



# **LESSONS FROM EACH OTHER IN CRISIS RESPONSE**

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## **Outline**

- 1. What we all have learnt**
- 2. What we have learnt from each other**
- 3. What we are still trying to learn**
- 4. What still seems hard to learn**



## 1. What we have all learnt

- Importance of expectations and market sentiment in globalised financial markets
- Importance of avoiding protectionism
- Importance of coordinated responses
- Importance of financial markets liquidity
- Domino effects and feedback loops when bubbles burst



## 2. What we have learnt from each other

- Lack of macro-prudential surveillance and procyclicality of financial regulation
- Need to end complacency of financial market regulation and supervision (loopholes, unchecked accumulation of risks, unchecked spread across global markets)
- Importance of incentives and conflicts of interest (originate and distribute model, risk taking remuneration models)
- Unemployment mitigating flexible-time policies
- Importance of coordinated responses rather than “follow me” ones.
- Need for balance between fiscal stimulus and fiscal sustainability
- Importance of expectations and market sentiment in globalised financial markets for sovereign financing



### 3. What we are still trying to learn

- Right timing and sequencing of exit strategies
- How to minimize moral hazard of systemic institutions
- Reconcile legitimate citizens' unease about remuneration with sound incentives
- How to address cross-border, cross-jurisdiction crises
- How to rebalance global growth
- Right balance between effectiveness and representativeness in global economic governance



### 4. What still seems hard to learn

- Sustainability risks from global imbalances
- Asset bubble effects from monetary policies
- Complacency with systemically risky financial business models and practices as recovery starts
- Non-cooperative jurisdictions and markets can be brought to order
- Even-handedness of IFIs' surveillance
- Balanced global representation
- (for Europe): Single voice



**Thank you for your  
attention**

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