

LUXEMBOURG FINANCIAL FORUM 2009

The fourth edition of the Luxembourg Financial Forum, held on 29 May, brought together some 500 participants and a dozen high level speakers who shared their views on the theme: "Financial markets: paving the way for a new international order".

In his opening speech, Prime Minister Jean-Claude Juncker spoke of the need for more transparency and standardisation in regulation, particularly in the area of hedge funds.

Afterwards, the speakers attempted to answer a range of questions.

Is this the end of globalisation?

According to Edmund Phelps, Nobel Prize winner in economics in 2006, globalisation is here to stay. It is regrettable that governments are reacting to the crisis with protectionism. Companies must face competition both at home and abroad.

Do we need more regulation?

The speakers agreed that what was needed was not more, but better, regulation. Regulation is too static and effort becomes focused on finding ways around it. The answer is to regulate the actors, not the products.

Are rating agencies to blame for the financial crisis?

No, said some, investors didn't do their sums: anybody could have calculated the true value of the US housing



Edmund Phelps, Nobel Prize in Economics 2006

market. To others, the semi-official role of rating agencies gave a false sense of security and this has to be addressed.

Do we still need banks?

For some speakers, banks are "fanastically efficient at redistributing wealth". For others they are becoming obsolete and will be replaced by cooperative banks or retail companies with a banking license – names that the public trust.

These views notwithstanding, banks do add value to the real economy. Furthermore they will continue to make a profit from it, though less profit than before, and they will always be faced by the phenomenon of cyclical crisis.

For more detailed information on the debates see: www.lff.lu

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A reasonable level of regulation does not stifle business development; Luxembourg has been demonstrating this for the last 40 years.

Jean-Claude Juncker, Prime Minister