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Hélène.

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Thank you very much John. I think what is truly remarkable is that even though Bretton Woods essentially collapsed and there was a run out of the Dollar, since 1973, in effect, if anything, the dominance of the Dollar has risen in the international financial system; we have seen a lot of figures showing this. I will not repeat them.

I think this long lasting dominance is linked to network externalities but also to the complementarities that are very present in the use of an international currency: if you are financing trade or investment in a certain currency then you want liquidity in that currency. If you transact a lot in a currency, then you may want your exchange rate to be pegged to that currency. When your Central Bank has reserves in that currency then transaction volumes are higher in that currency on foreign exchange markets, etc., etc. Therefore, there are complementarities both within the private sector and across the public sector and the private sector, which makes an equilibrium very hard to change.

We have seen that with Sterling in the 19th century beginning of the 20th century. We are seeing that with the Dollar. Now, does it matter? In fact, I think the current research in economics in academia shows that it matters even more than we thought in the past. There are lots of papers now that show that invoicing in a dominant currency, i.e. the fact that a lot of goods are invoiced in Dollars is very important for monetary policy. It is also important for the volume of global trade. There is an amazing correlation. At this stage I would still call it a correlation as causality is unclear, between the valuation of the Dollar and global trade; for example, when the Dollar is strengthening, one observes a decline in the global volume of trade.

We also see the big effects of the US Federal Reserve on global financial conditions, on the global financial cycle. It seems to matter more from an economic point of view than we thought before.

Now, there is also the international lender of last resort function, which has proved crucial as recently as in the 2008 crisis. USD600 billion liquidity of Central Bank swaps helped the international financial system; this liquidity was not provided by the IMF because the IMF cannot print Dollars. The Fed was providing that liquidity at the peak of the crisis.

That means a lot from the point of view of geopolitical power, but also from the point of view of economic benefit. The system has been relatively stable since the second World War, with one hegemon, the United States. Charles Kindleberger would probably agree that is hegemonic stability, and that seems to have worked. However, how long is it going to last is the big question? There I see two reasons why things might be changing, and then I will be very brief about where we might be going.

There are two reasons why things may change, one, which has already been mentioned here, which is that things are stable if you have a relatively benevolent hegemon. Now, if you have a hegemon who starts being over-politicizing the currency, and using it for all kinds of purposes, trust evaporates, and that tends to speed up the exit of economic equilibrium. We certainly see that right now, so that is one factor.

The second factor reflects more a trend, and that is what I call the new Triffin dilemma. Let me tell you what was the Triffin dilemma, and then I will tell you about the new Triffin dilemma.

The original Triffin dilemma was described in the 1960s. Robert Triffin who was a Professor at Yale at the time, explained that if you have a fixed, or more or less fixed reserve of gold in the United States, and the Dollar is backed by gold and pegged at a fixed parity, then if the liquidity in Dollars in the rest of the world grows, eventually, the system breaks down. If people want their Dollars back into gold, there is not be enough gold for everyone, and therefore that can create a crisis of confidence. You start to think that your Dollar is not going to be worth the parity in gold because there are just not enough gold reserves. Hence, there is a possible run out of the Dollar. This is what happened in the early 1970s, so Triffin essentially predicted the collapse of Bretton Woods. There was a run out of the Dollar into Deutschmark at the time.

Now, we no longer have an international monetary system backed by a commodity. That is just not the way it works. We have a flexible exchange rate and fiat currencies. However, if you think about what is the confidence in the Dollar, essentially it is the fiscal backing of a currency. People still want the Dollar as a reserve currency because in times of crisis, and we have seen it in 2008 very much, when things go badly, the value of the Dollar, if anything, goes up. We might see even fly to safety into the Dollar. This is because of credibility of the Dollar in a sense of a fiscal backing of the United States.

Now, picture yourself a world in which the relative size of the US goes down in the world economy. Now we have a lot of Dollar liquidity outside the US. There is a huge demand for US Treasuries, as we know, but the size of the US hegemon is shrinking in the world economy. At some point clearly there is likely to be a crisis of confidence. There just will not be enough fiscal capacity to back the Dollar liquidity in the world economy.

When will that happen? I have no idea, and of course, for the crisis of confidence to realize itself you need to be able to run out of the Dollar into something else. This is where I move to my third point. I do believe we are going to go to a more multi-polar world because of this fundamental trend, and also given the behavior of the current government in the US. When I do not know, but what will be the possible substitutes to the dollar?

Clearly, the number two currency is currently the Euro. We still miss a euro area safe asset though, the equivalent of US Treasuries. Europe needs to complete the financial architecture of the Euro area. for the Euro to become a truly global currency. A Euro area safe asset would also be desirable to make the Euro area more stable, in any case. This should be one of the important policy goals pursued in the coming years.

The RMB is also a key contender. There is the political will to internationalize, but as we have seen from the data, we are still way below what is required for an international currency to be viable: convertibility, liquidity of market etc. Given the size of China, I think that if at some point things start to move, they could move actually quicker than we expect. One reason for that is that for the moment we see a whole area in the world economy, which is more or less pegging to the Dollar, stabilizing its exchange rate vis-à-vis the Dollar, but by doing so it is also stabilizing its exchange rate vis-à-vis the RMB, because the RMB is shadowing the Dollar. If at some point we see a decoupling between the RMB and the Dollar, it could be that the relevant currency area for many countries, because of trade links etc., will be the RMB economic area rather than the Dollar one. Therefore, this could actually speed things up, but we are still not there.

We have recently seen some currency challenge coming from the private sector. Libra will probably not happen, we do not know, but other things like Libra could. Why? Because such private currencies could build on an existing network. I think that is something very new and linked to the pre-existing private network of some companies. Their use as medium of payments could be extensive but of course, they lack any other functions of money etc., so again, I do not think they are viable propositions as fully fledged currencies. Similarly, the synthetic hegemonic currency proposed by Mark Carney, which is like an SDR but with digital currency, is also not going to develop, for the same reason the SDR did not fly, because it does not have a lender of last resort and fiscal backing.