WELCOME AND INTRODUCTION: WHAT LESSONS CAN BE LEARNED FROM THE GLOBAL CRISIS?

I am delighted to welcome you to the second Mecpoc Symposium. In today's audience I recognize numerous students and faculty from Franklin College as well as from other local Swiss and Italian institutions; several business professionals, notably from the banking and financial sector; and many Franklin friends and alumni who periodically visit us. We hope that you will leave this auditorium with a better understanding of recent economic events and of the challenges we are still facing.

When we launched a new international symposium a year ago, the crisis appeared, in the eyes of many, to be under control. The economy, although not fully on its feet again, seemed to be recovering and back to normal. Yet, our symposium indicated that there was a significant challenge still ahead for the world economy, that central banks would soon be called to a dramatic rescue plan and that traditional central banking tools could prove inadequate to deal with the crisis. All these forecasts proved correct.

Another conclusion from most of last year's speakers that proved correct was that the then apparently rising inflation tendencies would recede. In fact, here things went a little too far: not only did inflation subside, but a fast drop in commodity prices was the game of last summer, with a number of consequences, more bad than good. Drivers were spending less money at the gas pump; that's (perhaps) a good side. But this also meant selloffs in stock markets and the consequent evolution and progressive transformation of the crisis.

What we often call the "global crisis" has so far been a sequence of crises: a liquidity crisis, a financial crisis, a food crisis, a record increase followed by a record fall in energy prices and other commodities, and then a banking crisis, asset deflation and a global economic recession.

If you ask me to find any good consequence of all this, it is the effect of the crisis upon students' alertness in economics classes (I can certainly confirm this has happened at Franklin): students definitely (and inevitably) demonstrate today a much greater awareness and curiosity in studying what can make an apparently secure global economic environment suddenly become so frail and precarious.

Was it because of bad governance decisions—some point their fingers at the U.S. Fed, others at the repeal of banking laws in the U.S.; or was it because of bad private decisions—some point their fingers at investors' failure to price risk properly; or was it because of unethical behavior—some point their fingers at greed and fraud?

Was it the fault of markets? If it was, then we need a stronger government component. Or was it the fault of governments? If that was the case, we need less of them. Or perhaps what we need is a different paradigm for governance and policymaking?

These are serious and fundamental questions that our epoch must urgently deal with. The Western world passed through a similar intellectual crisis in the Great Depression. In that context, a man from Cambridge, John Maynard Keynes—who had become a world star after World War I for denouncing the fragility of peace—was almost constantly at the center of the controversial discussions on how to recover from the Depression and how to strengthen and defend capitalism from its fragility. In the words of a scholar who is also one of our speakers today, he was an "unusual economist, a practical visionary." Everybody listened to Keynes, whether it was to seek inspiration or to sharply disagree with him, and it was he who provided the intellectual justification for the historical changes in capitalism that took place in the 1930s and 1940s. And I think this is the reason Keynes is being cited so often today, not only in relation to fiscal policy, but more importantly as a "master of thought." In the words of Professor Skidelsky, "great masters of thought do not discover reality; by changing people's beliefs and behavior, they create reality."

This crisis has shattered not only jobs, personal wealth, and economies, but also views and convictions about how the system works. The controversial and confused debate that has followed the outbreak of the crisis needs new masters of thought who can provide new answers. I don't think we should simply aim at restoring the pre-crisis world, as if what happened was just a very rare tsunami that will not be repeated in our or our children's lifetimes. There is, I think, something deeper that speaks of a need to "reinvent the institutions of capitalism" as Hyman Minsky contended 16 years ago in this same Franklin Auditorium.

The break in continuity in American politics marked by the election of Barack Obama could be part of this. And one theme of our discussion is going to be a critical review of the first 100 days of the new administration. In this general context we begin our discussion today: What have we learned from the crisis? Is the global crisis bringing in a new paradigm for policymaking? Is the crisis changing the way the world thinks about economics and politics? And have, in this perspective, the first 100 days of the Obama administration made a difference?

It's fair to say that today's panel is a unique combination of knowledge in economics, political economy, history, communication and management. And I wish to express my gratitude to the speakers for accepting our invitation to this symposium in Lugano. We're absolutely delighted to have you here in this room to produce a moment of intellectual energy around the theme of what the world has – or has not yet—learned from the crisis, and I wish you all a very exciting and productive afternoon.

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