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Thank you, first of all, to the IFRI and all the organisers of the conference for offering me the privilege of participating in this session.

My contribution links well with the presentation given by Kemal Dervis, as I will be concentrating on the future choices to be made in public policy, given what we have just lived through, on the issues of financial regulation from a “micro” approach, as the current jargon goes, and on questions relevant to the international approach that is the focus of this conference.

One point that must, undoubtedly, be emphasised is the scale of the analytical challenges we are still facing as part of this crisis. I was going to say “in the aftermath of this crisis”, but that would probably be somewhat premature. As Wolfgang Münchau emphasised yesterday, there are still many things we simply do not understand about the interactions between the financial sector and the economy as a whole, about the way in which risk (both individual and systemic) can or cannot be measured in quantitative terms, and many other areas too. It means that the potential for error in public policy is quite considerable.

University researchers and the academic community are in the process of rapidly carrying out a number of empirical and theoretical research projects to try to give us the tools we need and think through the challenges that have been identified over the course of the crisis, but their reaction times are inevitably slow. It is unlikely that their reflections will produce results that can be put into practice for several years, but decisions will naturally need to be made sooner than that.

I should add that we are still in a period of great volatility as to how events will pan out, and also in a highly politicised situation. There has been a politicisation of financial issues to the extent that according to the latest word from the trading floors, the world’s financial capital has moved from New York to Washington, and today more than ever, market dynamics, as Jeffry Frieden said yesterday, are determined by public policy decisions as much as by purely private-sector forces.

In the time I have available, I would like to move away slightly from the general framework to address some of these questions of international micro-financial policy, though inevitably I will have to simplify a great deal, as these are extremely complex questions as well as being quite intimidating in terms of research.

The first point is the uncertainty hanging over the future of international financial integration.

In some ways, international financial integration was a given in the previous phase, which came to an end in 2007. Deregulation was obviously not complete, but had made significant progress over the course of the past two or three decades and it seemed obvious that the future of our financial system was to be integrated worldwide.

Today, this is much less obvious. Why? Because we have rediscovered the importance of the regulation and supervision of the financial system and because we do not have the tools to supervise it effectively on an international scale at the current time.

Therefore, if we want to have a supervisory system that makes us feel comfortable in terms of risk management, then inevitably we are going to have to renationalise a certain number of areas. We have seen this extremely strongly both in the United States but also, in a perhaps even more spectacular fashion, in the European Union. Why should it have been more spectacular in the European Union? Simply because cross-border integration is much more advanced in the European Union than in the United States, given the efforts made, particularly in the last 10 years, to develop a single market for financial services.

There are many economic benefits to international financial integration, or in any event, that is what many economists think. There are other economists who think that such benefits are not so significant. If there is one area where we need to make progress towards, if not consensus, then at least more empirical information to guide public policy, then this is it: the economic advantages of cross-border financial integration.

It is undoubtedly the case that if, as is the case with the majority of decision-makers, we think that international financial integration must be maintained or even strengthened in the coming years and in the aftermath of the crisis, then we will need to take decisions and create public policy frameworks that will enable international firms – whether they are banks or other organisations, such as the major audit networks or ratings agencies, as well as businesses from all sectors in respect of their financial dimension, in particular the financial information they make available to the markets and how they call on the financial markets – to compete on the basis of a level playing field, and this must be the guiding element in making choices about financial regulation policy at an international level.

What are these choices? They relate firstly to the standards and rules that apply to various private-sector players. There are two main areas in which international standardisation has already made a great deal of progress and is now part of the landscape. One is the business of calculating the banks' regulatory capital requirements, which resulted in the Basel agreements (Basel I in the 1980s, followed Basel II in the early years of this century). The other is the area of international accounting standards, which have now been adopted by almost all the major economies, with the exception of Japan and the United States. In some cases, the standards will not come into effect for one, two or three years, but it will be within a context where there are still two major systems of accounting standards: the international standards and the American standards, with the Japanese standards having more limited and local impact.

The lesson that had already been learned before the crisis but has been greatly accentuated by it, is that international standardisation is extremely difficult, if you really want free, undistorted competition. It is difficult for reasons that are primarily political rather than technical, and that are related to there being different starting points but also to differences in public decision-making systems and democracy, or indeed a lack of democracy. The topic of international accounting standards, which tends to spark fierce debate and has done so all the more since the economic crisis, is a good illustration.

It is not enough to have common standards: they need to be implemented and enforced consistently; supervision needs to be consistent, as does the management of risk by the public authorities.

It is important to be realistic: from this point of view, there will be no worldwide financial regulatory or supervisory authority, at least probably not in the lifetime of any of the people in this room. Nonetheless, it is crucial to determine priorities so that consistency in the application of common standards and the common nature of standards should be sufficient, if not to completely level the playing field then at least give to those involved a sense of fairness. The responsibility for this clearly lies with all nations that act as decision-makers and is incidental to the specific structure of the European Union, but with one fundamental inequality, which is that the international financial world depends on worldwide, international financial centres. Relatively few of them are truly international in scope: London, New York, Singapore, Hong Kong, perhaps a few others, Switzerland. It means that a minority of countries, plus the European Union (which has to be included because it has London in it) have regulatory levers that apply to the whole of the system.

Finding a way for this system to be seen as fair is a major political challenge. The other challenge is, of course, the ability to manage cross-border crises jointly. From this point of view, the crisis has brought some good news: as several speakers at this conference have already emphasised, cooperation between the authorities has been unprecedented. This is particularly true of the central banks, but it is also true of governments. The Elysée summit held on 12 October 2008, just over a year ago, was a particularly spectacular illustration of this. But for all that, the real test – the sudden revelation of difficulties at a bank with a very high level of international business – has not yet occurred.

What is the agenda today? I would like to end very briefly on this point, using the 30 seconds of Jacques' introduction for my conclusion.

The G20 has made decisions, which is an unprecedented process. Its decisions in relation to financial supervision are still in the making. Where does the balance between the various players lie? My feeling – which may not be one that is universally shared – is that Europe had a moment of leadership in the second half of last year, at least at the time when Lehman Brothers collapsed. Why? Because at that point the US government was severely weakened in terms of its ability to lead.

Europe did make some use of this moment of leadership – I have already mentioned the Elysée summit – but it did not go so far as to offer the world a model of financial regulation that the world could adopt. Again, why? Because, no doubt, of its own internal divisions, which run extremely deep, primarily between the United Kingdom, Germany, France and other key players.

Numerous plans are currently under discussion. Relatively little legislation has been adopted to date in the aftermath of the crisis. In the United States, there has been very little at all. In Europe, there have been a few things about ratings agencies and securitisation. By contrast, huge rafts of legislation are currently being discussed; in the US Congress, following on from the bill put forward by the American administration in June, and in Europe primarily on aspects around institutional organisation and the development of cross-border supervisory tools across the European Union. The decisions that emerge from this raft of legislation will be crucial.

I'm going to stop there to take a few questions, but my conclusion – which is not really a conclusion at all – would be to emphasise the extraordinary challenge public decision-makers are currently faced with in taking decisions that will shape the financial system for many years to come, in a climate in which there will be some very difficult political economic issues from the outset. There are issues around capture, regulators and decision-makers, which have already been covered, particularly by Kemal Dervis and yesterday by Tommaso Padoa-Shioppa. The lobbying power of the financial industry is significant. But it is not the only problem. The underlying difficulty is that there are many issues in how the financial system interacts with the economy that we do not understand properly. I believe that underlines the difficulty of the challenge facing decision-makers today. Thank you very much.