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Introduction

Vice Chair Marie-Josee Kravis

Sorry to interrupt your conversation, but we should get started. I'm Marie-Josee Kravis and I'm the Vice Chair of the Economic Club. And I can't think of a more propitious time to have with us the Governor of the Bank of France with all the discussions about Brexit and, of course, about the deepening of the European Union and coming a day after President Macron's appearance in Strasbourg and, of course, the ongoing discussion on normalization. So, it's a very propitious moment to welcome François Villeroy de Galhau. He is a graduate of the ENA, Inspector of

Finance. He joined the French Treasury in 1988. He was the European advisor to the Minister of Finance and the Prime Minister Pierre Beregovoy. And he was the financial adviser, subsequent to that, to the Permanent Representation of France in Brussels. He was also Chief of Staff of the Minister of Finance, Dominique Strauss-Kahn and later Christian Sautter. And he has a vast experience in the private sector being involved with BNP Paribas in numerous functions but finally became COO of BNP Paribas until 2015 when he became Governor of the Bank of France. So, we wholeheartedly welcome the Governor of the Bank of France and, of course, I should also underline the fact that the Deputy Governor of the Bank, Sylvie Goulard, is with us today. So, we're very happy to have you also with us. So, with no further ado, I cede the podium to the governor. (Applause)

François Villeroy de Galhau

Governor, Banque de France

Dear Marie-Josee, thank you very much for these kind words. Dear Barbara, dear President, cher Madame la Consule Générale, ladies and gentlemen, dear friends, I am very pleased and honored with Sylvie to give this speech to the Economic Club of New York. And to be fair, there are two prestigious institutions – the Economic Club and the University Club where we are in. I don't know if you are aware how impressive it is for us Europeans to arrive directly from Paris, France and to discover these wonderful rooms you have in such venerable institutions.

The theme of my speech is economic developments and reforms in France. Let me say that probably one year ago – as late as April 17 – you would probably not have suggested this title. We were just before the French election and this shift tells something: France is currently going through exciting times and deserves a close scrutiny.

There is an old saying in France and I understand you sometimes quote it in French. (Speaking in French) For those of you who don't speak French, I will translate it. The more things change, the more they stay the same. But, for once, this saying is proving wrong.

Before addressing the subtitle of my speech, "Where are we heading?", I would like to start with another question. Where are we starting from? As about everywhere among the advanced economies, France experienced a decline in its potential growth from 2% in the 90s to about 1.3% currently. This question of the potential growth is our main and often forgotten long-term economic challenge. Potential growth could be higher, as in several other advanced countries. An increase would indeed be necessary to face the headwinds of high public debt, ageing and environmental transition, while safeguarding the European social model. If funded – I stress the "if" – this European social model is a long-term economic asset, while bringing more education and more cohesion.

But, there are two other more specific challenges for France. The first one is a persistently high unemployment, which never fell below 7% since 1983. The second one is high public expenditures, the highest among European countries as a share of GDP.

Yet, France also enjoys major assets. First, a high investment rate – you see it on the top left – which has returned to its 2008 peak for private non-residential investment – close to the U.S. level, indeed, and which remains above the euro area, especially above the German level, for public investment on the top right. France also has a wealth of fast-growing innovative firms according to Deloitte.

A second asset, a high level of hourly productivity, on a par with Germany and the United States – so the best performers worldwide – but with a more dynamic working-age population than in the rest of Europe, which will support potential growth in the medium term.

That is asset where we are starting from. I would like to underline that we are enjoying a favorable momentum, which offers a window of opportunity for reform. This opportunity is indeed being seized to implement ambitious and consistent reforms, so yes, France is heading in the right direction and at a fast pace. I will add, at the end of my speech – as Marie-Josee suggested – some remarks on Europe and the Eurozone strengthening.

Let me come to my first point about a favorable momentum. Business climate and consumer confidence increased sharply in 2017. Surveys in all sectors reached levels that had not been observed for several years. After the uncertainty surrounding the presidential campaign, the French institutional framework now seems solid to international observers. You see it on the bottom. Allow me – as a central banker I shouldn't be allowed – but allow me a one-second excursion from economic to political science. In the troubled democratic times we live through, France has a strong advantage of a clear two-round majority voting system, and five-year terms for the President as well as for Parliament, so until 2022.

I come back to economic. One remark about the latest business surveys and economic data: they point towards some moderation, which is not specific to France, but also seen in other euro area economies. GDP growth in the first quarter could thus prove somewhat softer than previously anticipated. However, the underlying momentum remains solid and broad-based, and we interpret recent data as reflecting a temporary pull-back from the very strong and above-trend pace recorded in the second half of last year. It does not alter the inflation outlook over the medium-term horizon, which is relevant for our monetary policy.

Against this backdrop, we forecast GDP growth in France to remain robust in 2018, at 1.9%, after 2.0% last year, and growth to stabilize at around 1.6%, 1.7% per year in 2019 and 2020, which would remain above potential. Thanks to this performance, the output gap is expected to close next year. You see on the top left; the engines of growth should be more balanced. Household consumption – in red – is expected to accelerate somewhat, with significant gains in the purchasing power of households of 1.5% to 2% per annum. In particular, the tax measures set out in the budget laws should help to boost household income from the end of this year. Total investment should lose some momentum but remain a significant contributor to output growth. And as exports pick up – this is the yellow part – the contribution of external trade should turn neutral.

The performance on the labor market has been very encouraging as well. The unemployment rate on the right decreased to 8.9%, which is still high – I will come back to that – but a sharp decrease at end-2017. And it is expected to further decline and hit at end-2020, 7.9%, the lowest level since 2008.

This economic recovery and higher inflation in France as well as in the euro area as a whole – the inflation figure for March in the euro area was published this morning at 1.3% – these performances have been decisively supported by our non-standard monetary policy measures, and let me say some words about monetary policy. We are now following our central course of gradual normalization. And there is at present a high convergence in our views within the Governing Council: whether our net asset purchases stop in September or December is not a deep existential question. Along with this clear sequencing of gradual normalization, we also agree that our monetary policy will remain accommodative for an extended period of time. In particular, keeping a sizable stock of assets is key for easing financial conditions over a long horizon by compressing term premia.

So, we are predictable, but we are not pre-committed. What could slow down this course of gradual normalization? Certainly not fiscal dominance. Nobody should expect us to delay a warranted monetary normalization in order to accommodate the debt problems of any Member state. Instead, we should pay close attention to a possible cumulative risks scenario, the likelihood of which has increased recently, I think to an adverse loop of protectionist threats, unfavorable exchange rate movements, and abrupt financial markets corrections. Such a negative loop would tighten financial conditions, and deteriorate the growth outlook in the Eurozone. Our monetary policy stance would then have to be adapted, depending on the ultimate impact on inflation prospects.

In any case, this cyclical expansion provides an appropriate timing for reforms, especially for those that may be costly in a downturn, such as reduction in public expenditures and labor market reforms. The growth and employment performances of other European countries in recent years show very clearly – you see it with Germany, Netherlands, Spain – that implementing deep reforms can have large payoffs. In Spain, for instance, significant reforms were implemented between 2010 and 2012 to reduce the duality of the labor market, to increase labor flexibility for firms and to strengthen active labor market policies. There have been, in Spain, some short-term employment costs, but France would not have to face these costs in the current upturn thanks to the supportive medium prospects, and France could enjoy major benefits from these structural reforms.

So, I come to my second part about the implementation of ambitious and consistent reforms in this favorable cyclical momentum. The success of these reforms will indeed hinge on perseverance – as no reform has a one-year pay-back – and on their overall consistency, as all reforms are in a close interaction. I would like to focus now on three such interactions. First, on public finance, second on labor, and third on product market.

Let me start first with the interaction between the public debt, efficient public spending and the tax system. Although some progress has already been achieved, structural public finance reforms are still needed. Thanks to the strong economic growth in 2017, the headline deficit fell below the 3% threshold, reaching 2.6% of GDP, and finally complies with the Stability and Growth Pact deficit rule. A tax reform was voted last fall, lowering the tax burden on companies and on capital; the corporate tax rate will gradually fall from 33% to 25% in 2022 and personal capital income will be taxed by a flat rate from this year. Last week – and this is important – the French government published its revised medium-term targets. The public deficit is projected to turn into a slight surplus by 2022, for the first time since 1974, while the public debt-to-GDP ratio, which reached 97% of GDP last year, would decline by almost 8 percentage points in the same five-year horizon. These ambitions are very welcome, but the better-than-expected results of 2017 should not make us complacent about the remaining challenges. Even with favorable cyclical conditions, the success of fiscal consolidation strategy will depend on capping public spending growth. The government projects public spending to increase in real terms by around

0.25% per annum on average in the four next years, compared to +1.1% in 2017 and 2018. Achieving this significant change of growth is necessary but it will require additional efforts, which are not yet specified. Public expenditures need to be made more efficient, in particular on social protection spending, which include pensions and unemployment benefits and which contribute – you see it on the top right – which constitute the bulk of the difference between France and Germany on public spending, as you can see in yellow.

Second interaction, I would like to emphasize the interaction between labor market and education reforms, and this is a key progress the government is committed to. Ambitious labor market reforms have been implemented, aiming at increasing employment flexibility. The negotiation space given to social partners for decision-making, especially at firm level, has been widened. This could reconcile efficiency and worker protection, as we see in Northern Europe. Staff representation obligations have been simplified by the creation of a single representative body instead of three. Finally, the uncertainties of labor disputes have been eased with a cap on severance pay in case of abusive layoff and a new type of collective layoff by mutual consent.

But, to yield its benefits, increased flexibility on the labor market requires greater adaptability of skills through a better-functioning lifelong training and apprenticeship system. Currently, the French lifelong training system is unable to provide the appropriate skills, as shown by the disconnection between job vacancies and the unemployment rate, here in red on an inverted scale. Unfilled vacancies – in blue – represented more than 200,000 lost jobs last year.

Apprenticeship is insufficiently developed, resulting in a high youth unemployment rate. Lifelong training and the apprenticeship system are currently and resolutely being reformed, with ambitious and accurate proposals by the government. Add the announced bold plan for primary and secondary education, as well as for the access to university, and you can really expect that the French labor market and skills will dramatically improve.

My last interaction is between labor and product market reforms. They both imply an alleviation of red tape and they will ease business activity.

There has been significant progress in the past, as reflected – and you can see it – by the decrease in OECD's Product Market Regulation or network industries regulations indicators. The impetus for this reform was either European, for example in network industries, or national, for example in retail trade or in regulated professions. I don't know if you are aware of the so-called Macron law, which was passed as early as 2015. The name has become very famous obviously, but at that time Mr. Macron was economic minister and it was his first impressive achievement, so expect from him resolute commitment on product market liberalization. It led in both cases to a significant decrease in prices, purchasing power gains for households and a cut in intermediate consumption costs for firms. A significant reform is underway with the ongoing railway reform preparing for increased opening to competition. This is not yet done and you see again images of French strikes, but they shouldn't have significant economic effects, and strikes are sometimes, at least in France, the road to reforms.

Finally, some words about the European environment. It can support the French momentum. A strengthened Economic Union in the Eurozone can indeed be an accelerator for the national reforms and is anyway needed in order to avoid overburdening monetary policy by the next cyclical recession when it will come. There should be, according to me, four dimensions to this accelerator role: macroeconomic, microeconomic, fiscal and institutional.

The macroeconomic accelerator is a collective economic strategy in the euro area. It is premised on one simple fact: economic growth and employment will be stronger in the euro area as we will combine more reforms in countries where they are needed, like France, with more stimulus in countries with leeway for it, like Germany or the Netherlands.

The micro accelerator relies, would rely on a Financing Union for investment and innovation. What do I mean with this project? The aim is to mobilize the EUR 390 billion savings surplus of the euro area last year, notably to shore up equity, which is a key to an innovation economy, and also to foster synergies, thanks to an integrated steering mechanism, between the Juncker Investment Plan, the Capital Markets Union and Banking Union.

The fiscal accelerator could be a euro area investment budget used to finance, for the benefit of all countries, certain European common goods such as digital economy, energy transition, security, and migration controls. If there is such progress on substance on these three accelerators, in terms of institutions – and this would the fourth accelerator – we would need a euro area Finance Minister, President of the Eurogroup, and Member of the Commission, backed by a European Treasury, but also a euro area Parliament Group, in order to ensure the democratic legitimacy of the institutions and decisions.

Let me conclude before coming to your questions. France is heading in the right direction and at a fast pace, with a strong government commitment to reforms. I stress it, as a fully independent central banker, France is changing for the better.

But France is not alone obviously. The European and international environments need to remain supportive – in terms of economic upturn first, but also in institutional terms. A country cannot implement the appropriate structural reforms, improve its flexibility and attractiveness and then face a major disruption in international trade, reducing the payoffs of such a political effort. If we want to preserve together the present global expansion, if we want to encourage reforms and hence increase potential growth, we need to maintain an open international environment, a rule-based multilateral order.

I stress it here in the United States, as a dedicated European speaking to close historical allies – and we saw it still three days ago in Syria – we have many common challenges, politically and economically. To avoid disaster, we should resolutely build common solutions to these common challenges. Believe me, France is taking its part of the task, today more than ever. Thank you for your attention. (Applause)

QUESTION AND ANSWER PERIOD

VICE CHAIR MARIE-JOSEE KRAVIS: Thank you Mr. Governor, and thank you for giving us such a clear, strategic, and conceptual framework as well as a very practical agenda of reform in France and also challenging us on some key international issues that this country must address. We'll take questions from the room. Please...

Thank you very much for your very thorough presentation. My question relates to one of your charts earlier on where you had the components of GDP. So, I noticed in your presentation, a lot of your charts showed very increased, significant increase in confidence and all other positive indicators. However, I see that private investment – maybe I'm reading this incorrectly – it appeared private investment peaked in 2017 and then is projected to go down the years after, your green bar there. So, I'm just wondering why would private investment be going down given the positive economic environment and the level of confidence?

GOVERNOR FRANÇOIS VILLEROY DE GALHAU: Thank you for your question. To be more precise, the growth of private investment will slow down somewhat, but the stock will still increase very significantly. So, the simplest answer to your question is that we lived through, especially in '17, a very sharp increase of this green part, private investment, more than 4%. And so, it's not a long-term natural rate, which would mean much higher for years than the GDP growth. We expect a private investment growth of more than 3% still this year and between 2 and 3% through next year. We will see, because as you are conscious, and you are especially, forecast on private investment are probably the most difficult to elaborate upon. But we have seen strong business dynamics helped also by favorable financial conditions – let us be clear – in the Eurozone, helped by a tax credit implemented by Mr. Macron as he was Economic Minister in the former government, and helped also by all the structural reforms for business. So, we are not especially worried by the evolution of private investment, to put it in a nutshell.

BARRY COHEN: Good morning. Thank you for your comments this morning. Barry Cohen from Societe Generale. I'd be curious to hear your comments on banking reform, both at the national as well as the euro-wide area, if you have any.

GOVERNOR FRANÇOIS VILLEROY DE GALHAU: And you could mention also the global scene with about free agreement, it should probably flow to it also. If I start with the national landscape, France has a strong advantage. I could have mentioned, among its economic assets of having a very solid banking system. I don't say it to be pleasant to Societe Generale or to any other French banks, but if you look at the French banking system, it went through the crisis of 2009 to 2011 without any taxpayers' money, and it's one of the very few such situations, be it in Europe or in the G-7. And we have four major universal banks. The strategic characteristic of universal banking is probably one of the reasons for this solidity, so quality of the supervisors, the ACPR, which is, it's the small sister so to say, of the Banque de France. I'm also Chairman of the ACPR. It's another explanation and obviously I should pay tribute to the quality of management. If I now come to the international and European scenes, first on the European scene, we made decisive progress three years ago with the Banking Union. And as you are aware, probably most of you now, the most important European banks, 130 of them, are directly supervised by the SSM, Single Supervision Mechanism established in Frankfurt and which is under the ECB umbrella. And this is a decisive progress to cut the link between Member states and national supervisors and individual banking systems. We have lived through domestic crisis fueled by domestic banking problems, be it in Ireland, in Spain, in Cyprus, so Banking Union is a decisive remedy to the situation. Are we completely over with the task of repairing the European banking system? Not completely, but there have been some decisive progress made. People usually think there's still some problems which exist in some southern European countries, but can I say that it's now a small minority of the number of banks and of the share of balance sheet. If you look at the solvency ratio, so core equity tier 1 of European banks, this 130, it improved dramatically from 9% five years ago, in 2012, to 15% today. So, as a whole, the European banking system improved dramatically. We have to complete the Banking Union on resolution, on some kind of common deposit guarantee. But the decisive step happened three years ago with supervision. A last comment on the world state. It is of utmost importance that we still rely on internationally shared regulation. This has been a decisive answer, common answer of the G-20 after the 2009 crisis. If you look at the G-20 communique of London and Pittsburgh in 2009 – I'm not sure you usually read through G-20 communiques because they are not the best literature you can start your day with, but believe me, spend ten minutes reading these two communiques – the regulation agenda international, after the financial crisis is very clearly defined and it has been for the vast majority of it, decided and implemented. Basel III is part of it on the banking side. And this common answer has been one of the key solutions to overcome the financial crisis. It's why it was so important to finalize Basel III, which we did last December on commonly agreed basis, on both sides of the Atlantic and also with our Asian partners. And probably some banking systems, including in my home country, hope that we could come back to differentiated regulation. No, we need a level playing field and we need commonly agreed safety rules, be it on solvency or on liquidity, to prevent the next financial crisis. There are some room to maneuver for domestic issues, if I look at the banking bill here in this country, about community banks, about the precise thresholds, about the Volcker Rule. This is not part of the mutually agreed banking rules. But for the international agenda, we should stick to this multilateral order and it's very good news that it has been the case last December. And if I look at the last G-20 communique of Buenos Aires, this one is less interesting, but we met last March – Finance Ministers and Governors – we all said, the 20 said we would implement this agenda.

CHARLES ROSE: Thank you. My name is Charles Rose. I have a question about social reforms. There seems to be a great deal of angst in the French community, strikes. Talk about the components about altering entitlements, social programs such that we see a more consumptive economy, a more productive economy from the levels shown. Because you're showing your GDP growth forecast to be actually growing, but growing at a slower rate going forward. Thank you.

GOVERNOR FRANÇOIS VILLEROY DE GALHAU: There are probably two parts in your question. Could I start with the last one about the economic consequences?

CHARLES ROSE: One other question.

GOVERNOR FRANÇOIS VILLEROY DE GALHAU: I already had two questions in one. (Laughter)

CHARLES ROSE: If you could also make any comments about Brexit, I would appreciate that.

GOVERNOR FRANÇOIS VILLEROY DE GALHAU: That's a different question. (Laughter) So, I come back to the two first ones. About the economic part, you are right, this economic forecast for '19 and '20 don't incorporate the effects of structural reforms or in a very marginal manner. It's more or less a cyclical forecast so to say. Why do we have a deceleration? Because we will have closed the gap. And this refers probably to my most important message which was the first slide. Our key issue is potential growth. And it's true, not only in France. It's true in Europe and I guess it's true in the United States and other advanced economies. I stress this challenge because it's sometimes forgotten. And so I'm not sure our main issue is new cyclical stimulus, including fiscal. Our main issues in all advanced economies is structural reforms to upgrade potential growth and perhaps we are slightly pessimistic, but in the short run it's quite difficult to measure the effect of structural reform. We would expect them to be stronger after 2020, so two or three year's payback. About the political part of your question, you are right. Structural reforms are always difficult, especially in the social front, but not only in France. If we have some kind of génie national, national genius, I'm not sure it's a genius, but it's that we have more strikes than other countries. But if you refer to the other countries I mentioned, Germany fifteen years ago, or Spain five years ago, reforms have not been that easy. Remember Germany. But the conclusion is crystal clear. They are efficient. They bring more growth. They bring more employment. And my other message was to say that it's easier to implement such reform in cyclical upturns because the cost is smaller. So, this depends on political choices. Luckily, it's not up to us, independent central bankers, to make such difficult social choices. But the present government has a rather clear democratic mandate on that because Mr. Macron was quite clear in the electoral campaign. And our role as central bankers is to say from an economic point of view, it works. As simple as that. It works without hampering the core values of what I call the European social model. And I know there is a debate about that. What is exactly the European social model? We could spend hours on that, but I suggest to you a very simple definition. First, strong public services including on education. Second, less inequalities. And third, more labor relation. You have differences between European countries, but the common picture is quite significant, differing from American or Asian countries on that. And if you look at all these European countries after the reform, they have maintained the core principle of this European social model. And this is probably what unites European beyond a historic culture, geography. The vast majority of countries, of citizens in all the countries, they stick to the core values of this

European social model. But sticking to the values doesn't mean that you have to overpay for it and this is our challenge. And the message of these successful experiences is that you can build on this European social model, while being economically efficient. And if so, it probably brings some of the answers to the new challenges of the 21st century. If you have more education, for instance, you are better suited for the new technological era. And we also, in many countries – to give another example – that inequality matters also on democratic and economic choices. So, I don't want to be long on that. The debate is not about abandoning European social model and social reform. The debate is about improving the efficiency and reducing the cost.

KEN WASSERMAN: Ken Wasserman. I'm an attorney. With respect to your advocacy of limiting federal spending growth, do you have personally any priorities, specific priorities, where you would like to see that limitation made effective?

GOVERNOR FRANÇOIS VILLEROY DE GALHAU: This is also a very good question. One very small technical reflection: when you speak of limitation of federal spending, it's quite true, as focused question because, as you are probably aware, for us the bulk of the spending is federal. We still have some local expenditures which are growing fast, but to give you a magnitude, 40% of total public spending is central government, 40% is social protection and transfers, and about 20% local expenditures. It's not up to me. It's not up to us, the Banque of France, to say you should cut in such or such category or sector. These are, again, political choices, and luckily so. I don't – I believe in independent monetary authorities – I don't believe in independent fiscal authorities for this very simple reason. These are collective preferences.

Our role is sometimes to say, and what we did on this chart on the right, is only to say, look, we have benchmarks with comparable countries, which have more or less the same social model, the same kind of policies, but the cost of these policies is much higher in France than, say in Germany. I mentioned social expenditures to give you another example, which is dark light, if you look on the right, it's about housing. We spend about 1 or 1.5% of GDP more than Germany on housing. And we are not sure, to say the least, that the output is very significant, in positive difference. Perhaps on the contrary. So, this is clearly a sector where we could improve the efficiency of public spending. I will stop here.

DAVID MOTSONELIDZE: Mr. Governor, thank you for taking my question. My name is David Motsonelidze. I work at Stifel Nicolaus. I have two questions. Number one, how would you monitor progress on reforms, specifically as it relates to labor market? Second, what does Brexit mean for France? Thank you.

GOVERNOR FRANÇOIS VILLEROY DE GALHAU: I'm sorry, because I forgot your question about Brexit, but now I have an opportunity. Could you repeat the first one?

How would you monitor progress on reforms, specifically as it relates to labor market?

GOVERNOR FRANÇOIS VILLEROY DE GALHAU: I will be very short on this first one. There are many ways to monitor it. I mentioned the OECD measures of the level of regulation on product, on labor market. There are also very simple ways which are more microeconomic, is to ask businesses. And I have little doubt that if you ask entrepreneurs today in France, including SMEs, are labor laws now more flexible, they will answer yes without any doubt, without any doubt. They will perhaps say that it's not flexible enough according to them, but there is a general climate and you see it in surveys, etc., of improved will, improved desire of entrepreneurs to hire people. On Brexit, perhaps one more technical point, sorry, to your first question, all European countries are now committed to transmit each year to the European Commission three year's reforms program where they try to measure the economic output expected from these reforms. So, it could be another answer to your point. We could discuss the accurateness of these figures, but at least it's a tool among others. On Brexit, and I take then your two questions, to put it in a nutshell, Brexit is and remains bad news for everybody. First and foremost, for Britain, but also for us Europeans as for other trade partners. There are difficult negotiations at present about (a) a so-called implementation period, where we made good progress, and (b) the end regime, which is probably the key question. And Mr. Barnier is a European negotiator. He cannot conclude a deal on the implementation period if the Europeans don't have clarity on the end regime. On the end regime, there is a clear political choice to be made by the British authorities. And again, it's a democratic choice. It's up to them. It's not up to us Europeans. It's about a single market. The single market is a common asset, which has been built combining free trade and common rules. And so British knows this as well as we do because they were very active to build this common asset of free access including in services and shared rules. The rule of the game is very simple. You cannot separate both aspects of the single market. If you want free trade, you have to implement the common rules. If you don't want to implement the common rules, which is perfectly understandable, then you have less access. And this is all the debate we hear about: should it be a Norwegian style agreement, which means full access and common implementation of the rules? Is it about a Canadian style agreement, less access and few common rules? Or is it a tailor-made agreement to be built? Perhaps. But in any case, we will have to build a degree of proportionality between the two aspects. On financial services, so far the indication given by the British government is that they wouldn't want to accept the common European rules and the jurisdiction of the ETG in Luxembourg. If that is the case, it would mean that the city of London would lose the European passport. So, London would remain a major financial center, but a significant part of European savings, which are dealt with in London today, would be relocated in the European Union and the Eurozone in particular. How will this happen? It's too early to tell. But, again, it's a decisive choice by the British government. If it happens so, it will mean that there will be some kind of positive competition, a business-friendly competition between the various Eurozone countries. Not on the rules, because we have a single rule book, but on the tax regime, on the legal environment for business, etc. Let me only stress that the French governments – I said in plural, so two last French governments – have been acting decisively in improving the business climate for international financial institutions. And I must say we are quite glad with the development we see in the recent month with an increased attractiveness of Paris.

VICE CHAIR MARIE-JOSEE KRAVIS: As you can see, we could go on and on, but I just want to thank you, the Governor, thank you Madame Goulard for being with us, and Antoine ___, of course, who is part of the Economic Club family, who has brought France to our attention so regularly. So, we thank you all for being here and for sharing with us your program for reform. I just want to inform the members that the next meeting of the Club will be on May 16 and will feature Larry Summers, the former Director of the National Economic Council and the former Secretary of the Treasury. So, I welcome all of you for the May 16th meeting. (Applause)