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The reason for inviting a journalist to a panel is usually to act as *agent provocateur*, a role I am very happy to accept today, and in fact when it comes to economic policy coordination, I come to a very similar conclusion to Robert Blackwell in the previous session. The response to the crisis, as he said, was appalling, and let me say in my short contribution why I think this is so.

First of all, global policy coordination is an ad hoc process. It is where heads of state meet and come to an agreement, and this has had some modest successes in the past, usually where we have been confronted by singular crises. Even in the aftermath of the Lehman debacle, governments came together and made some important decisions, for example, the decision to guarantee bank lending and deposits and that, in principle at least, we need to stimulate our economies. These are positive things, and probably prevented what could be a much worse crisis in October-November last year. It was a bad crisis, as the fall in global trade was probably even faster than in the early days of the Great Depression, so even though we are probably through the worst now, we should not minimise the severity of the crisis.

However, ad hoc coordination is not good after crises, and there are a number of reasons for that. This is particularly the case after such a profound crisis. The fundamental reason is that we do not understand this crisis very well. We think we understand it, but our understanding of it is still evolving. Going back to the Great Depression in the 1930s, people had no understanding of why they were in a crisis. There were all sorts of theories in Europe, and in Germany in particular it was thought to be brought on by cartel building, which turned out later to have been a very mistaken analysis. It was through Fisher's deflation theory that the world gained a partial understanding of the crisis, and many academics have researched it so that our understanding of it is much greater today than it was then.

It will not take 60-70 years before we understand this crisis, but it is probably too simplistic to say that it was caused by bankers behaving badly or by some regulatory faults in the financial system, which was the consensus after the 2007 problems in the money market, and there is probably some interchange between macroeconomic factors and microeconomic factors. Macroeconomics has no great theories, except perhaps Hyman Minsky's, which was not considered mainstream in the 1980s, but which has some very disturbing implications both for global governance and the policy actions we need to take. Minsky postulated that this kind of crisis is the logical consequence of a financial sector which is too large and of a system which favours investment spending as the engine of growth. That combination would invariably produce economic instability.

Now, I am not saying that Minsky is right, or that it is the only theory we have at the moment, but we should at least understand that theories still have to be developed, and that a global coordination focused on regulating bankers' pay certainly does not address the deep issues of this crisis.

A second reason why this process is not working well is the fact that countries have national vetoes. I understand that you cannot move immediately towards majority voting systems, but you get situations where countries with large financial sectors, specifically the US and UK, block progress because they feel that the agreement is not in their national interest. For example, there is now a reasonable consensus among the academic community that the 'too large to fail' issue is something we need to address immediately, but that it is something we did not address because it might hurt some of the financial centres, and that is why some of the larger economies are foot-dragging on this issue.

Ultimately, when we have a process that is ad hoc and intergovernmental, we do not get agreement on what needs to be done, but only on what can be agreed, and that could be a completely different set of solutions compared to those which are necessary. An example of where we are seeing this policy coordination failure at various levels is in policy coordination on exit strategies. We see in the EU and globally that the debate on the exit strategy and the policy formulations that countries have made are purely on domestic grounds. France has decided not to exit for a long time, Germany decided to exit almost immediately until there was a change of government and they decided to follow the French line, but they will exit from 2011-2012 onwards. All these decisions were formulated predominantly in the national debate without any coordination whatsoever. One learns of policy decisions through newspapers, and though I cannot complain as a journalist, this is not how I would do it as a policy maker.

This is not a question of G20 versus G8, or whether economic policy coordination should be based at the IMF or the UN. However, I would propose that a long-term process of managing globalisation, which is really what this is about, is not about taking measures from crisis to crisis but requires much more constructive efforts. We should take some lessons from the EU. I am not proposing to create a similar structure at global level, but there are some lessons relevant to the area of economic policy coordination, for example, that it should be anchored in treaties and international law, that it is not ad hoc. There is room for policies and national governments, and in fact the national governments in the EU still call the shots in terms of policy. However, it is a rule based interactive system where governments enter into a very structured dialogue surrounded by institutions.

We have abandoned the national veto in areas where integration matters most to us, for example, the internal market. That has meant enormous progress for the process of integration and coordination. We would not have achieved the internal market in the EU without the abandonment of the national veto, and if we are serious about organising the post-crisis global economy, we will probably need to develop a number of structures which I suspect will probably need to go beyond just ground rules for banking. An abandonment of national vetoes by some form of qualified majority voting is something that may be necessary. I am aware that this is not very realistic in the short term, but it is something that might be considered at some stage.

Perhaps the most important parallel to the EU is that it is an open process. When the EU was founded as the EEC, it did not call itself the E6, and later it did not call itself the E12. There were rules of accession and there were negotiations, but by and large it was a transparent and symmetric process. Provided you were a European country and fulfilled certain conditions, there was a presumption you could join. That presumption was by and large upheld, and I believe it will be in the future. Therefore, the idea of a self-proclaimed G20 of nations, although they account for the lion's share of global GDP, is ultimately wrongheaded, because it is not based on international treaties or clear rules, it is not an open process, so, in other words, this is not how it should be done.