability is therefore still fragile, it is more dependent than it was in the past on the democratic wish to continue to support an industry that remains very fragile. I am always struck to hear Jean-Claude Trichet evoke, not as a probable risk, but as a possible major risk, the fact that we may again find ourselves having to deal with unforeseen difficulties, such as for example a threat to a very large financial institution. This is something that we cannot rule out.

In such a situation, contrary to what we were able to do in 2007-2008 as a matter of urgency, perhaps today the democratic wish to continue to support this industry would no longer be there, which could cause exit problems in a totally new context.

In so far as concerns my contribution, it has tended to be positive, and I would like to continue in the same vein. I have evoked the idea that in the major areas of the world, in the USA, and Europe in particular, we may be headed for a period of calm. But it is a fragile calm, we see that in Europe it can be threatened by the simple fact of the possibility that Mr Berlusconi may stage a comeback. This proves that this calm is not yet an absolute calm. We can see that very little is required to plant the seeds of doubt in people's minds.

But finally, if we compare our situation to that of a year ago, we can see that we have come a long way, and clearly the eurozone has entered a zone of greater calm. I am reasonably confident finally that, the USA, albeit in a convoluted but ultimately positive way, will successfully negotiate the problems of the fiscal cliff. Probably with much disruption between now and the middle of January, but when all is said and done, it may well be that 2013 will be a bit calmer that the last two or three years have been.

In this case, the main risk is one of complacency, of telling ourselves – we have put it behind us, we don't need to try anymore. Whereas everything that I have described thus far demonstrates, on the contrary, the need to continue along the path of international cooperation and improved governance.