C. Fred Bergsten: Madame Managing Director, thank you very much for sharing your views on such a wide range of critical issues. Let me abuse my position as host to lead off with a couple of questions and we'll open it to the audience. I'd first like to ask you a question relating not only to your current role as Managing Director but your former role as Finance Minister of France. You focused on the Eurozone as a center, the epicenter of the crisis, and the need for action, and you quite rightly I think, emphasized moving ahead quickly on banking union and fiscal union.

Now as you'd be among the first to know, these are deep delving's into national sovereignty in Europe. As some of the skepticism in markets goes to the question of how far the Europeans will really be willing to go on that. Particularly banking union, where national governments in Europe have been quite jealous of their controls over their banking systems, their relationship to the role of the State, and all that.

So talk to us a little more about what now makes you confident that the European countries will in fact submerge sovereignty sufficiently to do true banking union, to move toward fiscal union, and if that occurs, does Europe come out at the end of the process a much stronger entity than we now worry about.

Christine Lagarde: Well to the latter part of your question, my answer is of course yes. If they manage to organize that fiscal union, the banking union has the mechanisms in place such as the ESM as a backstop. They will be, they will come out much stronger than they are today, there's no doubt about it. I would say two things. Number one they have already travelled a long way. Now remember the early days when Europe was facing the crisis as a sort of consequences of the crisis that originated here in this country.

The thing that was constantly mentioned was no bailout, no bailout. There should be no bailout, because the treaty provided so. Well we might still argue that there is no bailouts yet there is clearly work underway to organize for the mechanisms to respond to the situation of a member state that is in difficulty. So the EFSF the European Financial Stability Fund, to be followed soon by the European Stability Mechanism would have been unheard of.

The fiscal, let's call it the budgetary process that results from the Six-Pack directive, which is an obscure name for a set of rules. That budgetary process would have been unheard of three years ago, and certainly when I was Minister of Finance. We were beginning to see how the budgets, think about it, the budgets would have to be cleared through the European institutions, such as the European Commission, and be screened by Euro Area Partners before it was actually debated and discussed in detail by the National Parliaments. That's
a big move from you know, you called it the sovereignty point of view. I think sovereignty in that regards can be accommodated, but having gone through the European Institutions and Euro Partners purview. So a lot has already been done, the firewall is in place.

The ESM will be operative as of October 8. The budgetary process is such and the discipline associated with embargoes of sanction, penalties are in place as well. There is more to be done clearly, and this European common banking supervision is going to be a test in case. How will it be done, how encompassing will it be? I think there is no debate now that the European Central Bank will be right in the middle of that, and will have the authority to supervise the major one, and elevate to its level any of the other banks that it would like to scrutinize and supervise better.

How fully operative will it be, and how soon? All of those will be a test of the desire to spend and the wants to perfect. Now between the two I hope there will be a middle point that will make sense for the Europeans themselves and for the European banks. I just happen to think that actually organizing that, organizing it soundly with appropriate auditing and review and test of the banking system itself will actually be a significant improvement for Europe.

C. Fred Bergsten: Let me ask you one other question, having to do with the role of the Fund as you discussed toward the end of your remarks. All of us who follow these issues greatly applaud your new surveillance decision, your external sector report, attempting to as you said, “Intensify the role of the Fund on that set of issues.” I would like to ask you a question as Managing Director, now that you've got those new tools what you plan to do to move them forward. Recognizing you have to bring your member states along, but what do you plan to do by way of action yourself?

The external sector report was I think enormously helpful and candid. We had some of your lieutenants here a week ago, talked about it in great detail, but it says quite clearly there are very large and persistent imbalances, there are very excessive reserve build ups, there are very severely misaligned exchange rates, not just China, though it's the biggest, but lots in that area.

One could argue this is a cardinal failing of the multilateral system to date, because the old Bretton Woods system was created to avoid a repeat of the competitive evaluations of the 1930s, and we have somewhat similar activities today, but the multilateral system has not yet effectively dealt with them. Now you have new tools and you've called for action, so what can we look for?

Christine Lagarde: Well we’re going to use the tools. First of all, the tools have been approved by the membership. I think that's probably going to be an unnoticed achievement. The Executive Directors of the IMF, who are in the room, my board members, certainly are, they're very modest so they will not say so, but they would be the first to recognize that agreeing on that integrated surveillance decision brings, as I said, the sort of—I’ll make it simple, because it is a very complicated issue, very thorny one and one that Fundees actually delight in, but it's essentially bringing the sort of external effects of policies into the assessment that is done of a particular set of domestic market policies.

That was a huge achievement, because nobody likes that, or the fact that the membership
has endorsed it, my board has actually approved it, so it’s a tool that we can use, and we are going to use it. The same is true for the external sector report with the approach that we take, which is multilateral by essence which takes into account the policies of the country, and which obviously will indicate that where there is over appreciation, there is under appreciation, because the whole system is intended to balance out. So we will be using those tools, and we will be saying so very clearly.

C. Fred Bergsten: Can you imagine the Fund blowing the whistle, or naming and shaming countries that persistently keep their exchange rates undervalued in large quantities?

Christine Lagarde: Well don't forget that in Article 4, which is the bilateral review of countries’ policies, we include our assessment of the exchange rate currency, and I think I'm pleased to say that many, many countries, including the key players, do not object to those reports being published now. So it's a question of leveraging that and using it going forward.

C. Fred Bergsten: Okay, open to the floor.

[Questioner 1]: Madame, thank you for your eloquent presentation last Friday in New York on human rights. You boosted all our morale. My question to you is there is a variable which is unknown. The impact of …

Christine Lagarde: Could I ask you to get in closer to the microphone, because these very nice people here are taking photos so I can't hear you.

[Questioner 1]: My question is, there is a conflict that could take place any time, and that's a conflict with Iran. What would that do to oil prices, and what will the impact be on places like Spain, Italy, Greece, and most importantly the low income countries? Is the IMF prepared to act in case there is a crisis?

Christine Lagarde: Well you know this is clearly a risk that is of geopolitical nature. With consequences of an economic nature on the supply of oil, and if I'm to sort of narrow my approach to economically sound issues, and yes we have taken into account the kind of shocks that could apply to economies if and when, which I hope is never.

The price of oil and the price of energy was to skyrocket more than it is at the moment. You could take pretty much any area of the world where there are lots of conflicts, not that I want to minimize Iran, clearly, but all such conflicts could themselves entail economic consequences that we have to be mindful of when we model. I don't want to sort of list those parts of the world where conflicts could arise, and would have consequences, but as Beckett used to say, “This is life and there is no cure for that.”

C. Fred Bergsten: Next question.

Emily Drew: Hello Madame Lagarde, thank you for your talk this morning. I’m Emily Drew; I’m with China Central Television here in Washington, DC. My question is regarding China, in relation to the global financial crisis, what policy decisions and actions would you like to see from China in the coming months?

Christine Lagarde: I think policy decisions have been announced already very much so. I’ll distinguish
between short term and medium term. Short term there has been an announcement of a
stimulus that is apparently geared towards yet more infrastructure projects, more public
spending, some financing of SME’s, but not really particularly specified yet. I think it
goes in the right direction, less monetary tightening as well and stimulus. But in the
medium term what’s certainly called for quite eloquently by the new leaders to-be, is a
model of growth that is more geared towards, or rather fueled by consumption. By the
domestic market growth, rather than the growth of exports towards other countries.

Now you will argue that this is a change that is induced by the external circumstances.
Less demand addressed to China, China thinks about it and looks at its interior market,
its domestic market, to actually have the degree and level of growth that is necessary to
number one keep people in place, number two feed and create jobs for people. This is a
good development that certainly we welcome and we look forward to in terms of action.
I think to raise consumption it’s not just a magic bullet, it’s also looking after people’s
expectations: what kind of social security system is in place, what kind of pension
schemes will be available, how reliable is all that. It takes a complex set of parameters to
actually encourage that domestic market consumption-led growth.

Emily Drew: Thank you.

C. Fred Bergsten: Since China has come up, let me ask you a related question, having nothing to do with
the exchange rate.

Christine Lagarde: You wrote so eloquently about it.

C. Fred Bergsten: I was struck by a comment you made, in your interview with the IMF Survey on Friday.
Where you said and I quote, “Asia has been a fantastic partnership for the IMF.” Now I
flag that because there’s been kind of a conventional wisdom that Asia was not so happy
with the IMF, ever since the Asian crisis, indeed that the Asians were creating their own
regional financial mechanism, perhaps at some point to rival the IMF. So I was struck
and very encouraged by that statement, and I’d like to ask you to elaborate on it.

Christine Lagarde: I’ll be very happy to do that. I think the legacy of what happened in Asia, a decade ago, was
a mixture of resistance, frustration, stigma, reluctance to partner with, and I think a lot of
it is fading away. I was in Indonesia, I was in Thailand, right after the annual meeting I’ll
be visiting other Asian countries. I really see that as abating, it’s also maybe induced a little
bit by circumstances. Those countries are doing a lot better, they went through a terrible,
terrible time, including with us trying to help, but now they are faring a lot better than
advanced economies, and they’re not overly concerned yet about being in difficulty.

So I think it’s fading, and I see proof of that in the willingness of those countries to
actually contribute funding to the IMF by way of bilateral loans. You know the first,
except from the Euro area members, but the first country to come up with significant
funds in terms of bilateral borrowing was Japan. They brought in $60 billion.

When I see the likes of Indonesia, Malaysia, Singapore, Thailand contribute as well,
it shows that they trust the institution. And I hope it proves my point that this slight
resistance is fading. Now you mentioned the Chiang Mai arrangement, and I think
that’s a very interesting development, that I’m not afraid of, which I think is welcomed,
because sometimes you need an association of lenders, an association of finances to help through, as we currently see in Europe for instance. But I don't see the Chiang Mai arrangement as being in competition with the IMF, and to be frank, I think the independence of the IMF, being above and beyond the bickering and the disagreements of the more territorial and local nature sometimes, is actually a trump card for it to be engaged, and involved in difficult circumstances.

C. Fred Bergsten: I'll take the occasion, just for a brief word of advertisement. Here at the Institute we are launching a new series of lectures on the emerging markets and we're having the first of those this evening at five o'clock, and you're invited to that. It's going to be delivered by Jose de Gregorio, former Governor of the Central Bank of Chile, on how it is that Latin America has been able to come through the current crisis so successfully. One cannot quite say unscathed, but almost, and you make the point about Asia as well. So that's a big new program here, we're starting it tonight, and we'd be happy for any of you who would like to join us on that occasion. Yes?

Ielva Navarone: Ielva Navarone from Pladean, from Argentina. On the frame of what you said about surveillance, I wanted to ask you a question about the Argentinian statistics. On Monday, there was a lot of expectation that the IMF was going to make a declaration of censure, because of the lack of progress in ameliorating the quality of the statistics. But at the end, they gave Argentina three months more. I wanted to know what do you expect, do you think that in three months, they can do what they didn't do up till now, and if not, what will happen in December?

Christine Lagarde: Thank you, you know the quality of our analysis, and the credibility that is associated with our work relies on the brain of our analysis and our economists, but also on the integrity of the data, on which they base their modeling, calculation, and all the rest of it. I'm determined to make sure that we have the right data, and where we have gaps that we try to fill in the gaps. It is clearly the case in the financial sector, where we are improving and will continue to improve working together with the FSV on that. So that's point number one, the quality and integrity of data is paramount to us. The other intent is like football, the real football; you know what is called soccer here.

Right? Okay well we have the choice between the yellow card or the red card.

I have trust in what people can achieve sometimes it's the best. So it was the yellow card, it was not a decision of censure, censured as you said, and they have three months to avoid the red card. But equally, if no progress has been made, then the red card will be out. Now having said that, I was quite confident to see the Argentinean authority's reaction over the weekend. Which, all goes well, if they're determinated to work cooperatively with us, we've been there, but we want to work. We'll be on the other side of the table, and I hope that we can avoid the red card, but if the data is not suitable, is not appropriate, does not meet the standards, then all players are the same, Argentineans alike, despite how good they are at soccer.

Ielva Navarone: Okay, thank you very much.

C. Fred Bergsten: Yes?
Mike: Madame Lagarde, I'm Mike [inaudible] from [inaudible], Greece. I wanted…

Christine Lagarde: I've seen you before.

Mike: Oh. I wanted to ask you, what is the status of the talks with [inaudible] and Greece, because there are a lot of reports, and I quote that the talks collapsed, that there is a deadlock, that there are unreachable differences on the measures. We really don't know what is happening right now on the talks, and they are even saying that there is a budget shortfall of twenty billion dollars. Can you tell us what is going on?

Christine Lagarde: I'll be very happy to tell you what I know. I was not in the room, but what I can assure you as well, is that our people, including our chief man on the ground, are doing everything they can in order to help and assist, in order to put Greece back on track, okay? I'm not finished; I'm going to address the issues now.

Let me tell you how I see it, we don't only need €11.5 billion in cuts, we need a series of cuts and additional revenue, that's in order to, if you will, fill in the fiscal gap, and help the country redress its public finance situation, that's number one.

Number two we need some structural reforms that are in the interest of Greece and the Greek population, so that those who can work, who want to access markets, can actually do so. A lot of the professions in Greece for instance are still closed up. There's been some progress, the lorry drivers for instance, that has improved, but a lot of the other professions are still highly protected and sort of locked amongst those that have the benefit of the license as an example of what needs to be done in terms of structural reforms.

A lot has been in the labor market for instance, but it should be maintained not damaged, or destroyed. So the fiscal gap, the structural reforms, and then you have the financing, because clearly as a result of the macroeconomic situation, the major delay in privatization, and therefore shortfall, and proceeds from the privatization to name only a few, and the limited revenue collection, there is a financing gap. Especially if you factor in more time, so it's on those three accounts that we need to make sure that the country can be back on track, and agreed, that will have to be addressed as part of the equation.

C. Fred Bergsten: I'd like to ask a follow up question, not on Greece per se, but on the role of the Fund in dealing with the European crisis. It's a hypothetical, so you may prefer not to answer it, but let me ask it.

There's been lots of comment on the role that the Fund has played in the three program countries, and there have been suggestions that if, against our hopes, new Fund programs in Europe are needed, they might take a different form. The role of the Fund might be different. Some have argued, on one extreme, that the Fund should in fact be the major financial contributor in order to be the main lever of conditionality and to have a dominant role on the view that the Fund would be better placed to help the countries achieve the needed adjustment.

At the other extreme, there are people who say the Fund should not be involved at all. This is up to the Europeans, they're rich, they should pay for it, and for the Fund to go in on a minority basis, as it has so far in the three countries, inherently limits its ability
to affect the outcome and puts it in the worst of worlds. The question is what lessons
have you drawn from the role of the Fund in the three programs so far that would
inform any future possibilities of that type that might become necessary?

Christine Lagarde: Well you know there was a publication recently that sort of assessed and reviewed our role
in relation to those European programs. It’s clear that it’s of a different nature, because
we are not in it alone. We are operating together with the European Commission, that
is acting at the request of the Euro area Finance Ministers and occasionally leaders, and
with the European Central Bank, whose role in the process has clearly evolved over time
and certainly evolved for the better. I can’t say enough how good the decision made by
the European Central Bank two weeks ago was with the view to stabilizing markets,
expectations, and having an open door to a coordinated supports to any member states.

But you know your question is really about has the IMF been able to do its job, despite the
circumstances, and when I looked at the role we played in designing the program, whether
it’s in Ireland, Greece, or Portugal. When I look at the role that we are playing monitor-
ing those programs, and doing our review, and being right in the middle of controversies,
which is often the case when we are involved, I think to myself, this is not vastly different,
we are in fact independent, and we are not the yes man of the Euro Partners, nor are we the
yes man of the European Central Bank. We do our job, as we should do our job.

When back in the winter, the Chancellor asked me whether we’re strong enough on
our debt sustainability analysis, I had no fear in saying, yes absolutely, those are the
numbers that we stand for, this is based on our analysis, it’s not biased by any type of
suggestions or influence of any kind, and I think we should just keep up and do that job
as rigorously and vigorously as we have.

C. Fred Bergsten: You mentioned in your remarks, the need to slow the speed of adjustment in a couple
of the countries. Do you feel that you have prevailed on that, you will prevail on that,
maybe there was some difference with your partners?

Christine Lagarde: Fair enough, you’re right. In program designs there have been occasions, and that was
certainly the case with Spain, where we have no program. So our role is not, we’re not in
the hot seat, if you will, because Spain is not a country in the program. But we take views
on the excessive deficit procedure, on the forecast going forward, when we do Article 4.

When we did the Spanish Article 4, which is the bilateral surveillance, when we did the
financial sector assessment, we assessed on the basis of the numbers that were given to
us. The measures that were envisaged, and the forecast of a deficit consolidation that was
expected, and we did say at the time that the timing seemed too short to us. Pleased to
see that this is being heard.

C. Fred Bergsten: Jacob.

Jacob Kirkegaard: Jacob Kirkegaard, from the Peterson Institute. I guess this is sort of a follow up question
from the previous question about Greece.

Christine Lagarde: I saw you were taking notes.
Jacob Kirkegaard: Yes. My question really goes, you mentioned in your remarks Madame Managing Director, that there should be less focus on targets, rather implementable measures. Now with respect to Greece, if we go back to March and the process back then, this year, there was a very specific target, namely the long term 120% of debt to GDP by 2020, which loomed fairly large in that debate and you just mentioned that the role of the debt sustainability analysis [DSA] and Fund work. But this sort of deemphasizing of targets, should that be interpreted as that the debt sustainability target in the next DSA is less relevant?

Perhaps for the continuing Fund intervention, and if so does that mean that the long term debt sustainability target is ultimately going to be achieved by the direct restructuring of the junior official sector participant? Namely the Euro area loans, and that this can be achieved at a stage that may be more politically opportune for the governments in question in Europe, such that it doesn't have to be basically settled by say you know later this month, or October.

Christine Lagarde: You know when I was referring to measures rather than targets; I was clearly focusing on fiscal consolidation. I was not referring to the debt sustainability analysis, nor the debt horizon that we set, when we designed the program. What we have, we have the 120% in 2020, is still clearly the horizon that is set in order to measure the efforts that need to be undertaken by then.

But on the fiscal front clearly when we recommend that revenues be increased by X, by for instance by improving tax collections, by entering into the privatization program in due course, as should have happened, and has not happened. When some cuts have to be made in programs that are probably some of the most expensive in the whole Eurozone, that’s what I mean by sticking to the measures, implementing, but not necessarily sticking to the targets in terms of primary deficit numbers.

C. Fred Bergsten: Okay, next.

Ester: Okay thank you Madame Lagarde. My name is Ester and I’m with China Central TV, and my question is on the 2010 quota and governance reform. You said that just now, that he has already get the numbers that you needed for the quota reform but for the governance reform it still needs more [inaudible], at least about 10% of the quotas to get [inaudible]. And to some degree, that is largely the United States. So what would the IMF put more pressure on the US Congress to approve this change in the coming weeks and how confident are you, that are we likely to see the completion of this reform before the annual meeting this October as the IMF has planned? Thanks.

Christine Lagarde: Well it’s not just the United States, you know clearly, there are other members including in the G20 countries that have not yet ratified the reform that was committed to by the leaders in 2010. So it’s not a US centric issue. Everybody focuses on the US because the US has a very sizeable quota in the institution and is my largest member, my largest shareholder if you will.

The US is not alone in that camp. I’d certainly hope that the US authorities at large, including Congress, will appreciate how needed US leadership is, and how needed the IMF role is going forward in order to address not the sort of remote crises around the world but the indirect consequences of those remote crises around the world, including
on the US economy. I think if there is one thing that we are learning from all the multilateral surveillance work that we’re doing, it’s the degree of interconnectedness of interdependence that all the economies have amongst themselves. So it’s…

Ester: So how confident are you?

Christine Lagarde: I’m desperately confident.

Ester: Thank you so much.

C. Fred Bergsten: Morris.

Morris Goldstein: Morris Goldstein, Peterson Institute for International Economics. Managing Director, thank you for a most interesting speech. In discussing the Eurozone, you indicated…

Christine Lagarde: I’m always cautious when I hear an English-speaking person say interesting, because it can be anything.

Morris Goldstein: Well you were quite right. You had indicated that discussing the Eurozone, there was a need for growth friendly measures, not just austerity, but outside of the ECB bond-buying program, what are those growth friendly measures, and why should we think that these will be sufficient to pull the Eurozone out of recession. When discussing the US fiscal cliff, you made a helpful distinction between the medium term need for strong fiscal consolidation, and the short-term need to avoid such a large fiscal contraction that you have very adverse growth consequences. Well why is there not a similar distinction at this point, in the Eurozone, and if not, why not?

Christine Lagarde: Well you know, first of all you have to look at the Eurozone, you have 17 members, in the whole of Europe, you have 27 members. I’ll take two examples outside the Eurozone actually, and I’ll come back to that in a second. You have a country like Sweden for instance, now Sweden is travelling at a 0.2% deficit at the moment. Debt in the range of 30% of GDP. A country like Sweden can certainly take some positive steps to stimulate its economy, you would agree with me wouldn’t you.

Morris Goldstein: On Sweden, yes.

Christine Lagarde: Okay, well at the other end, you have a country like, well take the UK; it’s a bit controversial with the United Kingdom. But the policy that has been put in place so far was highly restrictive in the sense that they focused on cutting the deficit. The point I’m trying to make here is that you cannot just have a one size fits all, throughout Europe, let alone throughout the Euro area.

In the Euro area, you have situations as different as that of Greece for instance, whose numbers are well known, and the situation of Germany, which is really getting close to a neutral deficit situation, although it still has quite a heavy debt burden on its shoulders.

So first point is, it has to be country specific even within the European Union, and even more so in the Eurozone. Second, there are some growth conducive policies that can be put in place. Let me take for instance the short term. There are some budgetary
reallocations that can certainly be used in order to stimulate the job market. In order to give people training, in order to make sure that this hysterics that has been described by others before me doesn't actually apply to the European workforce.

That's one example, second example which has more to do with the medium and the long term, is the series of structural reforms that need to be put in place in many of the Euro area member states. Stronger competition authorities, more opening up of those closed professions, and they're not only in Greece, they are in other places as well. That's what I mean by growth conducive or growth friendly measures that are both short term for some and more medium term in results and consequences in effect but can be taken now in terms of structural reforms.

C. Fred Bergsten: A brief extension of that, what's your assessment at the Fund, how long it will take those structural measures, of the type you mentioned to pay off, in terms of improving productivity, improving efficiency, and stimulating positive growth?

Christine Lagarde: You know I'm hard pressed to give you an answer, because this is not our core expertise. I think on those issues the OECD for instance is much better equipped and has done more research work than we have. But conventional wisdom is that it's more for the medium term, the economies will have the benefit of those measures tangibly more in the medium term than in the short term.

Now I know that Angel Gurria has a slightly different view, and some of his studies actually seem to point to more future term, than medium term consequences. I think we're going to have interesting results in at least two markets to watch, and that will be a case in Spain and Italy. Where in both cases the labor markets and the products and services markets have been, or are in the process of being reformed. It's a tedious, cumbersome, complicated process because you may enact legislation on the one hand, but it doesn't impact the judicial system and how the courts will actually apply the law.

For a company to actually decide that it is going to invest in such a country because the labor market is more flexible, maybe they're going to wait until they see if the judicial system actually embarks on that same process and will not have very stringent case loads, which will counterbalance the positive effect of the legislative reform.

C. Fred Bergsten: Well when you say medium term, do you mean two years, three years, five years?

Christine Lagarde: Yeah, I would say two or three years.

C. Fred Bergsten: Two or three years. Okay. Next.

Barbara Matthews: Thank you, Barbara Matthews of BCM International Regulatory Analytics. Thank you, Madame Lagarde, for an excellent exposition. I'm going to go back to the question that Jacob asked actually, because there was another component that I think I and others might really appreciate the answer. You have made a robust case for program extensions due to external, say exceptional circumstances, in order to ensure that a program remains viable.

You have also stated plainly today, as well as a few weeks ago, two weeks ago in Cyprus that we have to talk about the financing first of program extensions. And to speak plainly,
that usually means haircuts, including for official sector holders, losses potentially for office sector holders, new money either from the multilateral community, such as CIMF, or individual creditors. I know you will not comment on negotiations currently underway.

But I’m wondering if you could provide some perspective on how to think about that combination of solutions, or are there other potential components that are being missed by the debate at the moment, because there is a lot of concern and people go running off in one direction or another. If you can provide some perspective on how to think about the package of potential solutions that could promote stability in the financial system.

Christine Lagarde: Well I think you are very very knowledgeable, clearly, you’ve mentioned all the components. It’s either more of this, or less of that, clearly, right. But I’m not going to dwell into the intricacies of how much more, how much less. I think it’s important to keep in mind two things, and I know which country you’re referring to. The fiscal gap, the structural reforms, the financing of the program, but also the debt sustainability of the country going forward, so that it can actually walk on its two feet and not always with a huge bag of debt on its back, so it’s the whole combination of matters that need to be addressed collectively by the members.

Barbara Matthews: Thank you.

C. Fred Bergsten: Well I guess it’s our witching hour, so this will be the last question.

Domingo Lombardi: Domingo Lombardi, from the Brookings Institution. Thank you very much, Madame Chair, for your insightful remarks, I won’t say interesting, but was wondering I would like to draw your attention to the RMT Program that you mentioned before. What we’re seeing since the announcement of the ECB about the introduction of this new program, Italian and Spanish yields have gone down, but some analysts think this may just reflect the expectation that both or either of these countries may be approaching the European authorities and or the IMF. While some analysts believing that this might, the effect of this dampening in yields might be a little bit more sustained. I would like to just ask you to elaborate if possible. Thank you.

Christine Lagarde: Well you know I’m not going to substitute members and their judgment, and group of players in the way in which they’re going to address issues. What I can see and I’m very pleased to see is that the toolbox that the Europeans have in order to face hardship is significantly improved as a result of the decision that was announced by the European Central Bank.

That’s clearly something that was expected, for which expectation was aroused by the announcement, by the President of the European Central Bank in London, and the fact that the toolbox is there, soon capable of being operated, given that the ESM will be itself operating as of the 8th of November, and capital contributions will be coming in. That in and of itself I think is a very strong message.

C. Fred Bergsten: Madame Managing Director, we thank you enormously for your remarks, we wish you and your colleagues at the Fund the best of success in dealing with all these daunting problems. We support you strongly and we look forward to staying in close touch. Thank you, and particularly the remarks on me, I appreciate it.