

#### FOUR | Joseph Stiglitz

*You write in your book Globalization and Its Discontents, "Even when not guilty of hypocrisy, the West has driven the globalization agenda, ensuring that it garners a disproportionate share of the benefits, at the expense of the developing world." Could you explain how this is the case? How has the West continued to sustain, for example, its discriminatory and hypocritical stance on trade liberalization?*

In answer to your first question: it is not just that more advanced industrial countries have declined to open up their markets to the goods of the developing countries—for instance, keeping their quotas on a multitude of goods from textiles to sugar—while insisting that those countries open up their markets to the goods of the wealthier countries; it is not just that the more advanced industrial countries continue to subsidize agriculture, making it difficult for the developing countries to compete, while insisting that the developing countries eliminate their subsidies on industrial goods. Looking at the “terms of trade”—the prices that developed and less developed countries get for the products they produce—after the eighth trade agreement (in 1995),<sup>1</sup> the *net* effect was to lower the prices some of the poorest countries in the world received relative to what they paid for their imports. The result was that some of the poorest countries in the world were actually made worse off.<sup>2</sup>

How has the West managed to sustain this? The answer is fairly simple: the West has a disproportionate share of economic power, which it has used to maintain this power. The West has been guided by its short-run interests. I have argued that it is actually not in the interest of the

West to maintain its position in this way, certainly not in the long run. It is a much more short-sighted and narrow vision since such a stance is only beneficial for *particular* interests in the short run.

One of the things that has allowed the West to maintain its power in this way is the absence of competition. That is to say, in the era before 1990, the ability to so badly take advantage of the developing countries was circumscribed by the fact that there was competition during the Cold War. With the end of the Cold War, there was no threat. I have said that this was a missed opportunity; it was a sad moment because the West had the option of allowing principle to guide economic behavior. During the Cold War, the only terms were the terms set by the competition between the Soviet bloc and the West. And that meant we wound up supporting Pinochet and other dictators, but we could have used the end of the Cold War to ensure that we no longer supported dictators and were trying to create a world based on principle. We chose not to do that. Instead we let our economic interests dictate everything.

The timing may have been particularly unfortunate because the United States was emerging from a recession. Periods of recession are not periods in which one has a high degree of generosity. So the focus of the Clinton administration was on jobs and growth. This was such a fixation that the administration tended not to look at the longer-run global implications.

*Could you briefly outline the mandate of the three principal institutions determining the course of economic globalization: the World Bank, the International Monetary Fund (IMF), and the World Trade Organization (WTO)? From where do they receive their funding, and what are their governing structures?*

The three mandates are as follows: the World Bank is fundamentally concerned with the alleviation of poverty; the IMF with global financial stability; and the WTO with opening up and regulating international trade. The WTO really has very little funding. It is basically a forum for discussion. It has a very small secretariat. As an organization, the WTO itself has little power. The power resides in the countries that are its members. The IMF basically receives capital contributions from various countries according to some formula, but essentially is like a bank: it lends money and gets paid back. In fact the IMF does not really spend money as long as it gets repaid; it is only a lending institution. There is one part of the institution that gives highly subsidized loans for developing countries, and that is done through an allocation process from the

advanced industrial countries. The same thing is true of the World Bank: its funding comes from capital that was originally contributed. Unlike the IMF, though, it actually borrows huge amounts of money from international capital markets, uses its high credit rating and low interest rates, and lends that money with a margin to developing countries. One part of the World Bank can be viewed as a cooperative borrowing organization, like a co-op. By borrowing together, developing countries get lower interest rates. For very poor countries, they have what they call the International Development Association (IDA), which helps the poorest countries reduce poverty by providing interest-free loans and some grants for programs aimed at boosting economic growth and improving living conditions. IDA funds are very highly subsidized. These monies are again from grants that are given every three years from the developed countries.

As for governing structures: the most interesting aspect of the governing structure of the WTO has to do with certain procedural issues. In the past, much was discussed and decided behind closed doors. So much has happened in the infamous "Green Room", where a subset of countries get together, do a deal, and then arm-twist other countries to go along with that deal. There is more openness now, but still there is concern about whether the extent of the openness is adequate. And there is resistance to making it more open.

The IMF is at the other extreme where one country, the United States, has the veto power. All important measures require 85 percent for approval, and the United States alone represents 17 percent, so it effectively has veto power. There are additional concerns about the governing structure of the IMF: representation and who represents each country. The problem of representation is that it reflects economic power as it was distributed in 1944 when the IMF was founded, updated only marginally. The role of China, for instance, is probably much smaller than it ought to be. Equally problematic is the fact that at the IMF, it is only central banks and finance ministers who vote and who represent each country. So even though the actions of the IMF may have effects on education and health, these ministries have no say. The IMF programs in Thailand, for instance, resulted in less money for AIDS medicine. In Pakistan, education money was cut as a result of IMF programs, which resulted in children going to "alternative" schools—with enormous consequences. The finance ministers were focusing on the financial consequences. They did not have the broader societal consequences in mind. These conse-

quences were therefore not reflected in the decisions that were taken, the way they are in democratic governments, where, for example, you can have somebody raising their hand and saying, "You can't do that! You can't ignore the effect of this decision on AIDS." No government would ever allow important decisions to be delegated just to the finance minister. But the IMF in effect makes those decisions without the concurrence of the other ministries. That, I think, is one of the real problems in its governance.

*You argue that the problem with international economic institutions is that they are "dominated not just by the wealthiest industrial countries but by commercial and financial interests in those countries." What are the implications of this?*

The intellectual property provision in the Uruguay Round of the WTO—Trade Related Intellectual Property Rights (TRIPS)—is a good example of the possible implications. Intellectual property is very important, but it is also very complicated. When this particular provision was discussed while I was at the Council of Economic Advisors at the White House, both the Council and the Office of Science and Technology Policy opposed TRIPS. But the U.S. Trade Representative reflected the interests of the pharmaceutical industry and the film industry. They wanted very tough measures. They were not reflecting the interests of the scientific community. They were not reflecting the interests of those who are concerned about poor people. Here in the United States, the Clinton administration had been elected with access to health as one of its main platforms. Yet we were taking action that would reduce access to health for millions of people around the world. We never would have done it if those special interests had not had such a play.

Another example is Chapter 11 under the North American Free Trade Agreement (NAFTA), where there is a provision called "Regulatory Takings," which says that if regulations adversely impact a firm, the firm needs to be compensated. The Clinton administration opposed that very strongly when it was raised in the United States. But it was buried in an international trade agreement. Special interests have always advocated that, but environmentalists and the Clinton administration were adamantly opposed to it. Yet we were never aware that it was buried in this agreement. So it went into effect. If we had been aware of it, we would have inserted a clause, a reservation of some kind. What was so remarkable was how hard we were fighting exactly that same kind of provision

in the United States advocated by some conservative Republicans; yet we were approving it implicitly in NAFTA without ever being aware of it.

*You often criticize the IMF for its political agenda. What is its political agenda, and what have been its effects? In how many countries does the IMF have a program, and how many people, would you say, have been affected by its policies across the world?*

The general point is that it is often very difficult to separate economics from politics. We know that in the United States, for instance, we have heated political debates about taxation, social security, etc. The Clinton administration believed very strongly that it was important to increase the progressiveness of the income tax, and that the adverse incentive effects were far less important than the beneficial redistributive effects. Yet the IMF is pushing the value added tax (VAT), which is like a flat tax, around the world. We opposed it in the United States. That is a clear *political* position where the IMF is saying that good economics is the policy that many Republicans support in the United States. That is politics; economics does *not* support that. In fact, the economics in developing countries is even stronger against the IMF position because it is not even a uniform tax (that is, such a tax is not collected uniformly).

Another very telling example is that the IMF and World Bank have pushed privatization of social security around the world. Bush pushed it in the United States; the Democratic party, to a man (and woman), opposed it. And they won. We had a political debate in the United States, and as a result of that political debate, there was enormous consensus that we should not privatize social security, even *partially*. Yet countries like Argentina and Bolivia were forced to have privatization of social security, and were in fact told that this was “good economics.” It is no such thing. This is politics. Now the consequences are enormous. Devastating. Almost all of Argentina’s deficit at the time when it went into crisis was due to social security privatization. Arguably, they may not even have had a crisis had they not privatized social security. Certainly it played a very important role. Similarly, contractionary monetary and fiscal policies in East Asia exacerbated the crises there. Again that was not good economics. It was politics. They were trying to save the creditors. American creditors might have been saved. Of course it ultimately failed to work, but that was the intent. People in the East Asian countries were devastated. So literally one can say

hundreds of millions of people have been adversely affected by IMF policies. Some have benefited, but enormous numbers have been hurt.

*Could you briefly explain your critique of “trickle-down” economics?*

Trickle-down economics is the notion that all you need to do is make sure that the economy grows, and if it grows, everybody benefits. Trickle down simply allows the rich to get richer, assuming that everyone will benefit (the logic is more or less that a rising tide lifts all boats). But the fact is that in the United States we have had growth in the last five years but the median—people in the middle—have actually gotten poorer. Real income has been declining. The number of people in poverty has been increasing. The simple point is that there is no theory that says that enhancing the well-being of the rich necessarily enhances the well-being of the middle or the poor. The evidence is quite the contrary. Particularly when you start mixing together economics and politics, if you get too much inequality, then the rich buy the political system and establish systems to maintain their economic power. So that is why it has not worked.

*You refer often to the “Washington Consensus.” Could you explain what this is and its significance for the way decisions are made regarding the global economy? On a related note, you write in your book that “The U.S. Treasury as the IMF’s largest shareholder and the only one with veto power has a large role in determining IMF policies.” What are the implications of this?*

The Washington Consensus is used as a term to describe a consensus between the IMF, the World Bank, and the U.S. Treasury that evolved in the 1980s in the Thatcher-Reagan days. The Consensus is what you might call a conservative economic strategy for development that was conceived of particularly in relation to Latin America, with concepts extended to economies-in-transition as well as elsewhere. It had three main tenets: macro-stability, by which it meant mainly price stability, focused on inflation; privatization; and globalization, including liberalizing trade and capital markets, opening them up to short-term and speculative capital flows. This is sometimes described as just “getting government out of the way” or minimizing the role of the government. It was based on the doctrines of a free-market economy, on the assumption that private market economies solve all problems.

What is interesting is that these notions were being promulgated and promoted by the IMF, the World Bank, and the U.S. Treasury just at the

time that economic science was casting doubt on them. That is to say, my own research in this period showed that whenever information is imperfect, capital markets are incomplete; wherever there are imperfect risk markets, that is, everywhere, markets are not in general efficient. The art of good economic policy is getting the right balance between government and the market. If you look historically at the success cases—the United States, East Asia—they have all involved a large role for government. So the real fact is that the countries that follow the Washington Consensus, the countries of Latin America, for instance, have for the most part not done very well. The countries that did *not* follow the Washington Consensus—East Asia, for instance—have done very well. In fact that was why—after an enormous amount of pressure from Japan—when the World Bank did a study called *The East Asia Miracle* in which they asked, “What did the East Asian countries do that generated their enormous success?” the results were quite clear. I do not want to say the answer was the *opposite* of the Washington Consensus, but it was very different from the Washington Consensus.

As far as the IMF and U.S. Treasury are concerned, to get to the last part of your question, one of the implications of the Washington Consensus is that it makes the IMF very much subject to the vagaries of U.S. politics. The IMF’s policies are determined not by the U.S. government as a whole, but by the U.S. Treasury, and the U.S. Treasury is always linked to the financial markets, so even in Democratic administrations, it tends to be very conservative. There is less fluctuation in their position than one would have thought. So the IMF under the Clinton administration continued to push for privatization of social security, as I mentioned earlier, even though Clinton was adamantly opposed to the privatization of social security. They never discussed this with him. Had they asked him, he obviously would have raised questions. But in a large institution like the U.S. government, you simply cannot ask the president for his views on every question. More particularly, you want to make sure he does *not* get a chance to express his views on certain subjects because if he did in this case, for example, he would come out very much against what the Treasury was doing.

*One of the conspiracy theories you talk about during the 1997 Asian Financial Crisis was that IMF policies were a deliberate attempt to “weaken East Asia—the region of the world that had shown the greatest growth over the previous forty years—or at least to enhance the incomes of those on Wall Street and*

*other money centers.” You say this is a theory you do not accept and argue instead that “the IMF was not participating in a conspiracy, but it was reflecting the interests and ideology of the Western financial community.” Why are these two explanations mutually exclusive rather than possibly mutually reinforcing?*

They could be mutually reinforcing. The ideology and the interest clearly could be used to reinforce an explicit conspiracy. The reason why I have doubts about conspiracies is that I just don’t think that in a diverse market economy like the United States you can get everybody on board on a conspiracy. There are a lot of people in U.S. financial markets who believe that a strong East Asia is good for the global economy and good for the United States. They might wind up advocating similar policies to those who want a weak East Asia, but many people are working very hard to strengthen East Asia.

*In Globalization and Its Discontents, you write that some critics are so skeptical about the possibility of reform that they call for the abolition of the IMF. At the time, you thought this pointless, but have since said that the IMF does not even recognize its “own intellectual bankruptcy,” that its credibility may have been so eroded that there is little possibility of reform and that “perhaps we ought to start from scratch.” Could you explain what accounted for this change?*

You have read my writings too closely! I guess the bottom line is that I have a certain degree of ambivalence. In a way, the hard question is: To what extent is the position of the IMF the natural outcome of the political and economic position it occupies? If that is the case, then it is not an institutional problem, but a structural one. If you have an institution that is going to focus on finance, you are going to have to have it staffed by people who know finance and who are linked in one way or another with financial markets. They will begin to think like financial markets do, and they will therefore wind up with some of those positions.

At times, I have a sense of optimism. The fact that the IMF came out with a report where it admitted so clearly that capital market liberalization was not good for growth, and probably not good for stability, was a positive sign. It had actually shown that it was going forward, that it had begun to recognize that conditionality had not had positive values, that there might be some problems with its accounting frameworks. At moments like that, I feel a certain optimism. Then there are moments where such optimism is impossible: for instance, most recently, even after Argentina had done a deal with its creditors in restructuring its

debt, and there was a group of creditors who had not signed on to the deal, the IMF was still trying to undermine the deal. At that point, one thinks this is an extremely creditor-friendly organization. It does not see its role as an *international* institution. There are clearly institutional problems of the kind that we talked about: the governance structure, the fact that Europe appoints the head, and so on, that leads one to think that maybe if one started from scratch, one could create an institutional structure that is not as vulnerable to the U.S. government or to a Wall Street takeover, or a combination of the two, and an institution that looks at financial markets from a *global* financial perspective. So it is that sort of vacillation in my own mind that accounts for what you quoted.

*Most of your book is devoted to the mistakes and structural problems of the IMF. You suggest that the World Bank is less culpable because of the reforms the institution has undertaken under the leadership of James Wolfensohn. Could you outline what substantive reforms these have been and whether they can be reproduced at the IMF or the WTO?*

Let me just list a number of the reforms that affected the way the institution operates, and therefore the outcomes. One thing is that it moved a very large fraction of its personnel into the countries concerned so it was no longer relying on these flying missions, where World Bank staff just showed up for a few days and came up with a country report. They became much more deeply embedded in the country. Second, the reality may not have been fully up to the rhetoric, but the rhetoric reflected a view that was important. It was about “putting the country in the driver’s seat.” It was saying that the country is really key, that the Bank has an advisory role, but they are the ones that determine things. There was a move—not all the way, but a move nonetheless—from conditionality to selectivity. We did studies that said conditionality did not work. The World Bank decided that it would select countries that perform well, that show they know how to manage money well, and that these countries would be recipients of more money from the Bank. And probably most important was the notion of going away from shock therapy, from a single magic recipe to a comprehensive development framework. Understanding that there are many aspects to society, including that of government—whereas the IMF and the old World Bank view emphasized minimizing the role of government; we talked about this in the context of the Washington Consensus—the Bank now said one of the main issues is *strengthening* government. The Bank began to place emphasis on how to make gov-

ernment more effective. This is when discussions of governance became important, and issues of corruption went to the top of the agenda. Before that, people said that such initiatives would go beyond the mandate of the World Bank, that this would be the realm of *politics*, not economics. Our research said that this affects development, and anything that affects development is the mandate of the World Bank. So these are examples of very big changes undertaken by the Bank.

Can they be reproduced at the IMF? Yes, they could be. But the fact is that right now, the mindset at the Fund would not allow such changes to be undertaken. The mindset would have to change so that the IMF could see itself as playing the role of an advisor from the outside, simply laying out what is known and what is not known, what is known with different degrees of certainty, what the debates are, and then letting the country decide itself. This would be a democratic process. The mindset of the IMF so far and to this point has been that it believes that it knows the truth, that it is capable of divine revelation. The view at the IMF is that if it even intimates that there are internal disagreements, it will be giving unclear advice. Well, my point is that if there are disagreements, then these disagreements are a reflection of the fact that the science is not clear. If that is the case, is it not essential that you inform the person or the country making the decision that the evidence on this issue is divided? The IMF should tell the country what all the evidence is, and then let the country hear why Person A thinks this, and Person B thinks something else. The IMF should also point out that, having provided all the information, the country will have to bear the consequences of whatever decision it takes with the information it was given. This would be a very different mindset from one that says that the IMF will simply tell the country what is good for the country.

*The principal issue for the developing world at the WTO has to do with unfair trade practices, but there are also very important concerns surrounding intellectual property rights. Could you explain what the importance of this issue is for developing countries?*

The Uruguay Round strengthened intellectual property rights. American and other Western drug companies could now stop drug companies in India and Brazil from “stealing” their intellectual property. But these drug companies in the developing world were making life-saving drugs available to their citizens at a fraction of the price at which the drugs were sold by the Western drug companies. There were thus two sides to

the decisions made in the Uruguay Round: the first was that profits of the Western drug companies would go up, and second, that thousands were effectively condemned to death because governments and individuals in developing countries could no longer pay the high prices demanded. In the case of AIDS, the international outrage was so great that drug companies had to back down, eventually agreeing to lower their prices, to sell the drugs at cost in late 2001. But the underlying problems—the fact that the intellectual property regime established under the Uruguay Round was not balanced, that it overwhelmingly reflected the interests and perspectives of the producers, as opposed to the users, whether in developed or developing countries—remain.<sup>3</sup>

So the most important issue has to do with life and the access to medicines that TRIPS impedes. It is also important for a number of other reasons. Huge potential payments for intellectual property are transfer payments from developing countries to developed countries and will obviously make it more difficult for developing countries to grow. Everybody always points out that in the early days of U.S. development, in the nineteenth century, there were numerous allegations that the United States stole intellectual property in the production of steel. The real question is: What are the bounds of intellectual property rights? The WTO does not understand the role of intellectual property rights. This became clear to me in my discussions during the 1994 Uruguay Round because the U.S. trade representative did not know the issues around intellectual property. I had done a lot of research on the subject, but he was clearly ill-informed. Nobody at the WTO really understood intellectual property. The fact is that the most important ideas and innovations are not protected by intellectual property: mathematical theorems, basic research, and so on. We work very hard to disseminate our ideas, giving interviews like this, for instance. The model is not a closed model, it is a very open architecture. We see this right now, more recently, with the success of the Linux operating system, which is based on an open software architecture.

*When Paul Wolfowitz was nominated for the post of president of the World Bank, you were quite critical, worrying that the World Bank may “now become an explicit instrument of U.S. foreign policy.” Do you stand by this judgment since Wolfowitz has assumed this position? In an editorial in the Financial Times (“Everyone Must Do More for Doha to Succeed,” October 24, 2005), Wolfowitz appeared to be advocating many of the same changes in global trade as you have. How do you explain this?*

No one knew at the time what Wolfowitz would do. Where you sit determines where you stand, so the hope was that when he assumed the position as president of the World Bank, he would become concerned with global poverty and development issues, even if he still saw them through a particular set of eyes, so that he would not become an instrument of American foreign policy per se but would still see the world with the same mindset that had supported shock therapy and Iraq beforehand. So there were actually two worries: one was whether he would be an instrument of U.S. policy, and the second was to what extent his worldview was one that was antithetical to a view of development that I thought was appropriate.

Since he has taken office, I think he has taken two extremely important decisions that are consistent with his acting in the best interest of the World Bank and the fighting of global poverty. The first is his strong position on global trade in favor of developing countries.<sup>4</sup> The second is his argument that the United States and other advanced industrial countries should assume responsibility for financing debt relief, rather than trying to finance debt relief out of World Bank money. Financing out of World Bank money, as I pointed out, would be like having the poor pay for the very poor. He did the right thing on both of these issues, and I think he should be commended for that. There are other instances where he has been presented with situations where he has taken the right decisions. There still is a worry, I think, about what the World Bank will be doing in Iraq, what the policies will be, whether he will go in before it is safe and secure, whether he will put at risk World Bank personnel, and so on. There are a large number of issues in Iraq that remain unresolved. And there are a lot of other issues too—the whole debate on the Washington Consensus versus the reforms that occurred in the last ten years in moving away from the Washington Consensus to some other perspectives, as I discussed earlier. So there is still some concern, but he has made the right decisions on a few of these key issues.

*George Monbiot wrote in the Guardian that Wolfowitz’s appointment “demolishes the hopeless reformism of men like George Soros and Joseph Stiglitz who, blithely ignoring the fact that the U.S. can veto any attempt to challenge its veto, keep waving their wands in the expectation that a body designed to project U.S. power can magically be transformed into a body which works for the poor. Had Stiglitz’s attempt to tinker with the World Bank’s presidency succeeded, it would simply have lent credibility to an illegitimate institution,*

*thus enhancing its powers. With Wolfowitz in charge, its credibility plummets." Could you comment on this?*

I think it underestimates the constraints that are imposed on the World Bank. My hope has always been that the World Bank would evolve into a truly multilateral institution. This is predicated on my belief that there is a need for global, collective action, that closer integration of the countries of the world makes collective action at a global level even more important. Doing something about poverty in the Third World is among the most important activities that need to be undertaken collectively. We need to have international institutions to help do this. In any such institution, any democratic such institution, the United States will, because of its economic and political power, play a large role. In any democracy, rich and powerful players have a role. Not only do they have a role, they have a *disproportionate* role. So the question is not whether we believe that we can change politics, but whether we can design institutions that are capable of undertaking collective, global action. In the context of the World Bank, the question is whether we can make the institution work in such a way that it broadly reflects the interests of the developing countries. The evidence is that there have been big changes. Not as big as one would have hoped, but big. Debt relief is a big thing. It involves billions of dollars. Aid is a big thing. It is not as much as we would like, but it is still billions of dollars. The debate on trade today is totally different from what it was a few years ago. Several years ago, in March 1999, when I first gave a speech on the need for a development round at the WTO, no one thought of that; it was the first call for a development round. I pointed out what was wrong with the Uruguay Round. Now everybody recognizes the inequity. We are not there all the way yet, but I think that the magnitude of concessions that will be made is much larger than it otherwise would have been.

What is important is to scrutinize every action of the World Bank and the IMF, recognizing that, as they are constituted today, they are not really fully democratic and they do disproportionately reflect certain financial interests. And therefore they lack legitimacy. In a way, we have succeeded in undermining the legitimacy of these institutions. Previously only the radical Left questioned the legitimacy of the IMF and the World Bank, whereas now I think that there is a broad acceptance that these institutions are not fully democratically legitimate. That recognition has really taken away a lot of their power.

*Mombiot has also written that "The nationality of the bank's president, which has been causing so much fuss, is of only symbolic importance. Yes, it seems*

*grossly unfair that all its presidents are Americans, while all IMF presidents are Europeans. But it doesn't matter where the technocrat implementing the U.S. Treasury's decisions comes from. What matters is that he's a technocrat implementing the U.S. Treasury's decisions." As someone who has also mentioned this problem, how would you respond to this?*

It is clear that Wolfensohn moved the institution some degrees. I don't want to say he changed it completely, but he moved it some degrees. There is a symbiotic relationship between the technocracy and the head of an international financial institution. The head picks the technocrats that he likes and they get promoted. I don't think one should view the head of the World Bank or the IMF as being completely at the mercy of the technocrats. It was not, for instance, inevitable that huge bailouts of creditors would be arranged following the Asian financial crisis. The international financial institutions make political decisions so the president does not have a free rein, but at certain times, under certain conditions, he does shape things enormously.

*Could you explain the magic whereby the United States is able to run trade and payments deficits amounting to hundreds of billions of dollars annually, without running the consequences that would follow for Third World countries with proportionate deficits, and do so with no audible protest from the rest of the world? Is this situation not repeated at the level of the middle-class U.S. citizenry?*

The point about that is this: the difference between the United States and the rest of the world is that we have an enormous amount of wealth. That wealth provides confidence to many people in the world that we can repay that debt. But it is partially a confidence game. That is to say, if everybody started losing confidence and started pulling their money out of the country, then the country would be weaker and there would be very serious problems. So the issue is how bad do things get before people will have this response, before this becomes a significant risk? And many people think that we are nearing the point at which that could happen.

*What do you think?*

I think that it is beginning to get to a level that is worrying. Clearly anybody who has held their money in the form of dollars rather than euros has lost a considerable amount of money since 2003. If people extrapolate that this will continue to be the case in the future, and behave accordingly, then there will be an ongoing movement out of the dollar.