



OUTLINE OF THE PRESENTATION BY PASCAL SALIN

AT THE FORUM:

**"MARKET LEADERS AND SCENARIOS
FOR THE 21ST CENTURY"**

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THE INTERNATIONAL ECONOMIC OUTLOOK
Outline of the presentation by Professor Pascal Salin
Confcommercio, March 14,2009

I-CAUSES OF THE FINANCIAL CRISIS

1-*The two models*

- i) The reference model : . Plentiful and voluntary savings
. Stable monetary policy (or no monetary policy)

- ii) The modern world model : . Inadequate savings
. Unstable monetary policy

2-*Main cause of the crisis* : The destabilizing monetary policies of the US and Europe

Consequences : price distortions, malinvestment, changes in productive structures

3-*Other causes*

- i) Policies concerning the housing market ("subprime")
- ii) Financial regulations
- iii) Problems of governance (lack of real capitalism)

II- THE INTERNATIONAL FEATURE OF THE CRISIS

- i) Interdependence between financial markets
- ii) Similarities in monetary policies
- iii) Role of international trade ?

III- PROSPECTS FOR THE FUTURE

Present policy answers are misleading because they do not correspond to the causes and characteristics of the crisis. There is, therefore, a risk of a long-lasting crisis

- i) So-called recovery plans or the misleading Keynesian reflex
- ii) Increasing regulations : competition better than regulations
- iii) Laxist monetary policies and the risk of a new business cycle
- iv) The protectionist risk
- v) International (or European) cooperation cannot solve problems
- vi) Lessons from the thirties
- vii) Policies for a real recovery