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Program

GUEST OF HONOR

THE HONORABLE

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GLENN HUBBARD: It is my great pleasure to welcome you this club's 399th meeting here in the City in our 101st year. The Economic Club of New York prides itself on being this country's leading non-partisan forum for anything having to do with economics or business. Over the years, our members and our guests have heard illuminating and enriching exchanges from a whole host of national and world leaders, as we will this afternoon. More than a thousand guest speakers have appeared before the club over the past century, and I think have given it a tradition of stature and excellence.

Before I introduce today's speaker, I would also like to recognize the members of the Club's Centennial Society. In the hundredth anniversary of the club last year, several dedicated club members sparked the formation of the group to insure the club's financial viability in its second century. Thus far, we have a hundred and seven club members who are being honored as founding members. Their names are in the program and the website.

Now, of course, today, especially in light of the present situation, and I could refine that remark almost by the minute, much less by the day, in credit markets and in the global economy, each day brings events that shape and reshape the financial system. As a textbook author, I feel like I'm having to rewrite my books on a weekly basis. We are honored today to hear from Jean Claude Trichet, the President of the European Central Bank. His leadership of the ECB comes at a time not only of financial market stress, but at a time of intellectual fervor over the appropriate role for and design of monetary policy. Before he joined the bank in 2003, President Trichet had a distinguished career of three decades as a French financial policymaker including two terms as Governor of the Banque de France. His leadership of Europe's youngest, but most powerful

financial institution has led the financial times to name him Person of the Year last year. During his five years in office, the ECB has gained significant credibility and respect in the markets and among policymakers around the world. We are glad as a club to welcome back, President Trichet, and are eager to hear his remarks on what seems to be an emerging global financial crisis. President Trichet, the floor is yours.

PRESIDENT TRICHET: Thank you. Thank you very, very much, Glenn, for what you just have said. I have to say that never have I crossed the Atlantic so often during the last days and I think it's testimony to the very close relationship that two sides of the Atlantic have in these demanding times. Let me say that the changing nature of the turbulence over the recent months, together with the new developments over the past few weeks, have meant that turmoil is an enormous challenge for the financial system at large as well as for policymakers and regulators around the globe. We have been very, very busy, as you know, since August 2007 in managing increasing volatility and risks in financial markets. The primary goal of the central banker and certainly of the ECB is to maintain price stability in the medium term and be credible in developing price stability, which is a necessary condition for financial stability, if not a sufficient condition.

To achieve this, we not only have to define the monetary policy stance and set policy rates, but we also have to implement our monetary policy, and this is done by conducting open market operations with the aim of steering short term interest rates on the interbank money market and,

in particular, the overnight rate close to our mean policy rate. Namely, in our case, the minimum bid rate in the main refinancing operation of our system.

Let me start by commencing to describe how the ECB has implemented monetary policy during the market turbulence which started in August last year, and I will try to describe how the system took action through its liquidated provisions to the Euro money market in order to ease tensions. You might remember that we were the first to observe in our market something which we immediately judged was new, very, very abrupt, very sharp and that was, I would say, diagnosis which conducted the Executive Board of the ECB to decide on the 9th of August that we had to provide to the market on a 24 hour basis 95 billion euros. This impressed very much the market and observers, and it was considered something rather exceptional, rather extraordinary. The fact is that after a few days of meditation all recognized that we were facing a real, real issue, a real problem and that it was fortunate that we had the capacity to decide rapidly at the level of the Euro area to cope with what seemed at the time to be very, very, again, abrupt increase of tensions on the money market. These tensions were originating out of the money market, but they were reflected in the money market. How did we cope with this situation which was, again, a new situation of tensions? We knew that there were imbalances in global finance and in European finance. We knew that there would be a correction. I was public myself on behalf of the ECB and on behalf of the G10 on the fact that we had to expect a market correction. We said that in 2006, we said that in January 2007 and a number of you, around this table, said that, too, and were conscious of the correction which was coming. But the fact is that the way the correction operated was something which was very challenging for all central banks of the world. So how did we cope with this situation?

First, we adjusted the distribution of liquidity supplied over the course of the reserve maintenance period by frontloading in comparison with normal times the supply of liquidity at the beginning of the maintenance period and reducing it later. In this way, the total supply of liquidity over the entire maintenance period remained unchanged and at the same time, the change patterns in banks liquidity demand was satisfied without putting pressure on short term – too much pressure on short term interest rates. Of course, we have also improved our way of dealing with this issue and we have enlarged the provision of liquidity at our regular weekly main refinancing operation, well above the amount normally envisioned by the frontloading approach with the aim of further augmenting our liquidity into mediation at a time of very significant rigidity in the Euro money market. And then when we had over supplied the market in liquidity, we reabsorbed the resulting excess of liquidity on a daily basis through overnight fine tuning operations.

The second way we have dealt with this very, very tense situation. We utilized much more frequently the fine tuning operations in order to try to keep control of the shortest interest rates on our market. So we had a very, very frequent use of this tool. We also had significantly increased the average maturity of our lending to the Euro area banks and to mention the fact that we were fortunate enough to have a framework which, from the very beginning, permitting us to refinance banks on a three-month basis. So we augmented considerably the refinancing on a three-month basis, we engaged in a six-month basis refinancing and we augmented, in a very, very significant fashion, the production of our refinancing that was financed on a term basis. Very recently, the eighth of October, due to the intensified tensions in the financial market, we took the absolutely exceptional decision to adopt a fixed rate tender procedure with full allotment

for all our weekly main financing operations as long as market conditions dictate. And also very recently, in October, we used the corridor of the standing facilities around the interest rate of main refinancing operations.

So, all taken into account, exceptional decisions, but also in this difficult time, very demanding time, we had the chance, if I may, to have a framework which was probably better adapted to this very demanding time than other framework. And I would only insist on the fact that from the very beginning, before the turbulences, at the very setting up of the Euro, we could accept private paper as eligible collateral and not on these treasuries, we could refinance on the three-month basis, which was not the case of most central banks in the world, particularly on the other side of the Atlantic, and we also had a very large number of counterparts which would permit us to supply liquidity on a very large set of counterparties when in a number of other cases, there was a restriction of the number of counterparties which was more of a problem in a time of great difficulty for having a normal functioning of the money market.

Let me say a word on the cooperation between central banks in the field of monetary policy. I have to say that I am privileged, personally, the Executive Board, the Governing Council of the ECB, to have an exceptionally intimate relationship with the Federal Reserve and other central banks in the world – not only in the industrialized world, also in the emerging world. This exceptional intimate cooperation, this level of mutual confidence has been extraordinarily useful in the present circumstances where the problem are global and both sides of the Atlantic have to cope with the same challenges. So I have to say that I'm in New York, I am in front of you, in front of the New York market, this privilege to have a confident relationship with Ben, with Don,

with Tim, with all the members of the Open Market Committee, a staff relationship, all this is incredibly precious in the present time, and had we not had the benefit of this mutual confidence, we wouldn't be in the same situation. That's absolutely for sure. We have engaged in a number of firsts that I would like only to mention. I cannot engage, of course, in technicalities there, but since December – on top of – I would say permanent exchange of views, permanent comparison of notes and permanent mutual information – in December 2007, we engaged with the U.S. Federal System and the Swiss National Bank in conducting Term Auction Facilities in which we, on our side of the Atlantic, are providing U.S. liquidity on behalf of the U.S. Fed to Euro area banks against eligible collateral.

Let me also say that we have improved considerably the scheme and that at 8 A.M. Central European time, and I have to say 2 A.M. in New York, we have announced on Monday – so if I'm not misled, yesterday – I have to tell you that things are going very rapidly by this time – together with Bank of England and the Swiss National Bank, thanks to a swap agreement with the Federal Reserve System, we have announced that we will conduct tenders of U.S. dollar funding at 7-day, 28-day and 84-day maturities at fixed interest rates for full allotment. And counterparties in this operations will be able to borrow any amount they wish against the appropriate collateral in each jurisdiction. This is, again, a world first in an exceptionally confident cooperation between central banks. And, of course, I would mention also another exceptional first, which has been at global level, the coordinated reduction in policy rates by the same amount of 50 basis points, which was decided by a large number of central banks from the G10 countries. It was justified, and we said that by the fact that intensification of the financial

crisis had further diminished the upside risk to price stability and that central bank were regaining control of inflation expectations.

Now let me say that we would have implications that we have to recognize for central banks for financial regulators and for supervisors. At the level of the international community, we have adopted a methodology for responding to the present turmoil and working out what lessons can be drawn from the crisis. The financial stability forum that was created after the Asian crisis, coordinates global efforts towards creating a more resilient financial system and we have already worked out 67 policy recommendations that are aiming at addressing the vulnerabilities identified in the global financial system. Some of these recommendations concern structural changes and can only be implemented over the medium term. A number of priority areas calling for immediate action were identified and the relevant recommendations are already being implemented by the competent authorities and the industry. I would say that in this respect, the major priority area involves the disclosure of financial institutions, structural finance related exposures and their evaluation practices. I have to say that many large global banks have already applied the methodology set out in the FSF Report to the holdings of complex and illiquid instruments in their major financial reports. By doing so, I trust that they have demonstrated the willingness of the private sector to contribute to strengthening market confidence by increasing transparency. I strongly support these developments and believe that the example set by these banks should be followed by a wide range of institutions.

Let me not bore with you all that has been decided at the global level, according to, as I said, an agreed global methodology, as regards to lessons to be drawn, it's a work in progress and I

would like only to focus on three issues, which I believe are especially important in the current context and for which transatlantic cooperation between central banks and financial regulators is warranted. I would say, risk management, procyclicality and financial stability arrangements. As with regards to risk management, it's absolutely clear that the current situation, the financial markets originated, for a large part, in excessive risk taking and leverage by financial institutions. A key explanation for this behavior lies in banks' risk management systems, which did not appropriately price risks, resulting in the creation of capital and liquidity buffers that proved insufficient, in many cases, to insulate them from the dislocation in the financial markets. Furthermore, liquidity risk did not receive enough attention in the banks' overall risk management. Strengthening risk management techniques and procedure are absolutely key in the current context, and I have to say that the public authority have, of course, a key role in this respect as well as the private sector. I have to say that I fully endorse the work done by the Basel Committee to review banks risk management practices as well as their guidance on sound liquidity risk management and supervision which was recently published. Let me take advantage of the fact that I am in front of the previous President of the Basel Committee, namely Bill McDonough, to mention that this committee is really the first, the premier in the world, in intimate cooperation at a global level between authorities in a domain, which is, of course, crucial. So we are working a lot in this domain.

I would like to say that the second issue, which is procyclicality, and, in particular, the extent to which the current regulatory framework could encourage the procyclical behavior of financial institutions. It is a very complex issue, but I have to say that the more I am looking at global finance from absolutely all angles, the more I am convinced that we have engaged over the last, I

would say, 20 years, 25 years, since the big crisis we had to cope with the emerging countries in the '80s, and there are a lot of fighters of the '80s around this table – I was, myself, one of them with you, Bill and Alice – but since then we have engaged in fantastic improvements in accounting rules, fantastic improvements in authorities that are working out, the prudentials for banks, insurance companies, we have engaged in fantastic improvement that deliver ACCs in the U.S. and in the rest of the world. And I could continue the list. But each of its improvements, in my opinion, has been optimized at the level of the responsibility involved by the authorities concerned. There was not sufficient understanding of the fact that each of these improvements could create amplification of the fluctuations, could amplify the booms and amplify the bursts and, therefore, that starting from market economies that are functioning on the basis of fluctuations, I'm speaking under the control of the professors here, but on top of that, if we add ourselves additional elements that are amplifying these fluctuations, than it would not be too surprising that we have to cope with very big fluctuations.

So procyclicality is something on which I would very much insist we have to combat procyclicality without taboo. So looking at everything, and without scapegoating, of course, any part and parcel of global finance. But this is a very important point. I have to say also I feel myself the element of procyclicality, very fortunately these central banks are independent, so they have to make their own judgment and they are judged in the medium term. But it's clear that all of us, we have 99%, of course, to be as forthcoming and accommodating as possible and 1%, of course, to be wise, reasonable, prudent and cautious. And that is probably human nature. That is probably the way our society are functioning, but this, very fortunately, does not entail our own policies because we are independent. We were made precisely to be out of this

asymmetry in the course that we are receiving. And I understand pretty well why the course are asymmetric because they are all pretty justified when you are rezoning on a relatively short term basis. But as long as we have to rezone on the longer term basis, on the medium long term basis, then they appear dangerous because after the boom, you have the bust. That's absolutely clear, and we have to accept that and recognize that.

So, again, looking at absolutely every part and parcel of global finance with a view to reduce the element of procyclicality is certainly something which is very, very broad. Let me only mention, as title of chapter, if I may, the importance of cross border corporation between central banks, supervisors and regulators. It is something that is absolutely essential. Again, we have an absolute necessity to coordinate our policy response and I take it, again, that it is a great privilege that the central banks have, and I hope that it would be as rapidly generalizing as possible that they, again, have mutual confidence and can act on the basis of this very close, intimate cooperation.

Now let me conclude, if the President permits me…because I don't want to be too long. I know that the whole of the game is that you have to respond to questions. I would say that we are experiencing a very challenging and demanding episode of the market correction, which started more than a year ago and was due, I'm summing up, to very significant under assessment and under pricing of risks in global finance. This fostered extremely high risk taking behavior, excessive leverage and widespread views of obscure abnormally sophisticated and often toxic financial instruments. In this regard, global finance was potentially unstable before the start of the turbulence, and this has been mentioned publicly by a number of central bankers including

myself, but we were too numerous to say that. So in that perspective, the subprime mortgage crisis has played a role, the role of a trigger, but there was an explosion, if I may, around.

My experience of previous crises is that it is extremely important to analyze situations very carefully and lucidly and never underestimate the gravity of the situations. Since 9 of August ’07, we at the ECB realized that we were facing a very severe situation and that we had to draw all the lessons for such events not to be repeated. The same experiences that I was mentioning led me to think that crisis management is essential and that it requires a lucid diagnosis as well as the ability to act, not only wisely and decisively, but also in a quick fashion whenever and wherever it is necessary. These are times where quick decisions are indispensable because the adverse consequences of a delayed, albeit right decision, may be considerable. Central banks on both sides of the Atlantic have, in my opinion, be lucid in their judgment of the situation, bold in their decisions and quick to take these audacious actions. Again, let me only mention yesterday’s decision to provide broad access to liquidity and funding in those.

We are doing, and we will continue to do, everything that is necessary to supply the requisite liquidity while preserving the solid anchoring of inflation expectations. However, we cannot and should not assume the role of executive branches. It is time for all of us to take action, private sector as well as all public authorities at the global level. And from that standpoint, I am impressed, I have to be say, by your concision of the plan of action that I signed together with Ben Bernanke, managers and governors of the G7 in Washington last Friday. This unusually concise 5 point plan shows that this is time for immediate action and not for eloquent rhetoric. It is such action called for at the level of the international community three days ago in Washington

by the G7, but also by the IFMC, also by the G20, so all the international community. It is such action that the European considered indispensable, particularly in the Euro area last Sunday, with the adoption of the consultant European action plan. This plan has six dimensions and showing appropriate liquidity, facilitating the funding of banks through various means, guarantee, insurance of similar arrangements for a new, medium term, up to five years, bank senior debt assurance, providing additional capital resources to financial institutions, recapitalization of distressed banks and assuring appropriate implementation of accounting rules and enhancing cooperation amongst European countries.

The very day after the meeting, namely yesterday, a large number of Euro area countries displayed their implementation of the commitments at the level of the heads of state and government. So I have to say it's a very, very quick way of displaying the decision. I will not hide the fact that I am impressed by the degree of responsibility and of decisiveness that was demonstrated last Sunday and this week in the Euro area. I am impressed by the will of countries that share the single currency, not only to work together, but also very closely with the United Kingdom and all of the EU member states. I see that the new decisions taken in the United States are further reinforcing this very impressive implementation of the plan that has been approved by the international community in Washington. This is no time for complacency. Central banks will remain solid anchors of stability and confidence. Public authorities must be alert, decisive and effective. At the same time, private financial institutions and market participants must behave wisely, prudently and with a solid sense of their responsibility. It is also a time to keep our composure. I thank you very much for your attention.

GLENN HUBBARD: Thank you very much for those excellent remarks. As is our tradition, we will have questions from two club members, from David Malpas, who is the President of ENCEMA Global Advisors, and Matt Winkler, the Editor-in-Chief of Bloomberg. David, the first question goes to you, for President Trichet.

DAVID MALPAS: Thank you. Thank you, Professor Hubbard. Thank you very much, President Trichet, for joining us today. Your remarks were very interesting, and we appreciate them. Germany is slowing down pretty rapidly now joining the slowdown that was already underway in southern Europe. We also have declining asset prices, yet the Euro has now weakened and inflation remains high. How do you assess those two risks, inflation versus the slow down and decline in asset prices? Is one more worrying than another as you have now begun the interest rate cut process? Thank you.

PRESIDENT TRICHET: As I have explained, we apply what we call a separation principle in the ECB between the monetary policy stance that we judge has to be designed to deliver price stability in the medium term and be credible in that delivery which permits to anchor inflation expectations, diminish the nominal level of medium and long term rates because they are incorporating well incurred inflation expectations in line with our definition, and which is also, as I insist, very, very essential in a time where you have volatility in all markets. We should not add to the volatility of the market by un-incurring inflations expectations. That being said, as I have said in the occasion of our joint decrease of rates, we have considered at that time that the

inflationary upside risks were diminishing and that the most recent events, in terms of tensions on the overall market, were a part of this diminishing of upside risk to price stability.

So we will continue to have, as I like to say, one needle in our compass. But, of course, the needle is influenced by absolutely all the elements that can influence it including, of course, the aggregate demand evolution. At this stage, just to finish on the sentiment we have on the European economy, before the recent intensification of the financial crisis, I would have said that we would have a trough in the second and third quarter, that we had announced months ago, and then after that trough, a progressive – slow but progressive – recovery, I would say, around 2009 to join our potential.

At the present moment, I would say there has been materialization of the downside risk to growth and we have to take that into consideration in all respect, and particularly in regards to the influence that it has on the upside risk for price stability. But, again, for us, what is extremely important is to be as alert, quick, expeditious and effective as possible in the handling of our implementation of monetary policy and it seems to me that it is what we have been doing visibly and very clearly since the very beginning and to maintain this solid anchoring of inflation expectations.

Let me also say that in the European framework, the fact that I am able to tell 320 million people in Europe you can trust us; we will deliver price stability in the medium term, in line with our definition, at a time where inflation remains their first concern, according to an old poll and survey, is a very important element to maintain confidence, preserve confidence, and of course,

help growth and job creation. So we are in a situation where my colleagues and I have the strong feeling that we are working actively for growth and job creation by remaining an anchor of confidence.

MATT WINKLER: Mr. President, thank you. During the past 14 months, central banks have pumped trillions of dollars in Euros into the banking system, redesigned their auction systems, cut interest rates and, in some cases, taken control of banks, and in the U.S., insurance companies and government sponsored enterprises. Yet, the meltdown continued illustrating the shortcomings of global central banking and the system itself. What are the lessons and what needs to be changed?

PRESIDENT TRICHET: First of all, I would not present things as you do. We have had a very, very big challenge, which has been the challenge for the private sector as well as for the public sector. In these exceptional circumstances, we have, I would say, tried to be up to our responsibilities. I think that it was very clear that the central banks were taking exceptional decisions and being up to their responsibilities in these exceptional circumstances. I hope, I'm sure, that the private sector also was fully conscious that they had to be up to their responsibilities. I say that in front of the first financial market of the world. We are all a part of the solution and the solution being that we have a correct…mastering of the situation and that we can also – all the lessons for this event not to occur again.

As regards to the system aspect of this crisis, I said that I was impressed myself by the fact that at the moment where the central banks, in front of the private sector and its turbulences, could

not go further because the issues were not systemic issues of liquidity, but went over…and implied that the governments themselves would have to take a risk. I was impressed to see the governments fully conscious of that and, again, I say that on both sides of the Atlantic, history is being made. I mentioned decisions yesterday, decisions the day before, decisions today, but all observers, all institutions, all market participants can see that the authorities are up to their responsibilities and that is, of course, something which is very important. It is also important that the private sector would be up to its responsibility and keep its composure, which is part of its responsibility.

GLENN HUBBARD: David?

DAVID MALPAS: Mr. President, as you know, the U.S. welcomes advice from Europe, so I want to ask you directly. Do you have any advice for us? What things should we be doing differently and, in particular, I wanted to mention or ask your advice on the mark-to-market problem which is working as an interplay with the CDS market to drive down prices or to raise questions about the valuation process that's going on. So do you have advice for us in general and, in particular, on those areas? Thank you.

PRESIDENT TRICHET: I will not comment on the CDS. On the good advice, I mean, it is not the way it functions. As you know, at the level of central banks, we have a permanent dialogue and intimate level of confidence. At the level of governments, they are, it seems to me, comparing notes, not lecturing one another. We have a problem. It is a problem that we all share, and I would say I don't remember whether it's IBM, who had this motto, but if you are not

part of the solution, you're part of the problem. So I would say that it is the good advice that we are giving one another. Be part of the solution; otherwise, you are part of the problem. But, again, I would say that we all have – when we have gone through this episode, which has been particularly intensified – I have to say that – since mid-September and in connection with an event that created an additional element of fear and liquidity holding and credit risk assessment amongst all participants in the market, but, in any case, we will, in my opinion, thanks to all the decisions that have been made, master the situation quite well with the help of the private sector, and then we will have together to work out the lessons to be drawn without any taboo and without any scapegoating, which seems to me the best summing up of what is necessary as a state of mind in the present circumstances.

MATT WINKLER: Economists have been waiting for a test of the European experiment. Did you pass the test?

PRESIDENT TRICHET: Would you like me to ask whether the U.S. dollar passed the test of this experiment, if I may? Frankly speaking, it's not for me to judge, but I trust that the pragmatism which characterize the market here in New York is such that the skepticism on the Euro, which was dominant still in 1998, I have the memory in front of an audience which was not as noble and numerous as today, but at the end of the first quarter of 1998, I was explaining what we will do in Europe only nine months later, the setting up of the Euro. And I remember I was absolutely amazed because approximately 80 or 90 percent of the audience would not even trust that we would start the Euro the first January 1999. I was amazed. I was saying to myself, I am in the first market of the world. Normally, all the pertinent information is disseminated in

that market and it has the capacity to make a judgment which should be an enlightened judgment. There was a hundred percent probability that the Euro would be made the first January 1999. Whether it would be a credible Euro, whether it would be a credible currency was still an open question. I had my intimate conviction, but I could admit that the question was pertinent, but the making up of the Euro says that it was so obvious. So, you judge yourself whether the Euro passed the test. It's not for me to respond to that. Thank you.

GLENN HUBBARD: David.

DAVID MALPAS: Mr. President, the Euro and dollar have gone through wide swings in value over the last decade. Do you think there is a need for a new Bretton Woods system or other evolution of the international financial system in that regard or more broadly speaking, do we need a new Bretton Woods convention?

PRESIDENT TRICHET: First of all, I will stick to what I say, and I don't want to bore you with terms of reference of the G7 on exchange markets. On whether or not we should have a new Bretton Woods, I would say we certainly have to draw all the lessons from what we have observed, what we are experiencing, what we are, in a way, mastering. We should be sure that such events should not be repeated, even if we also have to know that fluctuations are a normal feature of market economies. So we have to exert wisdom enduring all those lessons. But there is something which I, from time to time – I'm not speaking for exchange rates at all, but more generally, the Bretton Woods system was a system with consolable element of discipline and the explosion of the rate of the first Bretton Woods was, in a way, could be interpreted as rejection

of discipline. Perhaps what we mean is to go back to the first Bretton Woods, not to the new Bretton Woods, but to go back to discipline. It's absolutely clear that market economies and the financial market need discipline, not co-economic discipline, monetary discipline, market discipline, prudentials, appropriate way of handling that. If we don't have discipline, than we are putting into question the functioning of the market economies and the functioning of our functional markets. So in that sense, I would say – we are certainly back to this element of discipline that was in the first Bretton Woods.

DAVID MALPAS: Well, Mr. President, markets are global, policies are local. Does the dichotomy point to a new need for policy coordination and architecture?

PRESIDENT TRICHET: I think it's a very, very important question. We have a global financial system. We have a global economy. The emerging world is playing a decisive part now in the functioning of the global economy. They are not yet fully part of the global meditation even if we have improved considerably. I refer myself in my short exposition at the G20. The G20 is a grouping where you have ministers and governors of the major economies in the world and the emerging world is dominating in number of the participants of the industrialized world. We have augmented considerably, I have to say, the intimate also cooperation with our fellow central bank governors and we meet with Ben and other colleagues and Tim and Don, we meet in Basel every two months with the colleagues of the emerging world and you have around the table all governors that have themselves to provide anchors of stability, as I said, to China, India, Mexico, Brazil, Russia, and so forth. So we are already changing very profoundly the way the world functions and proceeds, but it is a phenomenon which is not over

yet and it seems to me that we have to be fully conscious that we can do nothing without full participation and appropriate influence of the emerging world. It is absolutely decisive.

DAVID MALPAS: Thank you.

GLENN HUBBARD: Please join me in again thanking President Trichet. Thank you. Thank you. The rest of your lunch will now be served. The 400th meeting of the club is tomorrow. Thank you.

(END)