

DÉBAT

Jean-Claude Trichet, président de la Commission trilatérale pour l'Europe, ancien président de la BCE

Je voudrais simplement dire que, de mon point de vue, l'important problème qui se pose est celui des politiques monétaires de toutes les banques centrales du monde et de la question de savoir si nous pouvons considérer que nous sommes relativement à l'abri, comme l'a dit Jean-Claude, ou si la situation est plus complexe, et comme vous l'avez dit, si Larry Summers ou Olivier Blanchard avaient raison. Bien sûr, nous n'avons pas encore de réponse, mais nous pouvons en parler. Nous avons la question des cryptomonnaies et de la numérisation du monde entier, de l'économie réelle et de la finance, abordée très clairement au tout début par Abdul Aziz, une question majeure, et je pense que certains d'entre nous en parleront. Je dirais pour ma part, sous votre contrôle, Abdul Aziz, qu'il faut différencier les véritables cryptomonnaies qui sont potentiellement des monnaies réelles, si je puis dire, des cryptoactifs qui me semblent être des actifs spéculatifs et non des monnaies réelles. Je suis de la vieille école et je considère qu'une monnaie doit être à la fois une bonne unité de compte, un bon moyen d'échange et une bonne réserve de valeur. Quand je vois le bitcoin monter et descendre en permanence, il me semble qu'il manque très clairement de la qualification de bonne réserve de valeur qui définit une monnaie.

Nous avons de nombreuses autres questions à traiter. Je me contenterai de suggérer que, peut-être, pouvons-nous faire en sorte d'organiser les points positifs et les points négatifs dans nos déclarations pour que la communication soit aussi facile à comprendre possible, car nous sommes dans une situation, dans toutes ses dimensions, qui a des positifs et des négatifs. Je donne maintenant la parole à la salle.

Masood Ahmed, président du Center for Global Development, ancien directeur du département Moyen-Orient et Asie centrale du FMI

Thank you very much, Jean-Claude, and thank you all for those very informative and insightful presentations. I spent a lot of my life in the International Monetary Fund, so it is hard to shake the habit of looking for risks. I thought I might just share what I think are perhaps three or four risks that we could look at for next year.

The first is that it is absolutely right, as Jean-Claude and others said, that the numbers look good in the aggregate. The growth numbers look quite good. However, if you disaggregate you find that there is a very strong and I think some people have called it a dangerous divergence that is happening. The numbers for sub-Saharan Africa for this year and for next year are about between 3% and 3.5%, which is quite low given the population growth. The numbers for Latin America and South America are very poor. What is more worrying is that if

you look at the numbers, not just for this year and next year, but for the next five years, they have been brought down quite sharply in many emerging markets.

Really what has happened is as a result of each crisis – the 2009 crisis, this crisis – the long-term growth rate is brought down in emerging markets, and that is a dangerous long-term prognostic because convergence is becoming harder for a lot of those countries. I think that is something we just need to bear in mind as we look at the next year.

The second risk I wanted to mention is that this year we have not seen debt problems manifesting themselves in the kind of debt restructuring or debt defaults that some people feared at the beginning of the year. I think a year ago there was a bit more worry that we would see a few more accidents than we have. Next year we might be surprised the other way because interest rates are going to go up a little bit. Corporate debt is very high and in some emerging markets it has built up to levels that could be hard to sustain. A few low-income countries, maybe half a dozen, have debt levels that would be very hard to sustain, and we do not yet have a very good framework for dealing with debt. You saw the G30 report that came out. Other reports have come out. I think we need to be aware that during 2022 we may have more difficult issues dealing with emerging market and low-income country debt than we have seen this year.

The third one I wanted to highlight is that there is a question of managing expectations and there are two ways in which I see the risk. One is SDRs. Everybody is very happy with 650 billion, it is a big number. The initial allocation was important for many emerging markets, and it gives them breathing time to use that, because next year will be a difficult year for many of them. However, if you look at the numbers now there is a big discussion. Say, if you take Africa, and Africa got 25 billion of the original allocation. Low-income countries got I think 5 billion in Africa, or in sub-Saharan Africa. If you think of the various proposals now for reallocating – “let us take some of the SDRs that went to the countries that do not need it and let us move it” – at the end of the day the two ideas that are going to get approved in my view in the next couple of months will basically take about USD 70 billion or USD 80 billion worth of SDRs and transfer them from national central banks to a holding account in the IMF. That is all that is going to happen. Then that money will be slowly dispersed over five years, along with Fund programs and subject to policies, subject to debt limits, but the expectation is for much larger and more immediate reallocation. We therefore have to manage that expectation.

The other expectation that is worth managing is that when we fell into Covid everybody fell together into a deep black hole. Within two weeks the whole world went from doing what it was doing to sort of the bottom of the pit. It was awful. However, one consolation was that everybody was in that space at the same time, and people were struggling to find a solution to it. Now we have the vaccine, but we are coming out of the hole at a very different pace. Rich countries are pretty much out of the hole now. We are all talking about the post-Covid world. Other countries are coming a little bit behind, but for some it will take two years before they get vaccinated, and the tolerance of populations who are at the bottom is going to be much lower when on their phones they can see every day how those that have got out are now enjoying themselves and living a normal life, while they are still stuck, and they have to blame people.

The first group they hold responsible is their own governments. We have already seen an erosion of trust between governments and people. It is already quite low. I can give you half a dozen examples where we have had social explosions, not caused by Covid, but exacerbated by the frustration of populations after living a year in this, and that frustration will only become more acute when they see others doing better. I guess my last point was that I think it is important that we also recognize that the management of social and political expectations will become a source of uncertainty, which will then impact markets, because you will see that some countries will not be able to contain the frustrations of their population during the coming years. I just wanted to put some of those risks on the table.

Jean-Claude Trichet

That is very useful. You are absolutely right of course. As you said, you have such an experience in the IFIs. Clearly, if I memorize the last messages of the IMF, this divide between advanced economies, the emerging ones and the lower middle-income ones is absolutely striking. The reviewing of projections led to higher figures for the advanced economies and lower ones for these other economies, so the divide in the world is alarming. That is clear. I have to say, but it is a question for the audience, I am absolutely struck by the difference of vaccination between, say, sub-Saharan Africa, to oversimplify, and Europe. I mean it is absolutely incredible. I hope that there are good reasons for sub-Saharan Africa to resist the virus, but the dangers and the risks seem enormous. Are there other interventions?

Pierre Jacquet, Président du Global Development Network, ancien économiste en chef de l'Agence française de développement, ancien directeur adjoint de l'Ifri

Thank you. I would like to second what Masood just said and argue that, when you looked at the current situation, you did not comment on long-term growth prospects. I wonder whether one could say today that growth prospects after Covid are better than what they were before, and I am talking about potential growth. Before Covid, we were actually considering that there were risks for the evolution of potential growth. There were discussions about the trend of productivity that were not very encouraging. Some had been coming back in the United States, but still quite timid. There were questions raised about the future of potential growth, and I do not see how the Covid crisis could actually make us more optimistic about that. I think one of the long-term risks therefore is indeed what potential will do.

There may be one reason to be optimistic, which is exactly what Serge said earlier, which is shifting our view towards sustainability, because there we have a lot of need for investment, both to mitigate climate change and to adapt to climate change and to actually provide protection of the biodiversity and so on.

That leads me to my second comment, which is about debt. My own view is that we should not be worried about debt if public spending is well used. That is a big question. Are we confident today about the kind of ease that fiscal policy gave us, which was very much needed in the short term, or does it bear long-term risks? I would say it does, except if that spending was well used. One way to look at it would be: does it make the transition towards sustainability easier? I am not sure. It is a question, but we should look at that.

I am optimistic about public debt because it uses the extra savings and if there were no public debt issues these savings would be used in speculative instruments. Therefore, in a way, the fact that there has been a rising public debt has been a factor of stability for financial markets. However, then of course the risk is whether this money was better used by the government than it would have been by private investors in speculative items.

On speculation, I would like to join what the chairman said about cryptocurrencies. I even found you optimistic when you said that there are cryptocurrencies. I see crypto assets and I think that most of them are highly speculative, and this is not money. I would add to these three dimensions of money that what unifies the three of them is trust. We are in societies where trust needs to be based on something. Decentralized trust is speculative, so that is something that is very difficult to maintain.

My final comment is a question, because we have not discussed green finance and I think that when we look at the financial system it will probably be a very important dimension. It is right now the fastest growing segment of financial markets. It is very small, but it seems to me that green finance is a link between what we need in terms of long-term growth prospects, what we need in terms of sustainable development and what we need to bridge the gap Masood commented on between social expectations and economic expectations. Do we believe in green finance and what is needed to increase the confidence in that movement?

Jean-Claude Trichet

Thank you very much indeed. The idea that ESG was very important was mentioned. We of course are badly missing Bertrand Badré because he was to be the specialist in this panel on green finance and unfortunately, he could not be here. Thank you very much for your remarks. I have some comments myself on many of your remarks, but I will keep them to myself for now, because I think we have to proceed with the interventions of participants.

Dania Koleilat Khatib, cofondatrice et présidente du Research Center for Cooperation and Peace Building (RCCP)

I am a bit intrigued with the issue of cryptocurrency. I am not a specialist, and it is something new. Following World War II, John Maynard Keynes suggested that there will be one currency in the world, and he said if there is one currency there will be more equality between nations. Then no nation would dominate or would be a hegemon on the global economic market. We know that after World War I, the US took all the gold in the world. It had about two-thirds of the gold reserves in the world. Bretton Woods decided that each country's currency should be dependent on a certain gold reserve because gold is a scarce commodity. However, what happened is the US, especially starting with the Johnson administration, started sending more and more and they could no longer link their currency to gold, so Bretton Woods was dead. Then we had the fiat money, which is currency based on supply and demand, like any commodity, and the US also spent more and more, especially because of their arms race with the Soviet Union.

As we see, the gap between nations is getting wider and wider and in each nation the gap between the rich and the poor is getting wider, because inflation touches mainly touches the middle class, because if you have an asset the asset grows in value, but if you live from

paycheck to paycheck your paycheck will be worth much less with inflation. The whole concept of cryptocurrency is that it is decentralized, but there is also the concept of scarcity. Do you think if cryptocurrency replaces central banks and there is one currency in the world, and we do not use any more dollars or dirham or euros, and everyone uses cryptocurrency that there will be more equality between nations and also that there will be no more inflation, that the value of the currency would be stable? Will that be possible?

Jean-Claude Trichet

It is a good question. We could spend two hours now on that because it is a very important issue. In each central bank you have a member of the highest level of management reflecting on the next cryptocurrency that would be issued by the central bank. In Basel you have Benoît Coeuré specializing in optimizing the situation from the standpoint of the sanctuary of central banks that is the BIS, and you have the private sector imagining cryptocurrencies. I would daresay that theoretically you could have cryptocurrencies that would be “real” currencies because they would be based upon a basket of traditional currencies. But Ethereum, Bitcoin and the like, are not at all currencies. To say they are currencies is a joke. Now, I would say it is a dream to imagine that a cryptocurrency could be the global currency. I do not trust that for a minute. I think that it is very important that an Institution is responsible for the currency and, until we find a better institution, central banks are there. They are there to take care of the value of the currency and the trust in the currency, the confidence in the currency, and, after all, they are doing that not too poorly, when I look at what has happened. You mentioned inflation, but the problem of at least the advanced economies was that inflation was not sufficient, it was not at 2%, which is considered, to be an optimal level. Inflation was too low, and the possible materialization of a deflationary risk was there. That is the reason their policies were so accommodating, which has also, of course, a lot of unfortunate byproducts.

However, what I would suggest is to have another look at the situation. When central banks are committing themselves in the medium and long term to say, “We are striving to anchor inflation expectations on 2%”, which is, as I said, the case for a number of major central banks, it is the equivalent of an anchor. The arithmetic anchor is 2%, and if a central bank totally loses its anchoring goal, then it loses its credibility. I therefore prefer a planet where you have a number of central banks saying, “I will deliver to my own fellow citizens something like 2% per year as an average over a long period of time”. I prefer that to a gold anchor that would be totally erratic and could drive us to abnormal situations, and certainly it is much better than some kind of crypto instruments that nobody is caring for. I will stop there because we could discuss that for a very long time, but I reserve the right to discuss it further with you later. I think many of us would like to do that.

Alice Pannier, responsable du programme géopolitique des technologies de l’Ifri

Good afternoon, everyone. Thank you for the interesting presentations. I am not a money or finance specialist, so I am learning quite a lot. I work at Ifri on technology, so I was interested to hear about crypto and Bitcoin, but I would also like to know from your various experiences how you approach the quantum revolution, as quantum computers will probably, supposedly, thanks to their computing capacities, be especially useful for factorization and pose serious cybersecurity threats in terms of current encryption mechanisms. I was wondering how that is

taken into account in your various institutions, as well as the uses maybe of quantum computers for financial optimization. That is a general question about quantum tech in your various capacities.

Jean-Claude Trichet

That is a very good question indeed. I have to say that *Scientific American* has an article that tries to elaborate on your question every month if I am not misled. Who wants to take the floor to elaborate on quantum computing and the last very important breakthrough in this domain?

Mehdi Benchoufi, cofondateur et président-directeur général de EchOpen

I am a Medical Doctor, but I happen to also be a mathematician. I am by no means a specialist of number theory and quantum stuff, but what I can say is that there are threats from a cybersecurity point of view. However, there is a deep, deep mathematical result about the fact that P is not equal to NP. I will not go into the detail on this Cabalistic way of thinking of mathematicians, but it means that, while this is not really settled today, a large part, like 99%, of the specialists think that P is not equal to NP, which means in our daily world that there should not be a break of cryptography security, meaning that we can settle, even with computing power, some cryptographic system that cannot be broken by quantum computers, which is quite a relief I think.

Jean-Claude Trichet

Thank you very much indeed. It is half reassuring because if it had been demonstrated, as you know, the guy would get USD 1 billion, if I am not misled, so it has not yet been solved. It is one of the seven very important mathematical problems that are unsolved. By the way only one of the seven has been solved: the Poincaré conjecture demonstrated by Grigori Perelman.

Patrick Nicolet, fondateur et partenaire principal de Line Break Capital SA, ancien directeur des technologies de Capgemini

It is expected that quantum computing would be more largely available in five to ten years. Today you have post-quantum cryptography because what you need is to protect the data that you stole and that might be exploited later. We know that China is hacking data that is encrypted, because they expect to be able to decrypt this data more rapidly than others. You have a lot of progress in quantum communication, quantum sensing and quantum computing. Today you have quantum as a service, so some financial institutions and chemical industries are using this. It is quite cumbersome. You must prepare your calculation quite some time in advance. You run extremely fast. You see a lot of progress, notably from Australia, in quantum sensing that will provide stability, because you have a problem with stability in your quantum computers, so it is not such a theoretical issue. That is the only point I wanted to mention.

Jean-Claude Trichet

That is very inspiring. I must confess I had some mathematical education, too. I remain a little bit skeptical after having read a lot of articles on the possibilities of making absolutely fantastic

breakthroughs, but we will see. In any case, we know so little about quantum mechanics itself, about the way nature, with all its mysteries is functioning so we have to be prepared for any kind of new scientific discoveries. Thank you very much for your question. Other interventions please? You have the floor.

Gilles Guérin, Directeur général de Bordier & Cie à Genève, trésorier de la Fondation WPC.

I am a private banker and I deal with high-net-worth individuals and I am the Treasurer of the World Policy Conference. At the moment, we are facing a very big default in China – it is already called the Lehman Brothers of China – for USD 200 billion with Evergrande, and the only solution seen at the moment is a 75% haircut. Do you not think that will affect the trust of investors in emerging markets regarding the next bond issue and they will look twice before investing, despite the interest rates and the tenor?

Jean-Claude Trichet

That is a very good question again for all of us, not just for the speakers. My own sentiment is that there are problems in the domestic economy in China. There is an abnormal level of debt in many entities, private and public, local authorities and so forth. It is a problem which has been very well documented over quite a long period of time. There are calls for restructuring and reshaping and we will see what happens with this problem, which is perfectly accepted as such by the Chinese authorities.

I have a tendency to exclude the possibility of a new Lehman Brothers situation occurring because we had the experience of Lehman Brothers. I remember talking to the Secretary of the Treasury and to my colleague in the US and at the very moment they were hesitating. They had no private solution, so they did not want to embark on a public solution and they were clearly, not in the central bank but in the Treasury, under-assessing the immense consequences of the bankruptcy. I do not suggest that they should have avoided the collapse. I hesitate to say that because I would say more generally the public opinion in the US was not ready for a big investment of public money to avoid the catastrophe, so it was very complex economically, financially and politically. All that being said, having seen what happened after Lehman, I cannot help but think that the authorities in China will understand that they have to manage the situation. We will see of course, and you are absolutely right to ask the question. We have to be fully aware of the risks that are at stake, Masood was very clear on that. We have assets and liabilities in the present situation. We have positives and negatives, and we must be as exhaustive as possible if we want to be fair.

We have talked about crypto quite a lot, but again all central banks are reflecting on issuing their own cryptocurrency, and it is very important for the commercial banks because if you have the central bank giving customers directly an account in cryptocurrency then what about the deposits in the commercial banks? It would totally change the business model of commercial banks, so it has to be looked after very, very carefully by central banks. That is what they are doing, by the way. They do not want to destroy the banking system, but at the same time, they must take themselves advantage of the new blockchain technology.

Another word perhaps on ESG, because we had no time to address it too much: this is very important. There is an immense problem at the global level, whether or not we have new non-financing reporting on climate and on S&G some kind of core of sustainability standards at the global level. As you know, there are a lot of meditations on this issue. The G7 has reflected on that, as well as the G20. The IFRS are reflecting on setting up a new board that would specialize at the global level in these kinds of standards. I expect that the decision could be taken quite rapidly now in the occasion of the next green meeting at the global level. This is a very important issue, as is of course the way investors will take ESG into account, namely the green finance, which will grow very rapidly. We have an immense global issue there to reflect upon.

On potential growth, my own reflection would be that productivity progress had a very important slowing down, more or less, in 2006/2007. This happened before the subprime crisis, and we have been in that situation since then, with some signs that we are getting out. I hope very much that we are getting out. Some are arguing that we will soon experience now once more the end of the famous Solow paradox, namely that there was a lot of investment in digitalization but with no results in terms of productivity growth. It was very abnormal to see at the moment when there was a technological surge that productivity progress was slowing down. My intuition is that we are close to the inflation point and that productivity will pick up.

In any case, it is a multidimensional problem and, in some ways, it is also responsible for the extraordinarily low inflation and, by way of consequence, the extraordinarily accommodating policies of central banks. We had a set of characteristics of the functioning of our economies, particularly the advanced ones, which was really very adverse, and the main question for the future is whether or not we get out of that. If we get out of that with more productivity progress, more growth, then we will be on the positive side and we will have a post-Covid evolution of growth that would be much more flattering. The negative would be that it does not change, and there are eminent economists that are claiming that in the US and elsewhere, and then we would be in a very negative position, because the 10 years since Lehman Brothers are not sustainable in the very long run. That is absolutely clear, it is not sustainable. What is not sustainable would therefore not be sustained and a new crisis will occur. Central banks cannot be eternally extraordinarily accommodating.

That is also one of the reasons why I am a little bit prudent on interest rates. I hear that we are at ease and that interest rates will be low for 10 years. I am not sure. Again, there are positive scenarios and negative scenarios in this respect, and I do not think we should be too confident. In any case, if inflation gallops then interest rates will go up and up, nominally will go up, not necessarily the real interest rates, but certainly the nominal interest rates.

To conclude my remarks, debt is a big question. It is not because there is no debt problem today in the eyes of the investors that we will not have debt problems tomorrow. I myself knew a moment when Greece had no problem in financing itself before Lehman and even during some months after Lehman. We should never forget that the market is binary. It is up or down. It is one or zero. At that moment, the new government in Greece happened to be there and said the situation was graver. It was the start of a total catastrophe, and when you have one country or one entity that has a problem then there is a contagion. Contagion is unavoidable. Human nature is probably behind it. Then we had Ireland, Portugal, Spain, and Italy. We had

five countries that were in a calm situation for a long period of time and that were trapped in a sudden stop of financing. I therefore really exclude nothing personally and I think that all entities, private and public, and all countries have to remain quite vigilant and not to lose sight of the fact that their creditworthiness depends on the confidence of investors and savers in their own country and the world over.

Serge Ekué, président de la Banque ouest-africaine de développement

Now, a number of things: first of all, I agree with some of Masood's remarks regarding the concern about the recovery. I understand that. However, the sub-Sahara is diverse. I am puzzled by the optimism of the different Ministers of Finance when I sit in the Council of Ministers of Finance. I am really puzzled by the energy, the willingness to do things, when you look at ministers like those of Côte d'Ivoire, Benin and Senegal. They are very optimistic. There is energy that needs to be captured, and I have to say that it is amazing.

The second thing is the question of SDR. The SDR allocation is an interesting thing because if SDR allocations are not subject to reforms they will be considered as helicopter money, easy money. It should be a give and take, otherwise why should I reform my economy when at some point I will get some money as a free lunch. That is why I think it is a way through. It is a real way through, so that is why we need to see the strengths and how strong the hand of the different heads of states from the G20, namely President Macron, whoever the new Chancellor of Germany will be and the new US Administration, will be. We need to see how strong their hand will be facing this situation, and I agree that the allocation in terms of quantum for Africa is way too low. There is no doubt about it. When it comes to SDR, it is a true yes.

Before joining the West African Development Bank, I was pitching Total in London about a green bond. They were thinking about it. That was three years ago. I have to say that pitching Total for a green bond is something that needs to be considered by itself. We had the same discussion with BP, with Shell and so forth, so by itself it is proof that something is happening and from that perspective things need to happen. Fundamentally, I agree with you about climate and ESG. Bertrand Badré should have been with us in this regard to lend us his expertise. We are working with him at the West African Development Bank and I can tell you his expertise in that matter is really serious. That is it for me, thank you.

Jean-Claude Trichet

Thank you very much indeed, Serge. Abdul Aziz, we would be very happy if you can give us your last message.

Abdul Aziz Al Ghurair, président du conseil d'administration de Mashreq

In the GCC, there is a strong drive for employment for nationals because in the United Arab Emirates in the banking sector only 50% of employees are nationals and the rest are expatriates. However, I think our government should also realize that, moving forward with this shift in consumer behavior, customer behavior, automation and digitalization, in the next 10 years, 50% of all employment in banking will disappear. That will also apply to a lot of other industries. What are going to do with the surplus of employees who have been good in their jobs but the jobs are no longer available? Investment bankers might be protected, but I think

most who work in retail banking and even in commercial banking will be affected by automation and digitalization, which have taken over. I think that is also an issue for our government and we have to prepare the people for a transition, and for that we need growth.

Jean-Claude Trichet

Thank you so much, Abdul Aziz. We appreciate enormously your presence and your messages, and we will continue to meditate for a few minutes on this last message. Thank you very much indeed. Well, it is clear enough, digitalization means a formidable transformation of our economies and our services and we have to be fully aware of that. It is not only in commercial banking of course. It is all of the service industry, but perhaps less so for investment banking, as Abdul Aziz said.

Mari Kiviniemi, directrice générale de la Fédération finlandaise du commerce, ancienne secrétaire générale adjointe de l'OCDE, ancienne Première ministre de Finlande

Thank you, Mr. Chairman. Thank you very much for a very interesting intervention and also for the comments made. I fully agree that we have to really think about the threats facing us. It can be a very bumpy road, and actually after these years of very good growth we are currently experiencing, which will continue next year, all the old problems and challenges remain there, and that concerns especially the European Union. A good question is when it comes to debt burdens, what will happen in Italy? Will they make it or not? That is not only the case for Italy. I think many countries, including my country of Finland, struggle with low productivity, and the Covid crisis has been a very good excuse not to implement those structural reforms which are needed. Plus, now with the new chancellor – probably from a new party, SPD – Olaf Sholz, it is obvious that between him and President Macron there will be some changes, maybe not changes in the growth and stability pact, but at least in ways of how it is interpreted. There are therefore many question marks in Europe, especially when it comes to implementing those structural reforms which are needed in most of the countries. Is there enough willingness really to do that?

Jean-Claude Trichet

Those were very good remarks. What strikes me as regards Europe is that we are more or less communicating as if there was a single recommendation for all countries, a single motto, if I may. Of course, there is a single monetary policy, but the recommendation on budget, on macroeconomy for each particular country should be different because Finland is not Germany, Germany is not Italy and Italy is not the Netherlands. For instance, for me it is very clear: Germany is in a situation of an enormous amount of current account surplus. It had a very good fiscal position before Covid and it has room for maneuvering and should utilize some room for maneuvering for its own sake and for the sake of the system as a whole. Italy and France, for instance, have to be cautious and prudent in my opinion, taking into account their own situations. It is not at all the cautious and prudent recommendation that we would give to Germany. It seems to me that structural reforms are of the essence for all European countries, at least all those that are not at full employment. The first goal should be to achieve full employment through structural reforms and good management, but that is another story. We have another question.

Participant

Thank you. I am not an expert in finance or monetary, but I would like to build on some of the questions and some of the things that were mentioned in here. When it comes to Build Back Better – and Build – I look at it from the perspective of livelihoods and people's dignified way of living, and of course we talked about inflation and it was mentioned how much it will impact people's livelihoods. There are high-level monetary policies and decisions that could be taken, as well as for the debt levels, how high they are, and of course we heard the example of Lebanon, which is striking, about where all of the policies, or maybe gaps in policies, led to.

What I would like to ask is, given your experience, how could people engage in a participatory way in accountability measures towards, for example, central banks and others? Of course, there are the regulatory frameworks, there are systems and all of that, but what kind of engagement or role could be taken to monitor such policies and to ensure that they are linked to social protection policies that help people, so that they are mechanisms of accountability for decisions that could harm people's lives?

Jean-Claude Trichet

Thank you for your question. I stand ready to respond to your question, but we are at the end of our very stimulating meeting, so I will now give the floor to Jean-Claude, Jacques and Serge for the last word, and I would say a few words myself and respond to your question. Jean-Claude, what comments would you make on the very stimulating questions and observations?

Jean-Claude Meyer, Vice Chairman International de Rothschild & Cie

I was, as you said today, very optimistic and all of you have shown the risks. I must say that I share your views about the risks. That is all.

Jean-Claude Trichet

No, you said that we had to remain vigilant, if I am not misled, so you accept that there are risks.

Jean-Claude Meyer

We have to remain extremely careful and of course this pandemic crisis has created an enormous inequality among countries, among people who were in bad conditions and poor and who are even poorer today, even though there have been social measures by governments, and among the world between rich countries and poor countries. Indeed, the growth of countries which are poor is a problem, and it is getting to be a real problem, and we should help to finance solutions to these problems.

I must say, at the same time, I remain optimistic for one reason about the debt. I remember three or four years ago all of us were concerned about the debt. Today we talk about the debt, but at the same time the debt is managed extremely well thanks to low interest rates and all of inflows of money that we have. In life I think we have to remain optimistic, in a nutshell, because if we are not then we are depressed, which is another cliché.

Jean-Claude Trichet

This is a nice way of concluding your remarks. Jacques, over to you.

Jacques Michel, président de BNP Paribas Middle East and Africa pour la banque des entreprises et des institutionnels

As far as I am concerned, maybe by profession, I am more inclined to be cautious and pessimistic. We did not speak about the unwinding of stimulus packages, interest rate holidays, loan deferrals and so forth. When this program comes to an end, we might have negative social and economic impacts, so we should not underestimate the consequences of the phase out of these stimuli and support packages. It is a pity indeed that our colleague, our expert in energy transition, is not with us. It is true that for banks today that is something extremely difficult to navigate because the frameworks have not been stabilized yet. Taxonomy is not yet finalized. We have to avoid greenwashing by all means.

Also, what we understand of what is in preparation in terms of taxonomy is more to the attention of investors, asset measures and it gives definition and a picture at a certain time, but what we would appreciate as lenders, as bankers, is to accompany the energy transition of our counterparts, not to take a picture at a certain time of what is green and what is not green. Notably, for these sensitive industries what is important is the progress made, the roadmap design, to all the iterations towards energy transition. It is therefore very complex today from a regulatory perspective and it is difficult and needs a lot of communication. Serge mentioned that when you pitch to Total it is not obvious, and the same is true for BP and so forth. These measures or national oil producers are working very hard to design a very rigorous ESG framework, but we are in need of regulations and clarification for this green financing.

Jean-Claude Trichet

Thank you very much indeed, Jacques. I understand that seen from your own standpoint the challenges are enormous. What would you say, Serge?

Serge Ekué

One last word, Mr. President: two lessons were learned from our past experience and from the last crisis. The first one was that the financial system could have been better regulated. I think you remember that period. The second one was that financial institutions back then were under-capitalized. When you look at things today that is no longer the case, and this has been a powerful shield in this crisis, with an exception, namely emerging countries. I believe that based on this experience we should extend this to emerging countries, where when you look at things in detail institutions are way too under-capitalized. To face the situation, the new situation, which is to have more commitment for the people, more commitment for the population, sustainability and sustainable growth, we need financial institutions that are way better capitalized. That is my motto. I think you have all understood that. Thank you.

Jean-Claude Trichet

Thank you very much indeed, Serge. My own last word, because we addressed so many issues, is only to mention the fact that it is true that market economies throughout the entire world proved to be resilient, and that perhaps puts some flesh on the idea that we can remain relatively confident. I was President of the Paris Club when we had to reschedule Latin America, Africa, the Soviet Union and so forth, and we went through those terrible experiences. We had the dot-com bubble explosion. We had Lehman Brothers. We had the euro sovereign crisis. We have Covid. We found out pragmatically the way to cope with these situations.

Some thought that the euro area would totally collapse and be blown up. I was convinced that this was plain wrong. By the way, after Lehman Brothers four new countries got in the euro area and no countries left, so those on the other side of the Atlantic who said they were absolutely sure that everything will be blown up were obviously wrong, and they were wrong because appropriate decisions were taken to cope with a very grave situation. There is therefore resilience, but of course we have to know that vigilance is always required. Everything can happen anytime, and we have to be prepared for the unexpected, and I am sure that we have been quite exhaustive in listing the risks today, but we will face new events or risks in the future that we have not mentioned in terms of geo-strategy, which is very important to meditate on: we could have dramatic events that could totally change our perspective.

Now, I will respond to your question. Central banks are independent, which does not mean that they are not responsible and accountable. All central banks, to my knowledge, are very often in close contact through hearings with parliaments, with the representatives of the people. It is true in the euro system because each national central bank has to report at a national level. The President of the ECB for her/his part, at least six times a year, goes in front of the European Parliament, different commissions and the plenary session

Second, the Maastricht Treaty itself calls for the central bank to deliver price stability and to support the policies of the European Union when price stability is ensured, "without prejudice to price stability". That gives the central bank, as it has been the case constantly, to have this addition of responsibilities. Now, the central bank is responsible before the people, and the most positive observation I can make is that, when at the beginning of the euro a lot of people were skeptical and convinced that it would be a failure, that it was impossible to think that it could be a credible currency, in the latest survey 75% of the people in the euro area approve of the euro, and more than 80% approve in Germany and more than 70% in France as I recall.

In a way, therefore, the central bank proved that it could inspire the confidence of the general public, of men and women in Mainstreet, and that of course is very interesting. Now, we live in democracies and new questions are permanently coming. Central banks have to reflect on whether some of their instruments are not creating inequalities, whether it is right to embark on asset purchases when you have no more interest rate possibilities. It has been the case in all major central banks. I consider that the question is perfectly right. I also consider that had they let deflation materialize then the general public would have been in a dramatic situation and we would have had something which could have been worse than in 1929 through to the 1930s in the last century. All that you do has good and bad consequences. You have to



balance that and be sure that you take the right decision, but at the last resort in an independent central bank it seems to me that you are responsible in front of the public at large. That is my last word. Thank you very much indeed for your active and vivid participation.