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Jean-Claude TRICHET

André, you have the floor.

André LÉVY-LANG

I would like to focus quickly on the state of the global financial industry 12 years after the crisis. The US is in very good shape and the US financial system is in good shape. There is no question about that. In Europe, we have a problem. After 12 years of regulation, thanks to the CFS and Basel III, the balance sheets of the banks are in very good shape, but the income statements are terrible. Today, the market value, the market cap of the major European banks is well below their net book value. Negative rates do not help at all, so they are squeezed regarding regulation, which has been slightly stronger in Europe than in the US, to understate the situation. The credit situation is very difficult.

I remind you that in Europe, the banking system supplies 80% of the financing of the economy against 20% in the US, so it is very important in terms of the European economy. Regarding my second point, I am no longer in the banking system. I sit on boards, but I am not involved directly in operations.

The revolution which started in 2008, at the same time as the crisis, was the launching of the first iPhone. Today, we see a number of so-called neo-banks which raise huge amounts of money trying to do like Amazon did but in banking. In other words, they acquire customers, they lose money in the process, so they raise more capital. They raise hundreds of millions of dollars, hoping that one day, they will make money. An example is N26, a bank which started in Germany. It now has a European license and it has just announced that it has 3.5 million customers. It is losing money as it grows.

Two, the European banks in general are really squeezed by the current interest rate structure. They are cutting staff significantly, which they have to do. Three, they have to live with the legacy of computer systems which did not anticipate the smartphone.

We may have overshot to some extent in terms of regulation. You can add anti-laundering measures to that. I just counted that in a small bank in France, where I am on the board, 12% of the staff is used to deal only with money-laundering and regulation questions. The banking industry has never been very popular. In this case, there is a risk that banks will have a negative impact on European growth in the next few months.

Jean-Claude TRICHET

Thank you very much. It is true what you said. 80% or 75% of the financing in Europe comes through banks. In the US, it is only perhaps 25 or something like that. The idea that markets are much more reliable in a time of crisis than banks is a wrong idea. Liquidity can evaporate in markets and this creates an absolute blockade of the financing of the US. Then you have the possibility that the central bank will massively reconstitute liquidity on markets. This is clearly what happened in the last crisis and it might happen in the next crisis, with a lot of drawbacks and major difficulties.

Thank you very much indeed, André. What you said about French banks is true for all European banks. We have German citizens in this working party, and what strikes me is that Germany is the most important GDP by far in Europe. It is the most important exporter in Europe and the most brilliant economy in Europe, in terms of competitiveness. It has a banking system which does not correspond at all with what we should normally observe, but we will perhaps discuss this with our German friends.