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"Managing the Crisis"

1. The worldwide economic crisis is over and a firm upswing is underway, though the recovery appears to be less strong than was to be hoped.

2. Monetary and fiscal policies need gradually be redirected from stimulation to normal.

The Fed and the ECB should prepare the public that the zero-interest-rate policies will have to end this year.

As regards public budgets, strategies of consolidation by cutting into spending are unavoidable everywhere to curb the spiralling debt levels.

3. The EUR 45-billion-bail-out of Greece will buy the Greek a little time but lead them nowhere.

Given the twin deficit (fiscal plus current account) of EUR 50 – 60 billion, the options for an effective Greek recovery are (i) a quick conversion of sovereign debt and (ii) a devaluation by temporary exit from the euro.

4. Greece is too small to endanger the euro while a domino might.

The lesson for the EU is that the stability pact needs rewriting. Options are introducing biting sanctions (e.g. temporary loss of financial aid, of voting rights, of membership) and permitting free exit from the euro.

5. Regulatory reform of financial industries must be introduced this year in order to come into effect by 2012.

The Basle committee is on the right track requiring that banks hold more capital and proposing a minimum leverage ratio. A regulatory ratio of 10 % for core capital relative to non-weighted assets appears as not too high in the medium run.

6. Supplementing bank supervision by a new macro-prudential supervision for detecting sources of systemic risk as early as possible will be an important improvement.

Creating a European Systemic Risk Board (ESRB) with joint decision making by ECB bankers and delegates of other European institutions, in contrast, is not a good idea as it is prone to impairing the ECB's independence.