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Good morning. I guess I have been detailed with the job of starting off for the day. I guess we are presenting the summary of the workshops yesterday. I am John Lipsky from the School of Advanced International Studies, part of Johns Hopkins University in Washington, and I had the honour of chairing the workshop on Finance and Economy, so let me briefly review for you the very interesting discussions that we had yesterday, with the very distinguished and very well informed group of panellists, and an interested audience.

First, we began by reviewing the global economic forecast. I believe on Friday there was a plenary session chaired by Professor Richard Cooper that was based on the latest edition of the World Economic Outlook, recently published by the International Monetary Fund, that featured not only a global forecast that can be described as benign and positive, but included an improvement in the global forecast from the Fund's previous update. The idea is that the forecast over the next year and a half, according to the IMF, contains a continuation of acceptable growth, and quite low inflation. The panellists had no problem with this and the audience, in fact, had no problem with this broad approach, but we did discuss the differences and the problems that are still present in the major industrial countries that will affect the financial market.

Specifically, in the US, there is slow business investment, which has led to slow productivity growth, slow wage growth, low labour force participation, and still a problem of long-term fiscal balance, basically reflecting the entitlement programme, and of course, the latest tax cuts proposal of the new administration would in the short-term increase that deficit. In the Eurozone, even though growth has improved, there is still high unemployment, still very weak investment, and also very slow productivity growth, although there, there is rising participation, but the added uncertainty, of course, of Brexit. The surprise – I do not know if it is a surprise, but certainly the consensus - was that the growth outlook in Japan remained favourable, as it has been the case for the past year, generally more favourable than consensus expectations had anticipated, and yet, Japan continues with very low inflation, and little success from the Bank of Japan's very aggressive accommodative policies in changing the very low inflation expectations.

That is the broad situation. We talked about the risks to that outlook, and found that in the near-term, even though in the medium-term there are certainly fundamental issues that need to be faced, but the principal risks in the near-term were those stemming from political or geopolitical developments. Similarly, we took a look at monetary policy, and asked a couple of questions. One: has the very aggressive – unprecedentedly aggressive – accommodative policies of the major central banks contributed to the creation of asset bubbles that could pose stability risks, even in the near-term? Secondly, we asked: is there much of a risk, or is there real risk, that these accommodative policies will be withdrawn in some of the key central banks, at an excessively rapid pace, also containing or creating stability risks for the financial sector? I would say the consensus of the group was that in neither case did there seem to be an imminent risk. In other words, that even though asset prices seemed high, there was no obvious trigger for a rapid decline, nor was there much likelihood of an aggressive shift amongst central bank policies, although we all recognised that by definitions, crises are unexpected. Problems that are expected rarely produce crisis results.We also had a very interesting presentation from the panel member from the Central Bank of Lebanon about their very unusual and successful quantitative easing programme, and then we turned to look at the financial sector itself. Again, reflecting the discussions that we had about the overall view, that we did not see signs of any immediate risks of serious problems, although once again, by definition, serious problems tend to come unexpectedly.

We noted that since 2008, there have been very substantial measures taken to bolster the stability of the financial sector, and its effectiveness include the generalised increase in bank capital levels around the world, including the new TLAC capital apportionment for the G-SIBs, the globally systemically important banks. New regulations on leverage ratios, the imposition of mandated stress tests, progress on resolution mechanisms, limits on executive compensation.

In many countries, there are new mechanisms and contemplation of macroprudential policies, and discussions of extension of new regulations to this, what is typically known as the shadow banking sector, so a lot has been done in terms of regulation that has tended to underpin and bolster the stability of the financial sector.

However, as we noted, in general, these reforms had a rather patchwork character to them, rather than comprehensive, in the sense of being driven by a vision of what the financial system should look like in the future, and the use of regulation and supervision to drive the emergence of this new financial sector. In fact, the discussion among the group focused a bit on the incompleteness of the reforms, and a perception that investment capital in many countries, in many economies, was being misallocated. Specifically, we talked about, for example, the relatively weak business investment climate in most of the advanced economies, and similarly, about the substantial need for climate change finance that was not available at this time, despite the obvious need to develop such financial resources.

We talked about the incomplete reforms with regard to the shadow banking system, and in fact, the potential problems reflected by the emergence of new instruments, such as the Exchange Traded Funds that had become huge in the last few years. We talked about the risks that seemed to be associated with the increased concentration in the financial sector, about the lack – even though efforts have begun to implement macroprudential policies – that it would be hard to say that those reflect effective mechanisms at present.

We discussed briefly the innovations that are typically called “fintech”, the impact of technology on the financial sector, but of course, that is a very broad term, and virtually every financial institution of consequence views itself as substantially driven by the need for technical innovation and the new developments in information technology. So to say fintech is rather a broad and diffuse idea. Similarly, we did not have much discussion of the press darling of cybercurrencies, recognising that at this time, they are tiny in the context of the global financial system, even though they are fun to talk about, and similarly, the implicit likelihood that if cybercurrencies became more prevalent, they would be made subject to effective regulation, but still, the discussion – although recognising the substantial progress that has been made since the crisis – still reflected a sense of first, sight dissatisfaction at the patchwork sense of regulatory reform. At the same time, a recognition that, despite the apparent relative success of counteracting the negative effects of the financial crisis on the global economy, in fact, there is no effective mechanism that has been put in place for crisis prevention in the global financial system. The IMF specifically has no crisis prevention instruments available and, moreover, the current scale of resources available to the fund is certainly inadequate to deal with counteracting or preventing a global crisis.

Nonetheless, as I said, we should not lose sight of the big picture, which is number one, the global economy seems in relatively good shape, that the near-term outlook remains a favourable one, that the financial system is enjoying– in many senses – the very significant increase in asset prices, and increase in activity, so near-term, reasonably smooth sailing. We have to watch the problems, and there needs to be continued focus on improving the structure of the financial system. Thank you very much.