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Let me first say that I could not agree more with Joe on this idea that pursuing resolutely our historical endeavour towards a united Europe is absolutely essential. It is, in particular, essential for confidence, and not only confidence in each of our nations but also over Europe as a whole, as well as improved confidence in the rest of the world. Europe has demonstrated that it has indeed the capacity to influence significantly the rest of the world, for the better of for the worse. It was put into doubt previously, but that has now been clearly demonstrated.

Confidence, trust and mutual trust are concepts that have been examined in detail by academics and are complex notions. Let me read the foreword of the World Economic Outlook produced by the International Monetary Fund (IMF) in the occasion of the last annual meeting in Tokyo. Again, this is very interesting. After a rather classical analysis on the forces at work which "are, for the most part, familiar", namely accommodative monetary policy pulling growth up on the one hand and fiscal consolidation and the still weak financial system, on the other hand, which are both pulling down growth in the advanced economies, the author, Olivier Blanchard, addresses a less conventional factor.

He says that "more seems to be at work, however than these mechanical forces – namely a general feeling of uncertainty". Indeed, there is uncertainty in the minds of all decision-makers and economic agents in general and this uncertainty is intriguing because you do not have explicit indexes of uncertainty that would at the moment I am speaking be really alarming, particularly in terms of some V-Stoxx in Europe and the VIX in the United States. Uncertainty appears to be more diffused and Knightian in nature. As you know, Knight made the difference between uncertainty and risk. "Uncertainty" would characterize events that cannot probabilize as regards their likelihood of occurrence, and "risk" would apply to events to which you can associate probabilities. A Knightian uncertainty universe – which seems to be one of the main feature of the present situation – is amplifying today's sentiment that confidence is out of reach.

It is important to understand better this global-level sentiment that confidence is lacking. We can see it, in particular, from the angle of vision and action of market practitioners, investors and savers: they have experienced a major unexpected crisis. They know that there are tail risks that could abruptly materialise and which are, as I said, very much of a Knightian nature. They know that they have to count with these tail risks and they are excessively prudent because again they could experience again the sequence of events that was observed in 2007/2008. Households, from their part, in many countries have also experienced sharp, abrupt and totally unexpected downward moves of the real economy and that is why consumer confidence is still abnormally low in many advanced economies.

In my view, one of our major problem today is that entrepreneurs find themselves in a universe where they are not sure of the real "state of nature" as regards the real economy and of what Governments are likely to do in the US, in Europe and in the rest of the advanced economies. We do not know in particular what exactly the decision will be regarding the fiscal cliff in the United States. I trust that we have a better understanding, although it still has to be demonstrated clearly, that the European executive branches and Parliament are able to cope with the challenges that they presently have. However, entrepreneurs are still waiting to see exactly what will be decided and implemented by the various public authorities. We are therefore in a universe where the level of confidence is much too low for entrepreneurs, households and market practitioners, investors and savers.

Particularly important is the issue of making a correct judgement on the economic "state of nature".

Where are we exactly? Are we potentially in a global economy with its subcomponent of advanced economies that are growing up regularly, with relatively low volatility in terms of output and inflation – back to a kind of "great moderation" – , or are we, on the contrary, in a universe where hectic behaviour is part of the game, with high levels of volatility and where there could be at any time the materialisation of tail risks? Are we in a world where again Governments and the various public authorities depend totally on arbitrary decisions because the final decisions of their own democracies are highly unpredictable? Are we in a universe where what happened four or five years ago could be observed again?

What happened four or five years ago was the immediate and grave threat of the collapse of the whole system. We were able to cope with it because there was a chance for authorities to embark on new avenues which were commensurate to the gravity of the threats with extraordinary rapidity, with the Central Banks on the one hand and Governments on the other hand. Again, this is the world in which we find ourselves.

Let me examine now the role of the Central Banks, and I will conclude on this. In all the advanced economies, not just in Europe but in the US, the UK and Japan, the Central Banks are doing things that were previously largely unthinkable. They have embarked on non-standard measures such as the unlimited supply of liquidity at fixed rates with the European Central Bank (ECB), the very large scale purchase of treasuries in the US, UK and Japan, and the large purchase of various tradable private securities in the US, and in Japan. The instruments utilized are different in the US, in the Euro area and in Japan. By the way, you could also say that Europe is presently the epicentre of the global sovereign risk crisis and that it would not be surprising therefore that the ECB should embark on special, non-standard measures. However, when you measure those non-standard measures by means of the increase in the balance sheets of the Central Banks since the start of the financial crisis mid 2007 you get to approximately the same figure of 12% or more of gross domestic product (GDP). That means that there is a major weakness that characterises all advanced economies and that is that the private financial intermediation through banks and financial markets are not functioning correctly. The Central Banks have to substitute for those private financial institutions and private financial markets that are dysfunctioning, and they do so because it is necessary to help the financial economy and, by way of consequence, the real economy to be closer to what we would call a normal functioning.

However, it is clear that this cannot and should not last for ever. It is therefore a limited period of time that is given for the private sector to clean up the situation, redress the balance sheets of the financial institutions and deleverage in the smoothest possible fashion. It is also a limited period of time that is indeed given to the public sector, the supervisory authorities, executive branches and the Parliaments to correct imbalances, deficiencies and improve regulations at the national, continental and global level. That is the clear message, it seems to me, that the Central Banks, through their own means and channels in all our democracies, are conveying to the other partners, public and private, namely ‘We are trying to do the job and preserve confidence in our own domain as we always do as anchors of confidence, but please do your own job’. This is said, even in advanced economies cultures where it was not customary. For example, contrary to a solid and old tradition in continental Europe, in the US and the UK it was not customary for the Central Bank to tell governments: ‘Please correct the fiscal imbalances’. Now it has been said on both sides of the Atlantic: the situation is very grave and exceptional and has called for the Central Banks themselves to be as active as possible, including in sending out those messages. It is what indeed the ECB Governing Council for its part has done since its inception, even before the start of the global financial crisis and, I think, for good reasons.

Thank you very much for your attention.