Peterson Institute for International Economics

The EU-US Relationship at a Crossroads

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[00:00:00.29] - Natacha Valla

Okay, Jason is online. Mario as well. Good morning, good afternoon, uh, hello everyone. Welcome to this, uh, to this session organized by the Peterson Institute of International Economics and Sciences Po Paris, um, which is for me a bit of an emotional moment because it's the first, it's the seminar event of a partnership between the Peterson and our school. And this is something that is really meaningful to us here. Adam Posen was very supportive of us doing things together, things together with a transatlantic perspective at a moment where, as you know, and that's the purpose of us having chosen this topic today, the transatlantic relationship is undergoing a lot of discussions from an economic perspective, from a lot of other perspectives, but also in particular from an economic perspective, including trade regulation and other stuff that we will develop today. So this is the first event of this kind. I know you're very numerous online. We are expecting more than 1,000 people online from the whole world, Romania, from even Asia probably is a bit of a bad timing, but there is also YouTube live streaming, and that will be in a replay space, so you will be able to hear this session even if you're not attending today.

[00:01:33.19]

So welcome to the session. We've chosen for this seminar event the topic, the EU-US relationship at a crossroads. And of course, the crossroads is linked to the inauguration of the new president-elect of the United States, but also linked to what's happening in Europe in specific states such as, we are now in Paris, such as France, such as Germany, and the main countries of the European Union. And this nexus, this topic which is central to what we want to build with together Sciences Po with the Peterson Institute, we needed to have outstanding speakers. And that's what we managed to get for today's discussion. We have 1 hour and a half in total. There are people sitting here in the room. Let me say there will be a cocktail afterwards. So for those of you online, you won't be able to enjoy it, but we have a few nibbles and drinks waiting for us next door. We have 3 outstanding speakers, outstanding for their intellectual

dimension. And for their professional trajectories. So let me start with Olivier Blanchard, who is sitting in the room with me today. Olivier, he's a titan of the field of macroeconomics. We were discussing this just before coming to the room, not the fact that he's a titan, but that his contribution to macroeconomics is maximal.

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His name is associated with the MIT, with the IMF. I won't do your biography, Olivier, because everybody knows it really in this room and online. Now affiliated also with the Peterson Institute. His work has enlightened us on fiscal policy, monetary policy, also on structural— he's looking at structural divergences between the US and the euro area, Europe more generally, and he has a forward-looking perspective, so very active in the policy debate in the US, in the policy debate in this country, and therefore a unique voice for us to have here. So thank you, Olivier, for being with us. Let me now mention Jason Furman, who is online, and I guess we don't see you, Jason. I hope you will appear very soon. Your name is big on the screen. And while you appear, we— let me say also what everybody knows, namely that you have had a tenure as the chair of the Council of Economic Advisers under President Obama. You're now— your name is associated associated with Harvard where you hold a professorship. You've been and you are a guest lecturer in our school here, which is an honor to have you, and I see a number of students of your class sitting here, so they pay tribute to your contribution.

[00:04:31.02]

And you're also with the Peterson Institute. So you've been in the US at the head of things in very pivotal moments of US economic history and US economic policymaking, but you're also looking very closely at global trends, You have an expertise on Europe. You are a friend of Europe because you are visiting very often, and therefore you'll be able to connect the dots and give us a perspective from the other side of the Atlantic. And let me finish my presentation by introducing Mario Monti. I'm not sure what can be seen online in terms of, you know, of you. We see only the name of Jason Furman here, but I hope people online can see the faces of our contributors. Mario, you are a major statesman for the history of your country, the history of Europe, on top of being a long-time, well-recognized academic. You are the founding father of many of the policy frameworks that are operating today in Europe. Competition is one, but that's not the only one. You are, you know, active and you've been a contributor in the intersection of economics, politics, European integration. So you have a view on the need for Europe to be unified and the factors that are needed to keep Europe unified.

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So in terms of the practicalities of our session, we'll have two sets of interventions, 20 minutes each, where Olivier, Jason, and Mario will speak. I will sort of launch the discussion. So we'll do that two times, and afterwards we've kept half an hour for the Q&A session. So please feel free. Those who are here will have a microphone to submit their questions. But online, you should be able to access the chat and you may, you know, you may send your questions. I should get the feedback or at least get the text of the questions on the tablet which is standing here and will interact like this. So let me launch the first round of questions. I'm looking at the technique to make sure that we have really have the picture of Jason and Mario online, which is not the case for now. So if this could be checked, that would be nice. So in terms of introductory remarks, looking at the economic dynamics and challenges— and I turn to you, Olivier, now— of course, President-elect Trump is the highlight and is the driver of all the discussions that we hear about U.S. policies, but also international relations.

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But he might be only part of the story. Give us your view on the macroeconomic state of things in the US, here in Europe, what depends on him and how the Trump factor will play out in this context.

[00:07:30.20] - Olivier J. Blanchard

Good. First, thanks for the much too kind words at the beginning, and I hope that we can actually see the others. It's a bit difficult to talk with just names on the screen. But maybe, maybe they can be solved. You're completely right that although we are obsessed, focused, obsessed with Trump, what is going to happen over the next few years in the US and in the EU is a result of forces which predate Trump by a lot. Some of them have triggered Trump, but they were there. And I think it's important to start there. So let me start there and then think about how Trump is changing the equation in a way. So the first force is the dramatically different position, economic position of the US and Europe at this point. In the US, both on the supply side and the demand side, Things are going extremely well on the supply side. Productivity growth is strong. There is this— there is a passion about AI which makes people think that it's going to be great. It's leading to investment. The Inflation Reduction Act, which is not the right name for what it is, is in fact subsidizing that and having an effect on investment.

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So I think on the supply side, it looks good. And on the demand side, it looks equally good in the sense that the consumers are happy, even if they voted for the other guy. Even if they are unhappy with Biden, they are happy about their own situation and willing to spend. So

consumption is strong. Investment investment is strong, and so I think that is going to go on for quite a while. And then if you cross the Atlantic back here, you can see that the situation is very different. On the supply side, extremely mediocre productivity growth, especially— I mean, true on average for the last 15 years, but worse in the last 5. For reasons which we do not fully understand, but it must be there in some form. The feeling that we are losing the fight on the frontier technologies, so this is the Draghi report. So on the supply side, a lot of questions about where are we going, are we going somewhere? And not surprisingly, on the demand side, This is reflected by consumers being extremely careful, saving a lot, not consuming much, and investment struggling. In addition, you have country-specific issues.

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Germany and the German model, which was largely based on energy from Russia and sales to— in China, is in question. And so on. So that's the starting point. The other force which is equally strong is that the international order of international trade order is in deep trouble. And this has been the case for a while, but the distribution issues which come from trade were probably dismissed By economists for sure and by policymakers too much, but they're now coming back to the fore. Issues of economic security are relevant and important. Issues of military security are equally important. Industrial policy has come back for good and bad reasons, It has implications for international trade when you subsidize the firms which are competing with firms in other countries. So this is leading to a major both intellectual, economic, and political crisis and has to be resolved in some way. Now, this was the two forces. Let me now turn to Trump. And here I'm going to make 4 sets of remarks, if I may. So the first one, we don't quite know what we are facing, right? We do not know whether tariffs are a way of threatening so as to obtain something, and he's not serious about them.

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He may just give them up. We do not know whether He really loves tariffs, as he says, and therefore we're going to have tariffs. We don't know whether he's going to use tariffs for things which have nothing to do with trade, such as he did with Canada and restrictions on immigration. We do not know the rest of the program, how much of the tax cuts he's going to actually put in place. We do not know whether— and this I know a theme that Mario is going to come back to— whether who is in charge. Is it Musk and the plutocrats that are around Musk, or is it Trump, or is it a mix of the two? And these have different implications. So it's difficult to have a plan ex ante because we don't quite know what we're going to be dealing with. The second point is that with the description I gave of the two forces, he's going to make them worse. So in the US, my guess is that what he's pushing, if we take him at face value, is going to lead to stronger growth, possibly inflation, but stronger growth. Tax cuts do that.

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Tariffs in the short run do that. Deregulation does that. Now, all this means we know why we don't want to do these things, because they are good in the short run and eventually they create risks in the long run, which is the budget deficit, the debt, the financial crisis. So, but my guess is for the next 2 years, the gap between between the U.S. and Europe is going to be even bigger. And Europe is going to suffer from tariffs as well. The third point is that— so I'm going to concentrate on tariffs. There are all these dimensions, but tariffs is clearly for us probably the most important one. What worries me is not so much the tariffs on Europe, which would be an issue, but be partially solved by further depreciation of the euro, as we've started to see. It is the tariffs on China, and the reason I care about them is because of Europe, which is China has had a growth strategy which is based on external demand. They are, for various reasons, they have weak internal demand, weak consumption, high saving, and they need the demand from somewhere. And so there has been up and down, but in general what they have done is have an extremely large trade surplus or current account surplus, and they do not feel they have an alternative.

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The alternative, we think, should be that they increase consumption in various ways, but they feel that they cannot be done, at least on the scale which is needed. And so if there are tariffs, US tariffs on Chinese goods at 60%, which is what has been threatened, I think China will be desperate to find export markets. And this means that they are going to be extremely aggressive outside of the US, so I think it's an issue for Korea. I think it's an issue for Japan, but it is an issue for Europe. Europe is relatively strong in what's now known as mid-tech. China is going to come at it, and I think that's a major issue in particular for Germany. So the last point is that Europe, I think, faces a very tough choice. They decide to be relatively friendly with China, or at least play by the WTO rules, which is put tariffs only when it's justified, and so on and so on, in which case they are likely to be very much disliked by the Biden administration and be subject to tariffs as punishment. Or they can go the other way and go over— on the side of the US and be tough on China, which would probably avoid most of the tariffs vis-à-vis Europe, but it's not going to make China too happy either.

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So I think that's a very difficult choice, and in the context in which we are, both geopolitical within Europe and political within countries, it's going to be a decision which will not be made. Germany, for example, has extremely different interest from France. If they lose the Chinese

market, it's a gigantic issue for them, for the automobile industry. France does not produce in China automobiles. So I suspect that what we're going to see is not the very coherent response. And I worry about that. Let me stop here. Give the mic to the other two.

[00:17:44.05] - Natacha Valla

On this not so optimistic note, but an emphasis on this dilemma that is coming up for Europe in any scenario that we may have in mind. So let me now turn to Jason to have, you know, a bounce back on what Olivier just said. You know, he worried about productivity developments in Europe. Its implication also for the transatlantic relationship, global trade. Are you worried about that? Do you think— and Jason, we do not see you yet. We see you, Mario, but we don't see Jason. So if we can make sure we can see you. I hope you hear us, and I hope we will be able to hear you. Soon. What can be expected, and that's your transatlantic perspective, what can be expected from the intensity with which what Olivier, you know, described as potential policies that will be implemented and the uncertainty around them? What is likely to happen? What kind of coherence will we see? And what kind of likelihood of seeing them being implemented? And as a follow-up from that, will globalization become a zero-sum game, or at least in the way policies are conducted, will be thought of as a zero-sum game in the current context?

[00:19:12.02]

So Jason, I don't know if you can hear us. We cannot see you. We see Mario. So maybe— I see a hand up on the screen. I don't know if that can be solved. If not, that's not necessarily an issue because we will turn to you, Mario.

[00:19:36.11] - Mario Monti

Natasha, this is Mario. Might it be helpful if I disappeared from the screen?

[00:19:42.00] - Natacha Valla

Yeah, Mario, we can see you, but we can't hear you very well. So I turn to the technical team to—

[00:19:51.10] - Mario Monti

whether it might help if I disappeared from the screen.

[00:20:02.09] - Natacha Valla

So give us just a few seconds to check that this is set. On entend ou pas Pas très bien Olivier non plus C'est les micros qui sont pas très efficaces.

[00:20:23.14] - Olivier J. Blanchard

D'accord.

[00:20:27.01] - Natacha Valla

Okay, move to Mario. So Mario, while Jason is reconnecting, Mario, we will turn to you if you can hear us well.

[00:20:38.29] - Mario Monti

Yes, I do.

[00:20:40.26] - Natacha Valla

Okay, perfect. I'll ask I'll ask the team here to lift the sound so that we can hear you well in the room. But to introduce your statements, I think Olivier hinted to that. He hinted to the fact that the structure of power in the US will be related in a sort of new way to the link between the political power but also the corporate power with the choice of the senior, team in the government, and this is likely to be prominent. I would like to hear you about the consequences, your views on that, and the consequences this may have on the balance of power between the U.S. and Europe, what kind of influence it may have on U.S. foreign economic policy. So that's for one topic you may say a few words on, but also, The second question, and this is where your European background is very informative and useful for us, how can Europe adapt, protect, but mostly adapt its institutions, its policies to this new environment which has some degree of, I would not say hostility, but as Olivier was saying, some degree of, for sure, uncertainty and the change in this external environment.

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What is the implication for this of— on European policies and the cohesion of European countries among themselves? So Mario, the floor is yours.

[00:22:16.17] - Mario Monti

Thank you, Natasha. First of all, I would like to congratulate Sciences Po and Peterson given this first occasion of their cooperation on this front. I'm very honored to take part here. And I

would also like very humbly to express my sincere wishes to the US as they embark for a new 4-year term under President Trump. Like all other Europeans, I'm sure, I cannot forget what the US did for Europe on a couple of historic occasions. And so the US deserves our best wishes for good policies, good developments domestically, and of their position internationally. I agree fully, although with a much lower authority, of course, with Olivier on the whole macro and policy picture that he presented to us. I will maybe come back a moment on US, EU, and China, that not easy triangle. And I will try to be a bit more structural than Olivier has been in his initial remarks. In a sense, we are discussing, as the title indicates, EU-US relationship at the crossroads. But we could equally say the US at a crossroads with itself because there are so many— well, at least there is the promise or the threat of so many innovative structural elements in the way in which economic and institutional policies are likely to be conducted that it will really be very interesting to watch.

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And how it goes will have a huge impact on the rest of the world and on Europe in particular, because we cannot forget either that the European Union and its component countries were rebuilt in the case of the countries and built in the case of the European Union under very, very strong input from American leadership. Central pieces of our economic and institutional structures, like an independent central bank, or a competition authority really were meant by the US occupying Germany after World War II and trying to launch both European development and European cooperation, were trying to, well, to make war impossible under— in Western Europe at least— and to make those conditions that had been conducive to war, like the big trusts in the weapon industries and inflation, impossible or less likely in Western Europe, in Germany in particular, and then in the European Union. Now, many of these Key elements of the classical blueprint that America has broadcast and helped implement in Europe for decades are in doubt now. Let me just take conflict of interest. We have considered in Europe for decades the US as the example, the closest to perfection in terms of recognizing the plurality of interests, the boldness of economic interests and of the lobbies, and at the same time the need to have pretty tough rules governing conflicts of interest both in the corporate world, in the political world, and in the interaction between the corporate and the political world.

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Now, this seems to be at least put in doubt, if not derided. Then also the very principle of competition, which again instilled by the US and largely through Germany and the Bundeskartellamt, German competition authority, which was the first national competition authority to be set up in the '50s in Europe, at the same time as the European Commission, uh, that, uh, came up very much with— under the, uh, US, uh, model. Now, uh, will the US

government be still interested in some implementation of the rules against conflicts of interest, seen as a key component of a healthy market economy and competition equally, we do not know. And as regards innovation and technological progress in particular, well, we know that At each bunch of innovation in the US— oil, railways, and then other closer to our days innovation— the US has followed by creating antitrust, by making sure that there would not be an excessive domination in individual markets. but also politically, ultimately. And many economic historians will tell us that Silicon Valley is certainly the product of enormous inventiveness of American minds, but it is also largely the product of an antitrust decision which in the '80s decided to break up AT&T, which created a diaspora of scientists in many, many places fostering innovation and probably helping bringing us to internet, the new economy as it was called at the turn of the millennium.

[00:29:33.18]

Now, how should we interpret the series of processions with genuflections— I say this without any irony, but indeed with some concern— to Mar-a-Lago by the CEOs of the key digital platforms and some of the key also financial structures in the US, which losing their face, we would say, give up visibly, because it has to be visible and mortifying in order to create a political credit vis-à-vis the new president. We have seen a procession of them going there, offering money, offering small tokens for the inauguration ceremony. And renegating on their policies in key aspects of this. Now, why this proximity shown with pride on both sides? If this were to mean that, in particular, the new wave of mega CEOs, those of digital platforms, want to use the combined political strength and scare deliberately created, because this is part of his way of doing politics, by President Trump on Europeans and others, in order to weaken and diminish even the courage and the willingness to resist eventual conflicts. I can tell everybody that there have always been conflicts between the US administration and, for example, the European Commission in matter of applying antitrust rules, but this has never prevented a close transatlantic cooperation, which in the last 25 years has in fact spread around the world, created a much greater convergence among the antitrust agencies of 120 or so countries approximating their principles, their practices, to the huge benefit of those multinationals, most of them American-based, who want to do mergers and transactions across the world because they find a more homogeneous regulatory side to play with.

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Now, if the intention of this proximity without precedent in devotion and genuflection between the top of political power and the top of economic power means that the— few places in the world which may, um, and indeed have so far, uh, insisted on applying the rules even in case of the largest American-based companies. If, if this is a sort of intimidation, well, we may discuss

this later, but I think Europe should indeed resist and should indeed find ways to make life as little conflictual as possible, but cannot give up something that— the persistence of which may one day return to be appreciated both transatlantically and across the world.

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On—

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and I conclude on this— on the point Of enormous difficulty that Olivier raised, should Europe— which sort of death Europe should prefer, whether by China or by the US? Well, I think Europe should try to be coherent with itself. Try to follow the US in some needs for their international position. And we will come at a later stage in this conversation to defense. But I think we should not flatten ourselves 100% on the US position. And if the US and China do not go to war, which probably would involve us all, if there is, after some brutal confrontation between the two of them in words or gestures, the going back to some willingness to have again a decently working multilateral order, I think if Europe has stayed somewhat the middle way with its own dignity in the, in the handling of the multilateral governance, it may be helpful even to the U.S. by exercising a combined Western influence in regulatory matters on multilateral entities with reflexes also on China.

[00:35:43.29] - Natacha Valla

Thank you very much, Mario, for this, uh, for this general view on this statement on the, on the, the situation on the balance of power in the US. If Jason is connected and if we are able to see him I will ask you, Jason, to react to what Mario has been saying, in particular on, first of all, the link and this, quote unquote, procession with the new president and with the renegation of the positions of those CEOs of large tech companies, but also on the link— your views on the link between innovation and competition. I think there's a very good book by Thomas Philippon on this in the US, and this is also very relevant to the topic. I'm not sure if Jason is connected or not. I'm looking at the technique. It doesn't seem to be the case. I've been told he has an issue with his connection, and he's not here. So maybe Olivier, if you want to answer the question I asked to Jason.

[00:36:57.25] - Olivier J. Blanchard

I cannot play Jason. But I can react to amplify some of the remarks that Mario made. I think he's right that this is much bigger than this and that. It's a completely different approach to government and the role of it. I thought of two examples where I think we have to think hard.

The first one is the role of business interests. And the effects on politics has always been a big wall. I mean, the US has been described as a plutocracy, and I think that's not wrong. But what's happening is it's stronger, which is what Mario emphasized, and there may be a change in who is powerful on the entrepreneur side, a change in elites in a way. And I worry very much that the AI high-tech group is an incredibly dangerous group. They are— most of them are libertarians. They do not like government. They don't like regulation. But they are working on technologies which without regulation, without government, are extremely dangerous.

[00:38:16.05] - Natacha Valla

Right, you have in mind social media.

[00:38:18.03] - Olivier J. Blanchard

You can see how they're going to put pressure on Europe to basically be nice about AI, and I suspect we're going to see a lot of that, so I worry very much about that. The other is on the rules of international trade. So as I've said, it's not working well and there are real issues The distributional issues are real, the security issues are real, the industrial policy issues are real, and we, the economists, or we, the advisers, are thinking of ways of improving. Maybe, you know, protecting producers sometimes makes more sense. Maybe not being as nice to consumers makes more sense in so-and-so and so on. What Trump is doing is not reforming, it's rejecting. And the big issue with international trade is that it can be played as a cooperative game or as a non-cooperative game. The cooperative game is I don't put tariffs, you don't put tariffs, and we're both better off. The non-cooperative game is I put tariffs and— well, you put tariffs and as a result My incentive is to put tariffs. The risk is always there because it's a prisoner's dilemma type of game and it makes sense and the equilibrium if you don't do anything is a bad one.

[00:39:45.28]

And my sense is Trump, I think Mario said that, Trump is basically allowing this approach in the U.S.

[00:39:53.28] - Natacha Valla

but by implication elsewhere to be acceptable and that is extremely And as you say, we don't have hindsight, we don't have previous experiences, given the fact that we have a new structure in the CEOs who are in the sectors and their state of mind, this libertarianism, which plays against all fields of economic policy, right? Regulation, but also possibly monetary policy with, you know, promoting—

[00:40:25.02] - Olivier J. Blanchard

yeah, another example is Bitcoin. The Bitcoiners are incredible. Bitcoiners and the coiners in general are incredibly happy. They think they have given enough money that basically they are going to be unregulated.

[00:40:37.11] - Natacha Valla

And do you trust this is the case? This will be the case?

[00:40:40.29] - Olivier J. Blanchard

I suspect that yes. Trump probably will give them what they want and whoever is at the SEC or in any of the organizations which are supposed to regulate is going to go along. Now, I don't think that particular issue is a major macro issue yet because Bitcoin is big but not enormous, but it is worrisome. It's one of the examples that I think we should worry about, and this will affect Europe.

[00:41:13.10] - Natacha Valla

Right. Thank you. I'm checking again whether Jason could connect. Reconnect to the, to the session or not. If, if that's not the case, we can move, and as soon as he's, uh, as he's joining, I'll give him the word. But meanwhile, we can move to the second set of questions that we are planning to— ah, yes, Mario, please, if you—

[00:41:41.10] - Mario Monti

yeah, yeah, yes. Well, first of all, it doesn't all go well in terms of connections between the US and the EU, the that Jason cannot be connected. So I also hope that he's reconnected as soon as possible. To the point of Olivier and Big Tech, well, let's, let's be frank. Suppose it's just a totally unrealistic hypothesis that Elon Musk wanted to dominate the world. What is the single biggest obstacle to that? Probably the only authority in the world which considers it normal and in fact has started doing it, that even the most advanced forms of digital platforms and of digital markets should undergo a lighter or tougher— it depends, can be discussed— forms of regulation and competition regulations. If that is felt as the last of the, the, the, the single obstacle between potential domination and achieving domination, then it can easily be understood why this close proximity of Musk and Trump and all the others realigning. I, I would add that this is not new in the history of regulation. I remember that around the year 2000, when

there was the big push of internet, what was called the new economy, the American school by and large was saying that that is a new phenomenon.

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Competition authorities of the world don't dare to touch it because it's difficult to understand how it works. Maybe in 10 or 20 years you might intervene. Okay. If there had not been intervention, the degree of innovation would have been very much lower. For example, we had in Brussels Google coming to urge us to be active on Microsoft because they, as a small startup company, they found extremely difficult to work on their part of innovation if Microsoft had remained closed and bundled with its products as it was. So now, today, it's simply at a much higher degree of technological innovation and perfection. But as Olivier was also hinting, with a huge, hugely greater potential impact, not only on consumers, on competitors, but on us citizens, electors, etc., if we have or have not a world totally without any form of regulation of digital platforms.

[00:45:28.23] - Natacha Valla

Which is yet another dimension. Please, Olivier. Yeah.

[00:45:31.29] - Olivier J. Blanchard

Let me just follow up. As for international trade, there are issues in regulation, especially when you face technologies which are extremely hard to understand as far as their consequences. And there is a very interesting discussion about ex ante regulation or ex post regulation. And the approach of Europe has been very much to try to think about what may go wrong and do it ex ante. The approach of the US, I'm caricaturing, but goes more in the ex post, which is do what you want, but if it leads to monopoly if it leads to excesses of various sorts, then we intervene. Now that's a real debate because when you actually don't know what's going to happen, writing the rules in advance is a bit difficult, right? And some people have said, and it's possible, that it's really making much harder for firms on this side of the ocean to deal, to compete. But again, Trump is not, going to discuss that issue on those terms. He's basically going to listen to his friends in the US and threaten us if we keep the regulation we have. And again, there's a difference between reform and rejection, and I think that's what we're facing.

[00:46:58.11] - Natacha Valla

Right.

[00:46:58.25]

But do you think then that under those circumstances it would be optimal for Europe to rethink its ex ante regulation, tendency to ex ante regulate or not?

[00:47:12.10] - Olivier J. Blanchard

Yeah, I think that again the issue of ex ante versus ex post is there whether Trump is there or not, right? And it may be, I'm not a specialist of regulation of those particular industries, it may be that we've gone too much in the direction of ex ante and we should move to exposed. Does the presence of Trump change the equation? Maybe somewhat, because if they make another choice and they go at it, maybe we should take more risk and go more exposed than ex ante. But the issue is there. So whatever, whoever is president in the US, that's a discussion that we need to have in Europe.

[00:47:59.11] - Natacha Valla

Right. Mario, would you like to react to that?

[00:48:02.09] - Olivier J. Blanchard

I want to react as well.

[00:48:04.13] - Natacha Valla

That's why I'm preemptive.

[00:48:06.07] - Mario Monti

I understand Olivier's point. I've always been very much against too much ex ante detailed regulation, also because the basic rules of competition policy valid for all sectors are there for more than a century in, in the US, for 80 years in the EU, based on whether there is abuse of a dominant position in the market, etc., etc. Then the rest is very much the, uh, this, the, the matter of economic analysis specific cases. But Olivier, excessive reliance, on the other hand, on a do-nothing approach unless you see problems in the markets finds its great limitations when the way of removing those problems, if they emerge and are seen, is a breakup of companies. That is the opposite of a merger. Because in that case, can you imagine the— I mean, that's what was done with AT&T and what the Justice Department had wanted to do with Microsoft, but then it was the shift from Clinton to Bush. But can you imagine what would happen If, for example, in order to solve a fundamental competition concern for the European single market, the, the only remedy available were to be the breakup of a company which is US-

based, I mean This would go to trade war with the incoming president administration, and maybe not just trade war.

[00:50:17.17]

So at any rate, this is a big topic. And Natasha was asking Olivier, what should Europe do? Should it become more amenable to Well, yes and no. I think that— and here, really, irrespective of whether it was Biden or it will be Trump— the eagerness of the EU and of EU business to imitate the US is in itself a bit dangerous. We have seen the IRA introduced by President Biden. Which has been— now we can be pretty open on this— which has been exploited by large companies, particularly French and German large companies, to have an agreement in the European Council allowing a much greater flexibility at the level of member states in handling state aid cases. So this has contributed to a less perfect— has contributed to some extent to the disintegration of the single market. And I guess 70% of the whole of EU national state aid has gone to German companies, to the detriment of the others, and certainly not to finance innovation. And again, I admire very much in 98% of its component the Draghi Report, but where they suggest— I'm afraid under the big pressure of big companies in Europe, and the gain of the axis of the past, I am afraid, the Franco-German industrial axis, to weaken competition policy, they do something that should be looked at very, very carefully.

[00:52:42.10]

Because if we feel at this time that we need to reduce the effectiveness of one of the very, very few instruments that we have in Europe, which might work even against the pleasure of a new aggressive US policy stance, I'm not sure we do a good service to Europe or to the single market or to European companies.

[00:53:11.05]

But sorry, I was much too long in this fervent intervention.

[00:53:16.15] - Natacha Valla

Not at all. That's interesting because it shows that— and we may even need to have a differentiated approach to changes in regulation, whether it's on competition or other aspects. But I think the topic is— that was really worth it. Yes, please.

[00:53:35.03] - Olivier J. Blanchard

But I think one of the issues is that the new technologies, the new frontier technologies, are more subject to increasing returns. Than some of the older ones, which raises an issue, which is by forcing competition in that context, it may not work. Letting one firm go ahead means that there is a good chance that they become a monopoly, and finding the right mix is difficult, and I think, again, it's changing because Again, this new technology, the training part of the AI, is a pure case of increasing returns. And so knowing how to handle that, again, these are interesting, fascinating, important issues. I'm not sure that the discussion triggered by Trump and whoever he appoints in charge of these relevant institutions is going to help much. But the issues are there.

[00:54:40.14] - Natacha Valla

Right. Thank you very much. Meanwhile, I've had news from Jason, whose Zoom account has been deactivated because he tried to connect twice. So we are trying to solve this, but we are hopeful that we'll be able to— now that the technical issue has been spotted— that we'll be able to have him pretty soon. Yet I will turn to the second question, the second set of questions. Which are more related to the strategic and geopolitical or geo-economic implications of the current situation in the US, and looking more specifically at sectors such as energy and defense. And Olivier, I turn to you to cover those policy areas. How do you see Europe navigating those complex trade-offs on, on, on defense on energy that are implied not only by the US-China sort of tension, but more globally on the geo-economic positioning of the US?

[00:55:42.09] - Olivier J. Blanchard

Okay. So defense and the green transformation, right? Let's talk about that. So again, there were a lot of issues before Trump. Very little appetite for EU-level action until now, and even less appetite for EU common debt, right? So in that context, I think Trump is going to make things worse in both ways. On defense, if indeed he asks us to to do more is entitled to, but this means finding 1% of GDP more in circumstances in which we have a hard time coming— in France, for example, coming up with a budget. So that is going to be a big issue even for the countries which can do it. Now, when you actually look, there is an enormous amount duplication in defense in Europe, which is each country wants to have its own tanks, its own planes, and so on. It's fairly clear that a benevolent dictator could actually improve defense substantially without increasing the cost very much, but the reality is that it will cost. So on that, it's clear that just too many national vested interests for us. So that's going to cost. On the green transition, I think we're seeing an intellectual backlash and one expression of it is strong.

[00:57:30.03]

Do we really need to do it in Europe? Is it worth it? If the US doesn't do it and China kind of does, 'Does not.' 'Why should we do it? Because it's going to make no difference.' I think this is coming. And again, the signals we're getting from the US is that they are not enthusiastic about doing it, right? And then there are more practical issues which started with Biden but are going to continue, which is suppose that we actually want to do it and they want to do it, but they do it subsidies like they do in the— they did in the Inflation Reduction Act, and we do it through carbon taxes or equivalent, which we think is the right way to go. This creates a competitiveness issue which is going to get worse. Then we say, okay, so we're going to put carbon border taxes. It's going to be a mess measuring exactly what the tax as it should be is going to be nearly impossible and is going to be the source of frictions. So on defense and on the green transition, there are again reasons to worry. There were reasons before Trump and there are even more reasons since Trump.

[00:59:00.02]

I had another point which I'm trying to read as I look at my notes. Yeah, so there's a larger issue beyond defense and the green transition which is frontier technologies in general. And this is where the Draghi report comes in and it's clear again here that we're losing at some dimensions of the frontier space. The question is whether the Draghi approach is feasible or not. I think that in terms of numbers, it is not.

[00:59:37.13] - Natacha Valla

It is not—

[00:59:37.29] - Olivier J. Blanchard

but it is an issue and it's going to be made worse by the subsidies that Biden gave and the subsidies that Trump is going to give.

[00:59:46.12] - Natacha Valla

But it is not for, quote unquote, objective reasons related to fiscal space or is it not feasible for political reasons?

[00:59:57.25] - Olivier J. Blanchard

I think that depends on the country. There are countries which could afford to do it. There is a country where we are, where the two are related, which is that we cannot just do it and finance it

by an even larger deficit. Therefore, it implies cutting spending somewhere or increasing revenues somewhere, and politically, as we have seen yesterday, it's not happening.

[01:00:24.13] - Natacha Valla

I know. For those of you who are not in Europe right now, for us it's so tempting to go on this route because the Germans having upcoming elections where this is a topic being discussed. In this country, France, we are having discussions, new discussions about the 2020 '65 budget, which is not passed yet given the political situation. So you will forgive us, but I think it's relevant for the debate here, those considerations. And I'm almost even tempted to ask you what you think of the outcome, the position of Merz and the outcome of the debate in Germany, before giving the word to Mario, who might have a view on this as well.

[01:01:05.29] - Olivier J. Blanchard

Again, I think the The situation is very different in different countries, and Germany is moving a bit in what I think is the right direction, which is a bit more flexibility, a bit more investment, maybe financed partially by debt. But again, this is not an option that France has. This is not an option that Italy has. I'm turning to Mario. And therefore I'm not sure what's going to happen. It would be good to to do it at the EU level, but as we know, I think there is no great enthusiasm on the part of the Germans to participate in anything which would increase EU debt.

[01:01:46.14] - Natacha Valla

Right, right. So that's the perfect topic to turn to you, Mario, on what we've just discussed at the moment, actually, because in a sense— I have two questions, really. One is, What are the implications of what we're seeing in the US through defense, through energy, on the way in Europe, the way we sort of live capitalism and the way we move forward, the way business strategies in Europe are being developed? Is it likely to be affected by what we see in the US? And then, most more specifically through defense, through energy, could these be catalysts to bring us together? Olivier doesn't seem to see that happening so spontaneously, but it would be great to have your views on this as well.

[01:02:43.16] - Mario Monti

Um, my, my views are rather pessimistic, and I think it is necessary to collect from this conversation the fact that each bit of it, combining what is likely to come from the Trump administration and the constraints under which politicians are in most of our countries, go on and coexist. And we believe that they are there to stay, then let's be frank, this is the death of the European Union. I believe that it would be terrible for us Europeans to lose the European

Union because this would make it easier for any other power to distract each individual country as they want. On the other hand, it is true that the building a fairly complete European Union has always been considered a dream since Sometimes I ask myself a difficult question: will it be possible to one day have a European Union up to the task without those traumas— wars, secessions— that have characterized the process of formation of each country which has become unitary. I'm thinking of the Italian Risorgimento and of course of the US. Those things have not happened without blood. Am I saying, am I convinced that we need wars to arrive at a European Union able, among other things, to prevent new wars, or if there is one, not to lose it.

[01:05:19.28]

No, but I think that a European Union worth its name will not come without huge sacrifices. And here we are discussing of various ways of rejecting sacrifices, in particular by political leaders. I think we may construct a decent Europe without blood, but not if politics goes on as we accept it to go on. And we need at least a number of first-class politicians in European countries that are ready to do the biggest sacrifice that a politician can do, that is to lose an election. Because if you circumscribe the realm of what is politically possible to what is politically possible by governments without really losing consensus, we are done. But I think that there has been at least one figure in Europe that points to us the way to go. Chancellor Kohl was the most powerful person in the political sphere of Europe. He had achieved the reunification of Germany, not alone of course. He was wise enough to go against what his people wanted, that is to stick to the strongest currency in Europe, the Deutsche Mark, refusing the euro. He was coherent. In 1998 federal election, he lost to Gerhard Schröder, who was ready to please the mood of the German electorate.

[01:07:44.18]

Kohl lost his job. He had created in the meantime a fundamental pillar of modern Europe, the single currency. I mean, that is an empirical proof that without big losses, or at least being ready to incur in big losses, Europe cannot be constructed. And can we imagine if we are pressed by Trump on one side, and if we have to rely on the very, very low degree of determination and courage of most politicians, can we imagine that the European Union be built? No, but I want to conclude with one positive. The political power of governments of key member states now is certainly not strong. Maybe it is too weak, but it is not strong. And France and Germany are of course the cases in point, but not alone. What I see as the only way out for Europe not to solve all the problems we have discussed, but at least to move a bit towards being a more single entity, is that Ursula von der Leyen, who I hope recovers fully and quickly because we need her, and the new president of the European Council, Costa, do their job fully, reining down the power

of individual countries in the European Council, and the Commission being serious in being the watchdog of the treaty.

[01:09:52.25]

All this might seem to many in the audience obsolete. I think it's the only way to have a European Union gaining again the respect of member states and charting a course which could also induce the US to talk with it rather than simply jump on it and destroy it.

[01:10:20.13] - Olivier J. Blanchard

Yes, please. Mildly optimistic footnote— we need one— is that indeed in the polls the Commission and institutions of the European Union have become more popular and are actually more popular than many of the national governments, which is an interesting development, and I think that's something that indeed the EU can build on.

[01:10:50.28] - Natacha Valla

No, and that's important to underline it because as the last few words are highlighting, we are back to the deep fundamentals and fundamental weaknesses of our common destiny. But if there's popular support for it, maybe we will have the ability collectively to make that jump and those sacrifices. I have news meanwhile. I've had news from Jason, who has been with us since almost the beginning, but he's in the public, and there are so many people connected that the technical team couldn't find him on the line. Now Jason, I believe your microphone is working, so if you can hear us and speak, make yourself hearable. Yes, no, maybe? Otherwise, let's— we keep an option for you to come in whenever that's feasible, if at all. I've received a couple of questions from people online. I would like to check whether there are questions here in the room. We still have 15 minutes together. So if you do have questions, I will collect them. I see two hands raised, so please, if you could, I trust there's a microphone somewhere in the room. If not, I— You could speak loudly and I'll repeat it in any case.

[01:12:19.19]

And yeah.

[01:12:31.04] - Audience

many of us that that actually displays a sign of weakness in its economy, or like others like Donald Trump see that as a sign of strength for trade surplus. Do you think that the latter group,

the Trump camp, is in any way justified in putting in place trade— trade embargoes and tariffs against China for this?

[01:12:59.12] - Natacha Valla

So the question is for Mario, who— there was no microphone. China published a strong trade surplus, the strongest ever for a long time. Is that a strength or weakness? Is that a justification for tariff-like instruments? And then I will take the other question in the room before moving on to the ones online.

[01:13:20.13] - Olivier J. Blanchard

So I think it's neither a sign of strength weakness. It is the outcome of a strategy in which they find that, again, as I said, domestic demand is weak for various reasons which we can discuss, and therefore in order to achieve full employment, they have to rely on foreign demand, which they have done for a very long time. It has worked. From their point of view, it's not a catastrophe. From the point of view of countries which have to have a deficit vis-à-vis them, it may be an issue. The question is, now suppose that Trump puts tariffs on them, which clearly will have a large effect on exports, then what happens next? So one thing which can happen is that basically they decide they keep the same strategy, so they depreciate the RMB, and basically exports decrease but imports decrease and they keep the same large current account balance. There is a bet in the US that faced with tariffs they may actually change their mind and push domestic demand more, so in this case it would actually be a good thing for the a good thing for China, and you can argue that maybe this is what they need.

[01:14:45.19]

They are not willing to do the readjustment themselves or not able. If you put more pressure on them, they would. So this is a scenario in which good things happen as a result of the tariff. I suspect that it is a bit overoptimistic on the part of the— of the Americans to think that this will happen that way. And I'm not sure that that's not an ex post facto argument by non-Trump people to justify the Trump tariffs. I think that's too sophisticated an economic argument to think that it actually comes from Trump. I think Trump just sees, put tariffs, it will yield large revenues, it will decrease Chinese exports, which is a contradiction in itself because if it kills exports, Chinese exports, there will not be a lot of revenue. But I think that's the way he thinks. He thinks, to be nerdy about it, he thinks partial equilibrium. He doesn't think about what they could do to the exchange rate. He doesn't think about changing the composition of the mandarin China. But there are people who have expressed the view that I have given you, and God knows, could happen.

[01:16:09.19] - Jason Furman

And Natasha, I think I might be with you.

[01:16:12.13] - Natacha Valla

Excellent, Jason, and at least we see your name. We'll all remember the session so well. So you have a bit of time, so if you're willing to speak and able to to speak now. Everybody is awakened in the room and, and is, is eager to hear you.

[01:16:31.02] - Jason Furman

Um, I've heard half of what was said. I think, um, this might be symbolic of the next many years of the transatlantic relationship. I was really, really, really hoping to make it there in person, and that technology is still vastly superior, um, to this one. I kept leaping out of my seat wanting to unmute myself, but solely to agree, uh, with Olivia and Mario. I have heard almost nothing I disagree with, except possibly, um, giving President Trump credit for partial equilibrium thinking might be, um, might, might be overly generous. But, you know, broadly, I am nervous about the direction, um, the United States is taking. I think a shift to a zero-sum mentality in global economic relations is one that is unlikely to help the United States or to help other countries. I don't think you should understand it as solely President Trump. There is some continuity from the trade policies of the last 4 years. Certainly a lot of Democrats in Congress will support President Trump's approach to trade. No one knows exactly what it will be, but he has a deep conviction around it being zero-sum, around enthusiasm for tariffs, with lots of different reasons for that enthusiasm, but the one fixed point is the enthusiasm.

[01:18:08.08]

And everyone on his team is more vocally in favor of tariffs, either because they believe that or don't believe it, than the counterparts who were in the same seats in 2017. So what does this mean and what can be done? You know, one thing one can do is lament things and deplore them, but that tends not to change them. And so the question is, what does one do? A lot of the answers are the ones that you've all been discussing the whole time. Europe has a very serious productivity problem, is way behind in tech and foundational industries. And so whether or not you are facing some threats from the United States, would want to deal with all of that. And I think the Draghi report had a lot of good ideas in that respect. I think a little bit less antitrust, a little bit less regulation, a little bit more permissionless innovation would be things that I would recommend. But obviously these are choices for Europe to make. On defense is another thing

that I was thought was very important that it was emphasized so strongly in the Draghi report. I mean, here is a place where I don't think President Trump is 100% wrong.

[01:19:40.03]

The United States has expended significantly on a security umbrella.

[01:19:46.04]

It—

[01:19:46.23]

you look at something like Ukraine, just the amount the United States has done in terms of military equipment and the like compared to Europe. That's an imbalance that Europe should want to remedy on its own, and I think will need to remedy and can't count on, and might complement some of the other economic efforts and productivity efforts. When it comes to trade, I don't know exactly what I would advise or recommend that Europe do. One is continue to deepen and strengthen relationships around the A second is, you know, Trump is someone one can negotiate with and, you know, trying to be transactional, figuring out what wins that are highly symbolic for him but low cost or maybe even a benefit is a second thing to do. But some most complex is going to be their vision that they can link trade with national security. And do things like if there's retaliation, then retaliate even further through NATO and other vehicles like that. And to me, letting the trade disputes spill out into a broader one about the security umbrella is one that I would try my hardest to avoid. And so they're stepping up and doing more on defense could help.

[01:21:17.17]

These are just one person's ideas and suggestions. I'm not a European, so you can all decide whether you think they're good or bad. I'm not trying, as I said, to remotely defend or be enthusiastic about the current state, but the question is, taking it as given, what's the best way to handle it and, and move forward? And I think You know, these are a few thoughts of mine. I think some of them are reiterating and underscoring things that have already been said over the last hour and a half.

[01:21:55.05] - Natacha Valla

Thank you very much. That was very concise but very clear. And I think we have a view on your expectations and your advice is certainly enlightened by your understanding of the European

economy and European policymaking. We have a bit less than 10 minutes now, so what I suggest is that Olivia and Mario might want to react very quickly to what you just said, but I will also throw the questions that we've received so that by means of concluding, you will be able to make a few remarks. I know there's a second question from the room. That will be it, unfortunately. I have a few online. Let me choose a number of them. One, is the Draghi Report the only possible solution for the future of the EU? A second one, may you reflect on the implications of individual power versus institutional, national, and international power on the future of international relations? We've tackled the topic a little bit already, but that was a question Third question that I would select is, will we as Europeans ever have a common debt? I guess you sort of gave half of an answer already, but that's where we are.

[01:23:14.23]

A fourth question, what role the middle powers like Brazil, India, etc., can play under these circumstances to boost multilateralism? And the last question online would be, can Will the speakers share their views on Trump's appointees as Treasury and Trade Secretaries? Can we expect a coordinated approach? I take the last question from the room. Very quickly, please, if you could be concise.

[01:23:43.01] - Audience

Yes, so thank you all three for your interventions this evening. What I wanted to ask is that when you talk about tariffs, we always focus on the negative effects of consumption and the degradation of standard of living that comes with it? Can we be hopeful that there will be a positive effect in removing some of the inherent fragility that comes with highly interconnected value chains? So to put it very bluntly in an example, will this force us to make our own masks and vaccines next time there is an exogenous climate, climate

[01:24:21.10] - Natacha Valla

Right, thank you.

[01:24:22.05]

So the question was, for those online, we always focus on the negative effects of tariffs, but can't we think about positive effects, in particular on the structure of global value chains and the independence we can develop as a result of them? If you don't mind, Olivier, given the fact that Jason joined late, I give him the floor first, then you follow on, and Mario, you will close the session with your remarks. So Jason, please, if you've heard the questions, select the ones you want to answer. I wouldn't suggest what you think about the nominees, but you choose.

[01:25:03.08] - Jason Furman

Okay, um, I think, by the way, the nominees are very competent, but they didn't get to where they got in terms of nominations without promising to be in favor of tariffs. So, um, but, but very competent. On the Draghi report, I 90% agreed with it. I think there were a few things in it that I was skeptical of. I think there was an over-enthusiasm for what's been accomplished in U.S. industrial policy. I think we've done some good things. We are going to have more microchip production here. We're going to have more clean energy. But some things have come at a significant cost and some of the benefits, I think, have been a little bit overhyped and overstated. Moreover, I'm not sure that even if the United States was 100% successful— and I think we were 70% successful, not 100%— but even if we were 100% successful, some of it's difficult for Europe to imitate. It's hard for Europe to do things without 27 different countries. Each having a piece of it. Some of these things are, are hard to do, um, in that type of way. I also thought the report had a little bit more enthusiasm for using trade policy and even strategic protectionism as a way to help.

[01:26:21.24]

I think that, for example, protection of the U.S. EV industry is likely to lead the industry to be lazier, less innovative, and integrated into the world. In a decade from now, we're going to look back and think that this hurt the industry, not helped it. My hope is that Europe, which has similar tariffs now, would decide that the endgame is not delinkage from China but accepting more Chinese investment, foreign direct investment, learning from that and, and the like. And then the last thing is, I do think that a hard look at regulation, including antitrust, is one of the cheaper, in fact no fiscal cost at all, things that is very worth doing. And thank you for including these two interventions, and I really, really, really wish I could have been with you in person.

[01:27:19.18] - Natacha Valla

Next time. Thank you very much, Jason. Olivier, I give you the floor.

[01:27:23.23] - Olivier J. Blanchard

Let me go through this quickly as well. On tariffs, you're completely right. I mean, tariffs would sometimes play a very useful role. You may have infant industry arguments which are perfectly legitimate, not always, but it can be. Security issues, say, you probably want to have stuff done at home or close to or with friends. That's perfectly reasonable. So again, as I said, I think we should not be against tariffs, but the way he's thinking about it or the way they intend to use it doesn't seem to relate to that discussion. But I take your point. On the Draghi report, I wrote

quite a bit. I mean, I was involved and I wrote quite a bit. I think it's a very useful alarm indicating that we're really not at the frontier, you know, in various dimensions where we could be. I think it probably overplays overplayed it, but that was a good thing from a PR point of view because it scared people. I think that some of the problems come from not the frontier technologies, but from the fact that our labor market institutions may not be right. So in a way, that worries me because I think it's much more exciting to be talking about regulating AI than about changing severance payments.

[01:28:42.07]

And I think it's shifting the discussion in a way which may not be totally productive. On Brazil, India, and so on, I think that we didn't talk about this, but I think one of the implications of the system as it seems to be evolving is it's going to be very hard for a number of countries to grow. I mean, a lot of countries, say Vietnam, for example, have based their growth on exports, you know, getting into the value chain at a very low level, learning how to do it, right? T-shirts is the usual cliché, and then moving on and then producing cars at the end and chips, right? In a world in which we're going to see tariffs all over the place and, you know, you work only with the friendly countries, are you going to be Are you going to be in the Chinese supply chain or are you going to be in the US supply chain? I think some of these countries are going to be in some trouble, not talking about the fact that the dollar appreciation is a catastrophe for countries which have borrowed in dollars. So that I think is a big issue.

[01:29:55.14]

On international risk was the last one I took. On international relations, what do you do in a world in which some countries decide not to play by the rules? Which is a description of Trump. And I think what you do is you try to basically find a set of friendly countries in which among yourselves you play by the rules. And then with respect to the countries which are misbehaving, then collectively You don't play by the rules. So you create these enclaves, which is the European Union, but could be— I'm dreaming— but the European Union plus China, or plus India, in which we decide that we're going to play by WTO rules. We're not going to put tariffs on if it's justified in some way. But with respect to the US, we will not accept everything that they I think that's the way to think about it. And common debt, I mean, exists already, right? Next Gen. How much more of it are we going to see? I think maybe. That's the most ambiguous answer I've given all night.

[01:31:12.20] - Natacha Valla

It should be a positive development and will bring this idea of enclaves forward. Uh, Mario, uh, we have a couple of minutes which are yours to close the session. I think if you turn on your microphone, your picture will appear on the screen. Now we see Jason's name, but, uh, it should be switching to, to you in principle.

[01:31:40.29] - Mario Monti

Can you, can you hear me?

[01:31:42.07] - Natacha Valla

Perfect, we see you, we hear you, and the floor is yours.

[01:31:46.01] - Mario Monti

Okay, yes, I will just say a word on the common debt that was touched upon by Olivier and add an anecdote on that to conclude. I had many, many occasions in 2011-2012 when I was Prime Minister of Italy to discuss with Angela Merkel, the Chancellor of Germany, about common debt as an element of solution of the eurozone financial crisis. And many times she repeated to me, "It will come, it will come, but not in my lifetime." Then there was a softer version, which was, "It will come, it will come, but but not in my political lifetime. And then I saw her in Milan a few weeks ago on the occasion of the presentation of her book, and I noted to her that in fact common debt, which is what Olivier alluded to for Next Generation EU, has come, has come during her lifetime has come during her still political lifetime, because it came towards the end of 2020. She was still in charge. And in fact, she used her political authority at that time to speed up the procedures of ratification by each of the 27 member states. For the common debt to be born.

[01:33:31.17]

So even impossible things, even things declared impossible or eternal in their coming by German authorities, can happen in the European Union. I think that it will happen again. My own taste would be not for a second next Next Generation EU, like many southern countries would like to see, but rather to allow the budget of the EU to have a more decent size and to provide for European public goods, of which the most needed now, in my view, is defense.

[01:34:17.14] - Natacha Valla

Thank you very much. That comes to a conclusion only 5 minutes late relative to schedule, let me thank you warmly, Mario, Olivier, Jason, for this very, very high-level discussion, also

enlightening, a bit optimistic, but very substantial. So merci beaucoup, merci encore, depuis Paris. Merci à tous ceux qui sont connectés online. To all those who are sitting here in the room, I give you rendezvous in the room next door for a drink. Thank you very much and see you soon. Goodbye.

[01:34:52.03] - Jason Furman

Merci, bonsoir.