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Let me start with a few words on the title of this session and how I will deal with it. Both words, 'future' and 'capitalism', are somewhat elusive; the former because more than one future is always possible, and which one will happen depends largely on us. We should look at the future prescriptively rather than predictively, although to be prescriptive in a responsible way we should prescribe things that are within the perimeter of what is possible.

Capitalism is another elusive word. It is associated with the Industrial Revolution, and was inevitably associated with the rise of big schemes, factories, and concentrations of workers, and likewise the concentration of financial wealth. Perhaps that kind of capitalism is over, having been overtaken by the second and third industrial revolutions.

Regarding the future of capitalism in the middle of this great crisis, there is the temptation to say that 2009 is for capitalism what 1989 was for the centrally planned economy, namely the final collapse and the final proof that it represents a system that is not viable.

Capitalism, in this interpretation, is more or less a synonym for a market economy, and the question is whether we should say that this crisis marks the end of market economies or of the particular variety that French people like to designate Anglo-Saxon or neo-liberalism. Is this crisis the end of capitalism or of market economies? Therefore, I interpret the title as asking how to envisage the future of market economies after this crisis.

What is the nature of this crisis? I do not think that, like 1989, it was the final proof of an error that was transformed into a social experiment, the error being that self-interest could be suppressed from human nature and replaced by a rationally planned economy. 1989 marks the definitive end of that illusion, whereas 2007-2009 in no way marks the end of the discovery of Adam Smith, namely that, when framed by the rule of law and a proper set of institutions, the impulse of self-interest generates the miracle of enhancing the greater collective wealth of nations. This fundamental proposition, in my view, has not been disproved by the crisis.

This is because what has failed in the crisis is not the system in which individuals or firms pursue their self-interest, but a version of it in which they pursued self interest without the framework of rules and public action which are indispensible to achieving that miracle.

A key notion that can be used in dealing with the question of debt and envisaging the future of the market economy is that of public goods. There are two essential propositions concerning public goods. The first is that public goods can only be produced by a public entity and cannot, by definition, be produced by the market, but this entity should not be the government itself. The second is that public goods are not exclusively national. These two propositions describe lessons that have to be drawn from this crisis and which, if properly learned, will not only assure the future of capitalism but a better future than what we have experienced in the past years.

First proposition: the production of public goods is not a function of the market, nor should it be dominated by politics. There are plentiful examples of this. Independent agencies were captive to market interests before this crisis. Ministers and executive branches have failed to lead and were, to a large extent, captives of their officials and agencies. Legislators were captive to organised interests, and there are signs that this might still be the case. All this revolves around the issue of the relationship between political and economic matters. It took centuries, and perhaps even longer, to define the relationship between the political and religious sphere of human life, while it was only in the last two centuries that the need to define the relationship between the economic and political spheres was understood.

In stating that public goods should be neither a function of the market nor be dominated by politics, a distinction between politics and policy is in point. The provision of public goods is a matter of policy, but should not be a matter of politics, for example, a central bank implements a policy but is not subject to politics. A difficult issue is how to define a proper institutional profile for policy in a way that is dependent neither on private interests nor on political games.

The second proposition is that public goods are not exclusively national. There are at least five levels of public goods: municipal, regional, national, continental, and global. A government is necessary for each of these levels, and institutions have to be designed to deliver the public goods that correspond to that level. The word 'public' has more than one reach meaning. When we talk about global governance we refer to the highest of these five levels, and we are just at the very beginning of a historical phase in which the institutions of global governance are being built.

I do not think that nations are the exclusive holders of the public interest. They are the holders of one of the five levels of public interest. Climate change is certainly not a public interest which is held exclusively by the nation states. There are 200 nation states in the world, far too many to deal with the issue of climate change.

The future of the market economy rests on our ability to deal with the two issues that I have mentioned, which concern the production of public goods, something the market alone cannot do.