Martin Summer
Head of Division
Oesterreichische Nationalbank

Introductory Remarks

At some stage in a debt crisis, the discussion will focus on the question whether and how private creditors should be involved in a process of debt restructuring. This debate has dominated the discussion on how to deal with Greek sovereign debt for months.

Much of these debates always centre on the issue whether the restructuring of the debt of one country – or in the case of private debt of some systemically important financial institution – will spark a wider wave of contagion.

The first link in the chain of contagion is always the banking system. However, assessing the risk that contagion can occur is not an easy task. It also depends on the exact form a restructuring will take and involves many complicated economic and legal details.

Furthermore, the issues are not settled by trading off the benefits of restructuring against potential risks of contagion. There is always a difficult intertemporal trade-off involved as well. Should the costs of a crisis be incurred now rather than later? But even here the shifting of burdens across time is more intricate than it seems, because the costs and benefits traded off against each other are not independent of the way the trade-off is made. Some costs that might look reasonable today may become unbearable by postponing decisions to write down assets and restructuring liabilities for too long.

Fortunately, we have today two renowned experts on banking and finance with us. Both of them kindly agreed to come to Vienna to share with us their views on this important topic in this second panel of today

Thorsten Beck is full professor of economics at Tilburg University and also chairman of the board of the European Banking Center. Thorsten Beck has joined Tilburg University in August 2008. Previously, he was a senior economist in the research department of the World Bank. His research, academic publications and operational work have focused on two major questions: What is the relationship between finance and economic development? What policies are needed to build a sound and effective financial system? Recently, he has concentrated on access to financial services, including small and medium sized enterprise (SME) finance, as well

as in incentive-compatible design of financial safety nets. His country experience, both in operational and research work, includes Bangladesh, Bolivia, Brazil, China, Mexico, Russia and several countries in Sub-Saharan Africa. He holds a Ph. D. from the University of Virginia and an MA from the University of Tübingen in Germany.

Loriana Pellizon is an associate professor of conomics at the University of Venice. Her research focus is in financial economics covering risk management and capital requirements, credit derivatives, credit risk, systemic risk, financial crisis and contagion, asset allocation and portfolio selection, household portfolios, mutual fund performance, hedge funds, and corporate governance. Loriana Pellizon is a graduate from the University of Venice and holds a Ph. D. in finance from London Business School.