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STILL IN COMMAND?

THE TRANSLANTIC ECONOMY AFTER THE GLOBAL FINANCIAL CRISIS

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MR. PISANI-FERRY: Thank you very much, Fiona, for your nice words. I'm really pleased to be here. I'm humbled also to be part of this series of Raymond Aron lectures, and it's probably because there's a good thing in a crisis that you and this series were mostly people specializing in foreign affairs have featured that you felt it was time to invite an economist. So, I'm grateful to the crisis also of that.

Obviously, there's a price to that that, you know, there are going to be slides and graphs -- and no equations, I promise -- but I thought that in the name of credibility I have to produce something of this sort.

I'm also very pleased that Fred has accepted to be a discussant. I don't know how many people's life he has changed, but certainly he's changed my life, because when we created Bruegel we took inspiration from the Peterson Institute, and so the fact that I live in Brussels and that I work and what I do is a tribute to his achievements at -- on the other side of the street.

So, I'm going to talk about the transatlantic economy. You may feel that the timing is absolutely right, because the Transatlantic Economic Council meets tomorrow. In fact, it's pure coincidence. We thought -- we understand that it would be a good topic to address, and we chose a time, and it happened to be a time where this meeting takes place.

This is also an opportunity for me to tell you that I'm not among the specialists of the transatlantic relationship. There are several. There's an industry of this sort. There are some in this room. I'm some kind of a newcomer to it, and I thought that from my perspective of an economist, it would be interesting also to reflect on what the crisis is changing or has changed in the transatlantic relationship.

And I'm going to start with some quotes from Fred. Fred is someone who is consistent. He's not volatile. For example, look at what he's said on the U.S. dollar over the years. He's pretty consistent. But here back in 2003, he said that the U.S. and the EU should form some kind of G2, G2 Cokers, because they are only -- they are the only superpowers. And two years later he started thinking about the fact that the United States had in fact to be part of several G2 with several powers, including the EU but also China, Japan, and Saudi Arabia.

And, finally, this year very recently he wrote that in fact there's only one G2 -- the U.S. and China -- and that the European Union, not being able to speak with one voice, is simply unable to be part of this G2 that could become a G3.

So, I think since Fred is consistent, this is not an indication of his relativity but an indication of how much things are changing around us, how fast the world is transforming, and how many replications there are for the structure of international governance.

The crisis paradoxically has in fact both highlighted the importance of this transatlantic economic and transatlantic link and led to changes and to some questions about the permanence of this link. If you think about how fast the crisis transmitted from the U.S. to Europe, how simultaneously the economies responded, this is an indication of the intensity of the relationship. It's a big difference with the crisis of the '30s where it started in the U.S. and took a long time in fact to be transmitted to Europe. Here it was transmitted instantaneously, and this is a simple testimony of the integration, the degree of integration there is. And also there was no decoupling, so there were many talks -- there were many talks about decoupling, but in fact there was no decoupling, and the rest of the world was not able to avoid this crisis in the U.S. to transform it to a global crisis.

So, in a way it's a recognition that this transatlantic link is fundamental and that there is no alternative engine in the world. At the same time, it has led to the upgrading of the G20 and to the demerits of the (inaudible) transatlantic G7, so the impact in terms of governance is in fact a weakening of the transatlantic link.

So, it's a power that we can start from and which I'm going to discuss, and there are several questions I would like to address in this respect -- how the role of the U.S. and Europe have changed as a consequence of the crisis; what is special in this relationship -- so, is there something special that means it has to be valued and kept and straightened beyond history? Because, obviously, history is always important, but history is no justification for keeping things as they are. And I would like to discuss whether there is a kind of transatlantic agenda that comes naturally out of the economic structures and natural economic relationships for the future.

So, what I'm going to do to discuss that is that I'm going to start with some facts, you know, going back to numbers. I'm going then to discuss what I think would be a natural agenda, discuss some of the conditions for effectiveness, especially on the open side, and then compute.

Okay, facts. Whenever there is a gathering with Europeans and Americans discussing about the relationship, there are some big numbers around, you know? And here I have some of the big numbers. I took them from the excellent study that Bruce Stokes and Hugo Paemen -- the recent study on the transatlantic economy -- but you can find similar numbers in many other studies.

Numbers are necessarily big, because our economies are big, and so we can congratulate richly about how big, how important we are. It reminds me, however bit, of the aristocratic Cuban families I know congratulating mutually about how big they are, how important they are, how strong is their relationship with the world around them changing. You can continue discussing and congratulating about those numbers. It does not change the fact that the world is changing. And so I think we have to take a measure of what's happening and question, you know, how big, really, is the transatlantic economy, how integrated it is, and how relevant it is for the rest of the world -- for the world at large.

So, to start with how big, I've gone back to historical statistic that Angus Maddison is providing to all of us about the size of economies over a very long period, and here you have the share of the transatlantic economy and the world GDP over 500 years. And what clearly you see here that in this revolution resulted in a major increase in both relative size of Europe and of the (inaudible) emergence of the United States, and at some point we terminated at 60 percent of world GDP in PPP terms, so corrected for price and exchange rate situations. And that was back in the ’70s and the ’60s, and since then we have started seeing the size -- the relative size of the transatlantic economy declining to read something like 40 percent, which is still obviously very big, but it’s not anymore the situation we had when, for example the G7 was created.

If we go beyond this image and look at some projection for the future -- I do the projection of Goldman Sachs -- they’re not exactly consistent in terms of price levels, so there’s a break in the series, but that basically what they tell you. They tell you that by 2050 we should be roughly back to where we were pre-industrial revolution in terms of relative size and world GDP.

There are various size assumptions behind the projection, but those assumptions are fairly natural. I mean, there’s a lot that has to do with demographics. The rest is catching up so you can be slightly more optimistic or slightly more pessimistic about the catching up of China, India, and the rest of the world. But basically, I don’t think it would change things in a very major way.

So, the times clearly when, you know, we were -- our economies were representing 60 percent of world GDP are gone by far. We're going to go back probably in 50 years at something like 25 percent of world GDP, which is a completely different situation, clearly, in terms of relatively strength and power.

Now, second question is how integrated are our economies? Here look at the share of the transatlantic trade in world trade over a century, and as indicated by the blue bars it has been consistently declining from some 16 percent of world trade to some 5 percent now, so clearly it's much less important than it was and it is difficult to say that now it's an absolutely major element. If we exclude intra-EU trade and intra-North America trade because I take it here North America and Europe as somewhat broader groupings than just the EU and the U.S., it's a bit higher but still the decline is clear. So, a shrinking share of world trade.

And, perhaps more importantly, if we look at who is each region's main trade partner, we find that over time the transatlantic link has become the less important one in this triangle between North America, Europe, and East Asia. I take here that China or Japan but I take East Asia as a region, Europe as a region and North America as a region, so three regions that represent today approximately the same proportion of world GDP at least in purchasing power polity terms. So, it's

-- I mean, it's a good standard, and it's interesting to see that back in 1980, as indicated by the red numbers here, North America and Europe were each region's main trade partner. So, we were each other's main trade partner. Then Asia became more important for the U.S., and now Asia is more important for Europe, too.

So, in few trade terms, the weaker link now is the Europe and North American link, and the main hub, I would say, is the stage reflecting, obviously, the rise of China in world trade. So that's, again, an indication that maybe the obvious corrector of the transatlantic link is not as strong as it often looks.

Regionalism is also on the rise. Our two economies have been very busy building regional trade agreements away from the WTO or, you know, at least, to some degree, away from the WTO (inaudible) system by creating regional trade agreements, and here you have the map on blue basically (inaudible) the European regional trade agreement and in red or orange the American ones, and you see that there is this network that is building -- this is being built -- and competing networks that in fact indicate, again, the fact that there are regional strategies in each case, and that's -- with Mexico being part of both, actually, and that's -- these regional strategies again indicate some distantiation from the standard approach.

So, I would take from that the fact that, you know, again, the obvious corrector, the strength that is often emphasized of this transatlantic link is not as strong as it seems, but I would like to introduce two caveats, and two caveats are important, and I would like to emphasize where, really, this transatlantic dimension matters.

Well, first, that if you take a number of indicators, you can find indicators that will tell you that the transatlantic economies are as small as 20 percent or 25 percent of world GDP -- of the world -- and you can go as much as 90 percent if you take some other indicators. So, I think we should look at those indicators. And, second, the fact that there is significant integration on the financial side and on the investment side between the U.S. and Europe.

So, first, here in terms of the degrees of smallness, the -- if you go from the left to the right of the graph, you start with population, you continue with energy production, (inaudible) consumption. So, you find the U.S. part or the North American parts are in red, the European parts in blue, and the rest of the world in red; and so you find some indicators for which, you know, we collectively do not matter that much in the world. And then you go to the other extreme and then you find bond markets, international debt markets, or foreign exchange reserves, and you find that overwhelmingly the U.S. and Europe are the two players.

So, in striking that you have such a degree of variation and in striking that in all those fields you find both North America and Europe as being significant relative to each other. So, I think that's where we should start from in terms of determining what is special in the role of U.S. and Europe in the world economy where they've become just players and where they retain a specific role.

The other dimension that I wanted to emphasize is the strength of the financial links. Unlike what's happening to trade, whenever you look at capital flows or capital stocks -- I think capital stocks are more significant -- you find that degree of integration -- this is tentative numbers. These are numbers for 2004, because it's difficult to build. I mean, those numbers are not readily available. It's difficult to build those numbers for recent years. But basically what -- they tell you that the strength of those bilateral links has increased and they very much dwarf the links that exist with other regions of the world. So, we have these links and we have this relative strength.

What I would take from that -- and that would be my conclusion from this series of graphs -- is that this is a very uneven landscape, that we have field where you in the U.S. are merely players in the world economy, alongside other players, and I would say that it's obviously the case for energy, for whatever has to do with climate, and we see that clearly in the discussion pre-Copenhagen with food but also in fields such as trade and increasingly, I would say, macro -- and we're going to go back to that.

And then the field where they return in the monopolist role, and I would specially emphasize market regulation and currencies. And so I would like just to discuss now what this implies.

Moving this to the discussion of the agenda, if you take from -- if you start from the observation of this sort, you would wish to say that, you know, there are different types of fields. There are fields where Europe and the U.S. are merely players, and there you would wonder whether there is anything special in their relationship, in their role, and you would venture that naturally they would basically interact as other players, big players but other big players, in a multilateral setting, depending on preferences and interests, and maybe keeping a founding father's role because of history but not having any special role beyond that with respect to other players.

And then you would go to monopoly fields where their position, their role put them in the situation of being the providers of some global public goods, like the rules -- setting the rules for the global economy, supplying global currencies -- and then you would suggest -- would be led to suggesting that the approach there should be that there would be some form of co-responsibility in supplying those global public goods -- in other words not to abuse the monopoly power or the new monopoly power but to use it engaging other players in order to influence the rules of the game.

And so I would like to use this benchmark to assess the situation in a few fields and assess achievements. I will start with trade. The trade case is interesting, because things have happened already. Up to 2003 to the conference of the WTO, there was this vision that the U.S. and the EU were the two major -- the two big players in the game, and so that essentially a trade deal was a deal between the U.S. and EU and that all the rest would, in the end, you know, come to some form of consistency between -- with the deal between the U.S. and the EU.

In 2003 there were suddenly the realization that it was no more the case, that simply a deal between the U.S. and the EU was not a sufficient condition for a global deal anymore, that the topics that we, on the transatlantic side, wanted to put on the agenda were not accepted by our trade partners, and since then the scene has completely changed.

So, we still have the U.S. and the EU but we have, obviously, the new players. We have India. We have China. We have Brazil. And the nature of the international negotiation has fundamentally changed. So, in fact, we are part of the (inaudible) framework. We have interests. We have sectoral interests. We have strategy. We have alliances. And in some cases -- I would say in the best of cases -- to find that the U.S. and the EU are pushing in the same direction helps find an agreement. But that's the best we can do. It's kind of an ordinary economic relationship between two major players in a world that has become more complex.

Interestingly, the SIM seems to be happening in the macro field. The macro field was the (inaudible) of the G7, and the G7 was essentially transatlantic with Japan as part of it but, you know, vast majority of countries being part where U.S. and Europe, and we were used to thinking that whatever is taking place in the G7 -- all the decisions, the discretionary impulses come from G7 countries. The rest of the world basically reacts to those inferences. And the G7 also serves as a steering group for giving some blessing or some suggestions to the Bretton Woods institutions in dealing with the situation is the rest of the world. That was very much the implicit (inaudible). It has worked like that, including -- until the early years of this decade.

So, the G7 was not a very effective group internally in terms of coordinating policy, but it was a rather effective group externally in terms of precisely taking initiative and giving blessing or suggestion to the IMF on how to deal with crisis in the emerging world.

The crisis has changed all that and to an extent that is considerable. The macro response to the crisis was coordinated at G20 level, and in fact the G20 -- non-G7 members had delivered a stronger stimulus than the G7 members. This graph is taken from the IMF estimates, so you all the G20 countries, and the bar represents a size of the stimulus delivered in 2009 by the countries, so in response to this coordinated stimulus program in percent of GDP. And I've put in blue the European countries, in red the U.S., and in kind of a dark red the non-U.S. and non-European countries. What is striking is the many emerging countries that delivered more stimulus than Europe. And on average, according to IMF estimates, the G20 stimulus is at the same level of the U.S. stimulus in spite of the fact that the European countries have delivered less. So, in fact, the stimulus by the rest of the world compensated the lack of stimulus on the European side.

Now, the Europeans would say because of the size of automatic stabilizers in fact delivered more. Perhaps. I mean, that's a secondary discussion. What I think is absolutely striking is that for the first time we went much beyond the traditional approach of, you know, dealing with macro policy at G7 level, and that was not only in terms of words; it was in terms of actual decisions. So, this has, I think, put us in a different world where not only the traditional players are macro players but new players also. So, it's a new conversation that is starting, and at the Pittsburgh summit there was a framework adopted for international coordination, and that's this framework --essentially ambition -- has the ambition of coordinating the next step, the exits from the crisis, the rebalancing of world growth, addressing global imbalances, all that at G20 level. So, the macro conversation has moved completely, and for good reasons, because we know that the imbalances discussion is not a discussion that can take place within the G7; it has to take place with countries not belonging to G7 -- first of all, China -- but this transatlantic dimension has here disappeared.

And what is interesting also is the G20 framework actually requests countries, depending on the situation being in deficit or in surplus, to pledge to different policies; and the question comes, you know, whether it applies to Europe as a whole or to European countries individually. So, the G20 is actually trying to achieve what has not been achieved so far within the G7, which even that hasn't been achieved within the EU or the EU area. It's a very ambitious agenda that they are starting, and that's, again, a completely new discussion.

Okay, let me move now so to fields where I think we have a different situation where Europe and the U.S. are more monopolist -- have more initiative that is a determinant. In a book that we published two years ago, edited by my colleague Andre Sapir, we said the U.S. and Europe are the regulators of the world, meaning that essentially the rules that they set are the rules for the world economy for reasons that have to do with market size in not the standard in PPP terms but in current dollars terms. It still represents 60 to 65 percent of global demand and of sophistication. And interestingly what we observe in many fields is that there is not a race to the bottom but a race to the top. The more demanding the standards you set, if you are a big enough economy, since there is a fixed cost to satisfying your standards -- think of, you know, car safety or whatever this sort -- you have to adapt to the standard, and when you have adapted -- when a producer has adapted -- there is limited cost to using the standards in other markets. So, basically if you’re a big enough market, you can set a standard that then becomes a global standard. And that’s true both for, you know, technical standards, but it’s true also for a number of standards. You know, you can think of a physical product, of a (inaudible) product in roughly the same way.

We have also, interestingly, the situation with competition policy where if you are a big enough market you can say I want you to sell in my market; I want you to be competitive so I want those companies that wish to merge not to merge. That happened with G.E. and Honeywell with European decision under Commissioner Mario Monti. This happened again with some recent decisions for Microsoft. So, basically, if you have a big enough market you have a lot of power that you can use. And here the situation is a situation where market regulation is really a domain where the U.S. and Europe run the world.

This leads, therefore, to think in different terms about bilateral agenda. If we take the bilateral agenda as it has developed, there have been many attempts to integrate, to create some sort of free-trade area between Europe and the U.S. We can go back to the '60s. We can go back to the many projects in the '90s, and again and again this has been disappointing. The recent evolution, the one of 2007, was to put not so much focus on the trade dimension but on the regulatory dimension, on the regulatory dialogue, and on the fact that there was a rule here for discussion on cooperation in setting the rule for the global economy, and in my view it's a very positive move, because it has moved away from an area where there's not much to gain to an area where there is clearly a joint responsibility of magnitude between Europe and the U.S.

However, we can observe that there have been few achievements, and even few achievements from this recent initiative, so, as I said, the TEC is meeting tomorrow, but the observation we have on what has been achieved -- and here there are people who know much better than I do -- but I just refer to what the progress report writes -- that there hasn't been much in actual deliverables, you know, just ongoing discussions making incremental progress and not delivering any big result. So, in spite of the willingness to focus on some lighthouse projects where there was the expectation that something would be delivered, I don't know exactly why -- perhaps some, you know, too much emphasis on detail and perhaps more lack of ownership in this process that was initiated but was not really supported politically by much ownership on the part of the two sides. Anyway, this discussion in spite of, again, I mean, what could be hoped to be delivered in this field has not yet delivered much.

So, pre-crisis we had a relatively slow convergence of standards and rules between the two sides. We had some interesting experiments going on in different fields, including on the accounting side where my colleague here, Nicolas Veron, has written on the global accounting experiments which consisted in some contracting to the private sector's definition of standards. It was the approach adopted by Europe, and there was some hope of convergence. But there was -- the record was relatively mixed.

Now, what has the crisis brought here is essentially that with the enlargement of the financial stability forum into the financial stability board, the emerging countries have been drafted into, you know, the group that is supposed to write the rule of global finance for the future. It's an interesting and important -- very important experiment, because we have both the combination of a clear leadership of the U.S. and the EU in this process, because certainly, you know, whenever you have to decide on the reform of financial regulation, the countries where the system is the most sophisticated are the countries where the problems arose because of the sophistication of the system that have the most important role. So, there's a combination of leadership and participation of all the players, which is kind of the spirit of what I was mentioning is an open-source approach where, you know, you have the leadership but also you include other players.

Interestingly, we see emerging some notion that maybe the rules that are adequate may not be the same for everyone because of the different degrees of sophistication. And it was Andrew Sheng, the scholar of Hong Kong, who said, you know, do we want rules for Tata and Ferrari? We have to decide what kind of rule we want globally, because maybe we don't need exactly the same rules, and I think the fact that their participation -- there is wider participation and the setting a rule is bound to bring this kind of discussion.

So, in a way I would say that's a positive change -- difficult, certainly, but positive that the G20 has given to the -- widened (inaudible) business this role.

At the same time, we're seeing some challenge to previous achievements, and especially we're seeing that on the accounting side there may be some divergence after the movement was convergence that we saw in the past.

Let me move to my second topic where we can also characterize the two players as monopolists, which is a domain of currencies. While it is well known then international currencies have natural monopoly corrector because of network effects kind of the same as for language -- language -- the number of people who use your currency is a strong determinant of the attractiveness of this currency, and this is why -- and we all know that -- this is why we've had historically one internationally currency.

Interestingly, sometimes there were more than one. And the discussion that has started now after especially the famous paper by Governor Zhou of the People's Bank of China in the spring -- the discussion that has started now is the discussion about, you know, whether we are going into the long run to towards the multicurrency system and with the role of the euro as an international currency becoming possibly a stepping stone towards a system of this sort.

So, this is the discussion that is very much still at an early stage where people have started -- restarted essentially -- conversation that has disappeared entirely for many decades since essentially the end of the Bretton Woods system after the nostalgia had disappeared. You know, everybody was used to the situation and considers that the situation was stable. Now, a new discussion has started.

The discussion involves interesting controversies about, you know, what view the U.S. could be in a book that I edited with Adam Posen of the Peterson Institute a few weeks ago -- was published a few weeks ago. There was a discussion between Fred and Larry Summers where Fred was mentioning that the possible competition from another currency would be a healthy competition for the U.S., and Larry Summers was in clear disagreement and saying that he didn't see the point and the reason why there was a need for competition. I think that's a discussion, again, that is starting, but what is clear here that I think there's a wide consensus on that is that whatever the range of change is possible in the medium term, the only possible alternative in the medium term is the euro and is a wider role for the euro that would be then a step towards some more fundamental changes in the longer -- in the longer run.

The state of play in this respect is that the U.S. dollar is the (inaudible) currency and is very clear -- and again I'm referring here to this book that I've edited recently -- that the euro is a regional currency. It's a regional success. It's a clear success, but there is no indication of the wider role beyond the regional role. So, you take, of course, a range of indicators from the exchange rate policies (inaudible) from the reserve, from the trade invoicing, from (inaudible) instrument. You find always the same, that basically around the euro area, the wider region where the euro is in use, but it does not go beyond at this stage -- at this stage.

So, the question is whether this incumbency advantage is just a reflection of the fact that there are so many advantages of using the currencies that exist or whether it’s because of some self-limitations on the side of the euro area. And I think that there are some of these self-imitations that exist. This clearly is a growth potential of the euro area. This is a question that questions about governance system ability to behave in a situation of crisis, and we saw that, for example, with the provision of SWAP agreements, the very different attitude of the Federal Reserve and the NDCB, the degree of financial integration that underpins the currency, the existence of an integrated bond market, and the attitude in general towards internationalization of the currency. So, here there are a number of questions about what is the attitude in Europe.

The crisis has highlighted the role of the dollar. At the same time it has led, interestingly, to questions about, you know, what is this role going to be in the medium term. And this graphic presents a network of SWAP agreements that were introduced in the fall of last year very clearly with a central role for the SWAP agreements provided by the Federal Reserve for responding to both, in fact, the role of the dollar and the attitude of the Federal Reserve in providing dollar liquidity toward the Central Bank and the reluctance of the CB to do the same.

Okay, what is the conclusion from all that? I think we all have to remember that Dean Atchison used to say that, you know, the gestation period for monetary arrangements is very long, twice as long as for elephants, referring to the Bretton Woods agreement; and so whatever is going to change is going to change over the medium term. What I would consider useful is a serious discussion on those issues between the U.S. and the EU and a discussion that would, you know, not be exclusively about short-term exchange with developments and their implication and the frictions they may lead to but about also some more longer-term implications.

These discussions would ideally also involve some other players, and, you know, there is a need, in my view, to a discussion of this sort to develop because, again, if we consider that stability in the long run imply that there is some correspondence between relative economy (inaudible) and the structure of international monetary arrangements, then it justifies having such discussion.

So, summing up and getting closer to conclusion because I'm running late, what I would like to emphasize is that, again, we have at the same time this kind of move to a very ordinary relationship in fields like trade and I was saying macro, and there's a scope for special relationship on regulation and currencies. So, the question is, you know, what -- and this brings to the conclusion -- what are the conclusions; what are the conditions for some effectiveness in this respect? And especially I would say the discussion is a discussion about Europe. (Inaudible) this is certainly the field where I feel more competent about whether Europe is ready for having a discussion of this sort and whether Europe is able to that.

Well, Europe, in terms of overall attitude, certainly has moved very much in the direction of emphasizing its ability to shape the global environment, to shape the global economy as one of the key roles it wants to have. And this is taken from a declaration of the European Council, the declaration on globalization, where the European Council after discussion had started on, you know, whether globalization represents a challenge to Europe concluded that the EU was in fact in a position to influence globalization, to shape globalization. So, rhetorically, I think this kind of approach that I was suggesting is very much in line with the way Europe has indicated it wants to go.

Now, there's a question of ability to deliver effectiveness, and in this respect generally the difficulties that the EU has in external communications essentially reflect these difficulties at home in determining who is responsible for that. So, internal governance very much determines the effectiveness externally. And here, in a way, I mean, the two fields are emphasized. Market regulation and currencies -- they are clearly responsibilities of the EU, not of national governments. I mean, there is some scope for discussion on market regulation. But essentially the single market brings the responsibility for the EU and for the currency it (inaudible). So, there is less of a risk of a kind of fragmented power syndrome in this field than there are in some other fields, like, for example, micro policy where at this point the responsibility is, by definition, shared.

However, there are questions on the European side on two -- on two -- on both dimensions. On the regulatory side, there's a question on the ability of the EU to take initiatives and to, you know, put forward an agenda. It is striking that after the crisis Europe has forward a rather limited agenda, and in fact it has focused on sorting out the problems with the responsibilities for the provision and the role of macros provision that was in fact assigned initially to countries that has to be scaled out to the

European level. So, that's essentially what Europe has done in effect after the crisis.

It hasn't put forward a major agenda for reforming financial regulation at global level. And there's a question of even whether the G20 -- taking the leadership with the U.S. having a much wider agenda for reform here, whether the G20 in some respect is going to in fact substitute the European level for a number of initiatives. So, I would say there's a question here that is not -- that doesn't have to do with legal powers but more with ability to use these legal powers and with the initiative.

Currencies -- on currencies it's a bit the same in a way, because clearly responsibility is a new responsibility, and it's a big responsibility, but the questions that are raised go much beyond the responsibilities of the CB. The question that -- the conditions for the EU to take a wider role have less to do with monetary policies and with the underlying dimension of financial integration of micro policies of crisis management, so questions that involve governments are also. So, I would say that in those two fields there are questions about, you know, Europe's ability to engage in discussion of the sort I was advocating.

And I think I should stop here with just saying that, again, this discussion is more perhaps a European than the U.S. obsession and that whatever happens we will continue being important players. But the degree to which the crisis has changed a certain number of dimensions of this discussion is striking, and I think there are deep questions for Europe as regards its ability to engage in a fruitful discussion on this basis in the years to come.

Thank you.