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Brussels Forum

CREATING JOBS AND FIXING THE ECONOMY

Okay. Welcome back. It's now my pleasure to bring on Rana Foroohar, who is going to moderate the next session on Creating Jobs and Fixing the Economy. Rana, thank you.

Ms. Rana Foroohar: Thank you very much. Thank you. Thanks so much to all of you and to our panelists. Well, thank you for having me. I'm Rana Foroohar. I'm the Assistant Managing Editor of Time Magazine where I'm in charge of all of our economics and business coverage in both the U.S. and our international editions.

I'm very excited to be here monitoring this panel on Creating Jobs and Fixing the Economy, which is, of course, top of mind for everyone in this room I think. As we all know the recovery is underway but it's fragile. We have higher levels of unemployment for longer periods of time than we've seen in past

recoveries. At the same time governments are trying to create growth while also tackling huge deficit and debt issues, and this creates an incredibly tricky balancing act policy wise as you all know. We need to be thinking about stimulating innovation. We need to be thinking about getting companies, many which are doing quite well and are deep into black at this stage to release some of that capital in creating jobs, which has also been a challenge. And there's a lot of issues to cover within that transatlanticly and different problems and challenges in the U.S. versus Europe, of course.

So here to discuss it all we have a really amazing and expert panel of folks which I'm going to introduce briefly right now. Over here on the right we have Richard Fisher, who is the President and Chief Executive Officer of the Federal Reserve Bank of Dallas. To his left Wilfried Porth who is a Member of the Board of Management for Daimler AG. Sorry, over there. Wrong--We're adlibbing. Wrong order on the

lineup. Wilfried over there. You've been here before so people probably know him. And sorry, yes, on Mr. Fisher's left is Jacek Rostowski, the Minister of Finance for Poland. And finally, Senator Mark Warner, Democrat from Virginia from the U.S. So thank you all for being here.

And just a couple of rules of engagement before we start; as you all probably know one of the great things about Brussels Forum is that it's very collaborative. We're not going to have a lot of formal presentations. We're going to keep things snappy and very engaged. So I'm going to start by asking the panelists a few questions and I'm going to be coming around and asking all of you all to get involved, and we're going to keep about an hour open for that. And please feel free to raise your hand and jump in. We've got mics around so you can take part.

So let me just start with a few questions for the panelists, a few general questions. There's been a lot of talk over the last year about whether we should

really be taking the plunge into an age of austerity, particularly on the U.S. side of the pond, or whether we need further stimulus, and what good and what bad the rounds of stimulus we've have had so far have done. So I'm going to ask Mr. Fisher to start out with his thoughts on that.

The Hon. Richard Fisher: Well, of course, it depends on whether you're talking about monetary stimulus or fiscal stimulus. And I would say that we have certainly re-liquified the economy as a central bank. The problem with the United States economy is not access to capital or the cost of capital. We went through a period where we had no liquidity during the crisis of panic. Now we have, if not too much liquidity, the tanks are full. And now the question is how do we get the engines of those that hire, the private sector that create sustainable long-term jobs to take this inexpensive and abundant money and put it to work. And the answer lies with Senator Warner.

Ms. Rana Foroohar: I was just going to turn to him.

The Hon. Richard Fisher: You wanted short statements. I just want to pass it on.

Ms. Rana Foroohar: There you go. So what do you say?

The Hon. Mark Warner: Well, I think I would agree with Richard, that government has used kind of its traditional tools. We've kind of stretched out monetary policies as much as we can and, again, we can argue about when the easing ought to stop, but it's, you know, we've pretty much used that bullet. We have, at least from a political standpoint, used stimulus. We've got to try to incent some of the, at least in the American economy, some of that \$2 trillion that's sitting on balance sheets to get off the balance sheet and back invested.

I think one of the ways that we can do that from a political standpoint is to show a determination, and United States has the luxury that some smaller

economies don't have to at least put in place, over a period of time, a bipartisan debt and deficit reduction process. And there is a group of us in the Senate that's gotten some attention working on that. It was probably a little bit of a long shot at the beginning of the year, but I think our chances keep edging up.

I would also add, and just to stir the conversation a bit, I think we also need to recognize as we think about innovation, I would make the premise for the last decade. For the most part in the world, we didn't see much real innovation the way we saw in the 90s. My background was in technology beforehand in Telecom. The one exception, of course, being social networking and social media, which has played an enormously important role recently in the events in North Africa, but, you know, the only place we saw innovation was in the financial markets.

Ms. Rana Foroohar: Right. The synthetic kind.

The Hon. Mark Warner: And we could use of few more real engineers and few of us financial engineers, I

think, in the next decade and I hope we can touch on some of that.

Ms. Rana Foroohar: Okay. Yeah, well I definitely want to come back to you on deficit reduction in the U.S., but let me turn to Minister Rostowski. I know that the issues in Europe are somewhat different. Can you tell us what's going on in terms of structural change right now and what you'd like to see?

The Hon. Jacek Rostowski: Well, I think what we've--just yesterday the Heads of State and Government here in Brussels agreed to this Euro Plus Pact. And I think that's really quite a milestone for Europe because for the first time European governments and the European Commission have really laid out the fact that they've understood that structural change is something that isn't for less developed countries, isn't for merging markets, but that it's also for Europe, necessary for Europe and maybe above all for Europe.

And we've been trying for the last year to fix the fiscal problem. Partly because we've had to confront

it earlier than maybe the United States has had because, at least, in the euro zone we have one currency for seventeen different budgets, some of which are more vulnerable than others. But we've really been concentrating on austerity as the tool. Well, in the short run that's all you can do. But with high debt ratios in many countries the only way you can get the debt burden down is to grow faster. And the only way to grow faster is to improve the efficiency of the economy through structural change. And it's really the first time that Europe has understood that this is really where we have to get real.

Ms. Rana Foroohar: That's interesting. Well, I'd like to come back to that and also ask you for some lessons from Poland in just a few minutes. But first, Mr. Porth, I want to ask you as a sort of unofficial representative for Germany on this panel, or German industry, you know, if there's been a star of the post-recessionary period it's probably been Germany. Unemployment is, I think, about 6.8 percent right now

as opposed to over 9 percent in the euro zone in the U.S. Growth was pretty good last year. What are the lessons we should take away? What should rich economies learn from Germany?

Mr. Wilfried Porth: If you allow me, I would like to make a short comment because I laughed at Warner's comment on the engineers because I'm an engineer. And actually the engineers thought less innovation in the finance industry in the past years would have helped us a lot.

Ms. Rana Foroohar: Yeah.

Mr. Wilfried Porth: You know what happened in Germany is I think from the very beginning of this crisis there was a clear commitment between government, the unions and the companies that we want to support employment and not finance unemployment.

And this is why all measures which we took have been created to support companies that they can stay with the people they have on board, because we always

had this optimism that when the crisis is over we want to be fast in recovery.

So this gave us, you know, in a very short process, and a very well organized process, gave us the--on the company side, gave us the--we had less cost on the HR side because we have been supported by the government, and this saved us on the investing side. So we could--we had not just the one single project. We always remained with all our investments into the future. And those two together, you know, when the crisis was over we could very fast restart our productions to the best extent. And also this safety which was created for the people, because they stayed in the jobs, creating something which did not have before the crisis. We had a very, good economy in Germany. Because people, we did not export too much, but people bought in Germany so we had a real revival of the German economy. Also, through the spending of the people, because they felt safe in their employments. And I think those three things together they really gave us this good.

Ms. Rana Foroohar: Well, it's interesting you're bringing up a lot of points that put me in mind, not only of Germany but of China. And some people would say that German is sort of the China of Europe. And I'd like to talk a little bit more about that, because you speak about consumption. And a lot of people would say that while Germany has done a great job with exports, but has it actually done enough to draw out consumption and, you know, is it creating the same kind of balances within Europe that we've seen China create in Asia and the world. What would you say to that and other panelists, please feel free to jump in as well.

The Hon. Mark Warner: Well, I think, let me-- before I say they haven't done enough on consumption, let me also first of all do the positive of what Germany has done. I think perhaps better than any industrial country in the world has recognized that over the last 20 years the disappearance from Western economies of low skill jobs, they weren't coming back. And it took longer for us to realize that, and Germany

has made the investment in apprenticeship programs and training. And frankly saw that a piece of manufacturing, advanced manufacturing could be a key to that.

Now I do think the ability for Germany to do that has been many ways financed by the American consumers that got way too deep in debt, and the idea that at the end of the day the American consumer is going to go back to carrying 70 percent of the world's economy, just isn't going to happen. So we are going have to have, I think our friends in Europe spend more, we're going to have to look at our competitors in China and urge them onto the consumption side. And one of challenges, one of the real opportunities for linkage is, the United States and Europe are going to have lots and lots of challenges short term.

But it stuns me even more from my business background perhaps than a political background, that it seems that China, depending on the day, plays all of us in the West a bit for a fool, in terms of how we are

viewed. And I think sometimes our businesses in an effort to access that market make compromises that they would never make in Europe and the United States. And trying to get our government and our corporate sectors aligned, and I see China's a competitor but also a great, great customer, it has to be higher on joint agenda.

Ms. Rana Foroohar: That's really interesting. But Richard, did you want to add something to that?

Richard Fisher: Well, I think the Senator's last point is something we should remember. Because the world is changed. Mao is dead. We won the Cold War. I like to say we've gone from mutually assured destruction to mutually assured competition. This is good news. And we shouldn't forget it. Now we have to learn how to compete. You bring a couple of billion people into the scene, you end up with new distribution of workforces, different comparative advantages. We all have to address--the Minister talks about a

structural adjustment, we have to make structural adjustments as well.

And the thing is to not make it worse say through protectionism or capital controls, but rather to get on it. And to make sure that we provide the right incentives for our business. I would add one thing that's very important from a German perspective. One of the differences between us is that we have ramped up our productivity dramatically. It's also a problem in creating employment. We have harnessed IT in the United States. As you did in your former capacity. And this is an issue for us. I think our businesses are lean and mean and capable. They're earning enormous returns, but again, they will not be able to grow their top lines and succeed ultimately unless consumption grows. Consumption cannot grow unless people are employed. People will not be employed unless companies will figure out how to use the massive liquidity we've injected into the system to create job-creating machines.

And they a choice, Senator, as you know, and the Minister knows, and our business leader knows, they don't have to invest in the United States. They're driven to earn a return on investment. That's what they're paid to do. That's what you were paid to do. And in the new world they don't have to hire Americans to do it. And that's the difficult issue.

Ms. Rana Foroohar: This seems to be really at the heart of so much that's happening right now. This disconnect between the fortunes of companies and some of the best companies, which can now, you know, put labor and operations wherever they like, and the fortunes of workers and jobs in various countries. It's an incredibly complex and very political issue. And I'm wondering maybe Senator Warner you could start with some thoughts on that as somebody who's straddled both sides of this.

The Hon. Mark Warner: Well, it is a challenge. And fear at times, and as someone who was lucky enough to take advantage of the telecommunication and IT

revolution, we promised the benefits of this networked world. And one of the things I think we have not done very well in the West, is we've--those benefits have been distributed in well educated, successful mostly urban communities. And wide swaths of most of our countries in rural areas have been left behind. And we've shown that you could build it in Bangalore and build it in Shanghai. We've not done so well to show that you can build it in the Midlands in the UK or rural Southwest Virginia. And so how we make sure that those communities are linked in is important number one.

Number two, one of the things that, and I say this with respect and I will match my capitalist credentials with anyone in the room, but I do get frustrated at times when I hear from the business community say, if you don't give us X, we're going to pick up and move to the lowest tax rate country possible. But what I don't often hear is that moving that country is so attractive they're going to move their families and senior

management as well. So I don't know how you reestablish that sense of some level of responsibility back to your community when you're a global enterprise. And it sure is not, you know, and I agree with those Mr. Fisher. It shouldn't come about with protectionism. You know, we've got to export, particularly from the American standpoint. And we've had the luxury for the last 50 years of not having the export because our domestic market was big enough. But we've got to find some way--

Ms. Rana Foroohar: Minister, you had something to add.

The Hon. Jacek Rostowski: I think we really do need to distinguish between the situation in the United States and the situation in Europe. But we're coming from really rather different starting points. In Europe we've had a situation in which during the 1990s and 2000s at the same time as people thought that the good times would roll forever in the financial sector and there were no limits to bonuses. They also thought

that there was no limit to the kind of social legislation that we could afford in Europe. And we've come to the conclusion that excessively freewheeling and bloated, maybe more importantly than freewheeling and government guaranteed financial sectors are dangerous. We can't afford them to the degree we thought we could. But we also can't afford the kind of social legislation that we built up over time.

That was also a mistake. I mean this German success comes on the back of almost 10 years of really far reaching structural reform that went the other way. Now what we have to do in Europe is the first thing you have to do when you're in a hole as the Americans like to say, is stop digging. And so what we have to do is to stop piling on. I mean there's a building down the road which is called The European Parliament. They have, they--of course they're not commissioned. And in both of these institutions there's a tendency to pick out all the nice things that one can do for workers, for the environment, and so on and so forth, without

thinking about the costs, for public finances and for private finances for the private sector. We don't have in the European union and in the European Parliament, a properly developed finance ministry function. We don't have someone there saying, excuse me, but where's the money going to come from? Excuse me, but what is this, what kind of burden, additional burden is that going to put on business? And as the Polish presidency of the European Union we're coming on in July, one of the things that we would like to see is establishing in various ways. And I won't go into the institutional details because institutional, the institutional structure of the European Union makes the Venetian Republic look like a town hall meeting.

But find ways of making sure that everywhere where important decisions are made, somebody says, well hang on, how much is that going to cost?

Ms. Rana Foroohar: That's very interesting. I'm going to open to questions in the audience in just a moment. Please, Mr. Porth.

Mr. Wilfried Porth: Because coming back to your question, I think you touched a very important point. And I'm a strong believer that in order to have a stable society in a stable country you need industry. If you don't have industrial workplaces, you will have huge problems. And when you look into Europe and you look at the UK or you look at France which have very much lower industrialization rates than Germany for example. Then you see they needed much more time to recover. And also, they have a lot of social issues in their countries because of, you know, providing industrial workplaces is for a lot of people very essential. And you're right, companies can move around the world. Jobs can move around the world. But you will not move the people with them. So what I think we need to focus on and what Mr. Rostowski was mentioning is we need in Europe working together between politicians, union and companies to safeguard the industrial workplaces which we have in Europe. If we are giving more and more of them away into other

regions of the world, China, whatsoever, Asia, then we will have a long--a long term issue with the stability of our societies. But we will need different frameworks. You know, the more rules and regulations we have, the more cost we load on the governments and on the companies, the more costly work will be, and the less workplaces we will have, especially on the industrial side.

Ms. Rana Foroohar: This idea of the balance of the economy and manufacturing versus services and industry and getting it right, it sort of dovetails with something that came up earlier about innovation in the banking sector. Which one could argue was perhaps the synthetic kind that blew up as opposed to the real kind that creates jobs. But I am curious about that. I actually wrote a column this week in Time looking at how an increasing number of the top graduates in any number of countries go to engineers, tech people, mathematicians go to Wall Street. Twenty-five percent of the graduating class of MIT is not going to Wall

Street. So how do we get that talent back and sort of put it in areas of the economy that would perhaps be more socially beneficial. I'm curious if any of you have ideas on that. Senator.

The Hon. Mark Warner: I'll take the first stab at it at least. There are, I know we're going to get to jobs in a moment. But I think there are wide categories that have not performed as well the last decade plus. Life Sciences has not had the breakthroughs that we would have thought. I absolutely believe a more distributed energy system. And particularly in the United States from both security and jobs has enormous opportunity. I still think there are additional waves around telecom and IT. I get worried a little bit that as financial system became, in certain ways so efficient, and that it became so opaque that it became too much of an end in itself. And I worry from the standpoint that if you can, that the risk versus capital returns on starting a new company or patient capital to invest in infrastructure

where our country, the United States is disinvested for the last 30 plus years. Why would you do that hard work on infrastructure or a start-up if you can do financial engineering and get higher guaranteed returns?

I don't know how you unwind that genie. But it is something that again policymakers ought to be focusing on. And if we can, the one area that I might differ with Richard on is that there is liquidity out there for large cap companies. Small to mid cap companies in terms of access to capital or early stage capital is still a real, real challenge. And I'm not sure there's a regulatory solution to that. But we need to be doing everything we can to encourage that early stage and especially that small business capital--

The Hon. Richard Fisher: That's where big companies come from, they grow from little companies.

Ms. Rana Foroohar: Please, Minister, go ahead.

The Hon. Jacek Rostowski: If I just might. I mean just to come back to earlier point about industry.

Obviously we have to be a little bit careful. The Soviet Union have this industry fixation. And it's always worth remembering that toward in the 1980's the Soviet Union had twice as many tractors as the United States. But produced an awful lot less grain. And the reason was that they didn't invest in the service of repairing the tractors. And therefore it's a very fine line between saying, well, we want to make sure that there isn't, you don't really know where industry ends and service begins. Is SAP an industry or a service? So really, I think a safer way to think about it is to say, when are the contingent liabilities that result from the financial sector, when have they become so big that they could be a threat to public finance and to the--to the economy as a whole, and rather try to avoid that risk rather than saying, "well we've got to direct people or try to direct talented people, and talented people into industry because we could end up with having an awful lot of tractors."

Ms. Rana Foroohar: Richard, did you have something

to say about that?

The Hon. Richard Fisher: Yeah I--I, the minister has got a good point. We have to be very careful when we talk about industrial policy. This goes back to--

Ms. Rana Foroohar: It's a topic that's becoming more talked about.

The Hon. Richard Fisher: Policy (inaudible) All kinds of theories have been disproven over time. My only comment to your comment is, it may be true that college graduates or university graduates a fine universities are going into financial engineering, but I do know that those that drop out of fine institutions go into IT. And--and create companies like Microsoft and Facebook and so on. So again, trying to direct a workforce is a very difficult thing to do. But I would agree that we have created, by mathematizing risk, by dispensing with the know-your-customer rule that come with becoming huge financial institutions, substituting human judgment theoretically, with the ability to create risk management models that we've now learned,

create some very big problems. I'm not sure that flow that you are talking about will continue at the pace that you mention.

Ms. Rana Foroohar: Could be changing. Well, I know that you have ideas about what we should be doing in the states, and what's the Obama on administration should be doing to create more job growth. But over here first before we--

Mr. Wilfried Porth: A comment on the legality discussion which we had here. I think when Germany was the role model for the labor market, I would say maybe Brazil was the role model for the financial markets and the legality issue. Because yes, we had a lot of legality but most of the legality, especially in Europe, was moved between banks. Between central banks and banks. But it did not end up in the hands of the customers, it did not end up in the hands of the companies. So there was no opportunity for the companies to invest, and there was no opportunities for the customer to spend. And the Brazilian government in

the very beginning, they make sure, and the consumers that they got the legality more directly, and this was stabilizing economy. And basically they had no crisis affects in Latin America when you look at especially in Brazil.

Ms. Rana Foroohar: That's an interesting--

The Hon. Richard Fisher: This is a by the way an issue, we of \$1.3 trillion in excess bank reserves, that are deposited on the books of the 12 federal reserve banks. We pay them 25 basis points. It's amazing that that is not released into the system when 25 basis points is not a whole lot to earn, one quarter of 1%. We have the excess equivalent to what you mentioned, Senator, in the corporate balance sheets. And again the question is: what incensed with them to lend it out? You have to have demand. What incensed the demand to take that money, put it to work, and higher in our case Americans, or hire whomever we want to hire given that we are a central bank, and a Senator or Congress or a parliamentarian of a system. That's

the real rub here. And how we do that, only time will tell.

Ms. Rana Foroohar: Okay. Well, we are going to figure it out in the next hour. So I'm going to open the floor up now to some questions. We've got my mics around here, may be we'll start with this gentleman. And introduce yourself and give your affiliation fees.

Audience: My name is Michael Hensen from Sweden and I appreciate the discussion here but to me I am a small and meek enterprise person. It is too high a level. We are talking about creating new jobs. SMEs are creating new jobs. We are driving this development. Europe has one big problem and that is competitiveness. One thing I would like to see is, and this will create a lot of new jobs by making the administration is more efficient. We need to take away red tape in order to be more competitive. May I please bring the discussion to this?

Ms. Rana Foroohar: I think that that would be welcome. And I know Senator Warner, you just did a

piece for Washington Post on that very topic, so maybe you want to talk a little bit about that.

The Hon. Mark Warner: There are actions in Congress that I think go too far, regulatory moratoriums so forth, that I think, in the aftermath of the financial crisis, where the aftermath of the BP oil spill would not be appropriate. But you do, we have gotten out of whack on regulation.

And I propose an approach that, since we are on camera, I will give credit where credit is due. Actually the UK has passed America on competitiveness on regulatory reform. And what we are calling in the states is regulatory pay go, where if you add a regulation in a certain area, you have to take one away in effect an equal size and cost. And what that occurs is it puts an incentive, tries to line an incentive, which the government regulator which always has an incentive to add, but never take away would at least clean out some of the underbrush. In the UK they call it One In One Out. It's got some--it's been

implemented since last September, there are some framing around this. But I think you'll see in the United States a move towards regulatory reform. It's a key part of competitiveness, particularly if we're talking about the burden for small and medium-sized industries.

Ms. Rana Foroohar: Minister, do you have anything to add from their insights?

Jacek Rostowski: Well, that's actually what I meant when I said that we didn't take that kind of problem sufficiently into account here in Brussels both in the councils, I said in the commission and in the parliament. Of course we have a slightly different situation in Europe because we are still building a single Market in Europe. So there are certain areas that we need new regulations to make sure that they are the same across different countries, to make sure the competition can really flow. But on the whole we really do have to say, stop more regulation. And I actually think, and I'm probably, no maybe no longer in

the small minority. I actually think we need rollback, I actually think we need rollback of the regulations that we, particularly the social entitlements, and the labor Market regulations that we introduce both at European and national level in the 1990s and in the 2000s.

And I think that a good symbolic place to start would be the labor time directive. I would like to see that pushed.

Ms. Rana Foroohar: Please, Mr. Porth, go ahead.

Mr. Wilfried Porth: I think that what you are touching is, let me say, if there is any bad parts of this quick recovery. Because there was no real pressure for restructuring in that sense. Because what happens basically confirm that it was right to protect, so we had the protectionism, we safeguarded the jobs, we safeguarded the people's income through subsidies from government and so on. What we did not do is we didn't go into the restructuring of all the laws and regulations and what ever we have. Now you know would

it have been better than the other way around, I cannot even tell you, but what we need is, we need much less regulation so it's easier to create jobs and it's also easier to get rid of jobs because you need this kind of flexibility as an entrepreneur.

And this is still missing. You know in Germany we have lots of discussions at the moment for temp workers and permanent workers and so there are equal pay and equal treatment, and all those things. That's all nice from the people perspective. It's all nice from the union perspective. But unfortunately it is not adding flexibility to the companies which we need. And so at the moment because all companies are going upwards, you know, positive results and record profits. We don't have a good argument against union arguments, and socialists arguments to say, "okay, you need to restructure this," unfortunately.

Ms. Rana Foroohar: Richard, did you have a quick comment?

The Hon. Richard Fisher: I think that's a very

key point you make. And again this isn't a monetary issue, so I won't say very much on it. But in addition to how much you are taxed, or how those taxes are distributed by fiscal authorities. Usually legislators have the power to define what regulations will be. The lawmakers do this. And clearly we need a housecleaning that takes place, and one that takes place in terms of encouraging more investment, more job creation, et cetera, rather than discouraging which is what we have.

I think in almost all countries now, we are based on a model that no longer exists. We live in an intensively competitive, globalized, and critically cyberized world where factors can move very quickly. And we are going to have to adjust fiscal policy, regulatory policy, and even monetary policy to take account of what you care about as a business operator.

Just one word on regulation. I am a Texan. We have a ranch in East Texas. You have to have some fence lines. We have 500 cows on our property. And

otherwise they're just going to wander off. And you know disappear into the woods. But they have to be flexible enough to change over time and adjust to the size of your herd. You have to have some definition. But if you fence them in too closely, you kill off their capacity. And I think that's where we are right now.

Ms. Rana Foroohar: I like those Texan metaphors. I've been turning my back.

The Hon. Richard Fisher: There will be good for Virginia metaphors coming forward.

Ms. Rana Foroohar: Exactly. We will let the Senator take those. Over here, please. If you can say your name and affiliation.

DAVE WALKER: Dave Walker, United States. There was a new ranking of countries for fiscal responsibilities, sustainability that came out two days ago. And the United States was 28 out of 34 and going down. My question is: first, when is the Congress going to get serious about structural deficits; and

secondly, for job growth, when is the Congress, and this applies to other countries, going to stabilize the tax laws, deregulate, and start focusing on helping small and medium sized businesses, not only to create but to export because that's where innovation is, that's where growth is, that's where the jobs are.

Ms. Rana Foroohar: Okay. There is a lot packed in there. Who wants to take that one? I'm looking at you but you are pointing the other way.

The Hon. Mark Warner: Dave is a dear friend so this is not a setup question. You know, we had an exercise in America that took place last year. That there was a presidentially appointed commission that laid out a 10-year plan that had lots of shared pain, that took on both bringing the deficit down by--the debt down by \$4 trillion over 10 years, and also getting rid of the complexity of our tax laws, and trying to absolutely lower rates.

And myself and a Republican colleague, a senator in Georgia have started a group that's now called the Gang

of Six, for those of you who follow American politics we are trying to force us on the agenda, and the circumstance of what happened in Greece, and Ireland, hopefully not in Portugal, you know that goes across the ozone is that warning bell, that this can happen anywhere. And my belief is it's not a question of if we will do deficit reductions, it's a question of when. We do it on America's terms or on the markets terms. But it will require a level of shared sacrifice from everyone.

I mean I'd love to hear some of the colleagues in American business say: that 35% corporate tax rate is killing us, yet if there is any Fortune 500 company that's paying 35%, they need to fire their CFO. The only people that's paying that is small and midsize businesses and to bring that down, to what we see, levels of 25 in that area. Some of our largest and most brand-name companies are paying an effective tax rate of 10 or 12, they're going to have to go up.

And we in the Congress are going to have to get out

of our ideologically rigid positions that say, "yes, our entitlement programs are going to have to be in some level scaled-back." And some of that is not one party or the other. It's demographics and math.

I mean we put in place of something in the United States called Social Security back in the mid 30s as one of the first social entitlement programs. The president at that point put in a kickoff age at 65 because life expectancy was 62. That was a good and easy promise to make. Life expectancy in America is now close to 80.

At the same time there are some who say: we can never get there on the revenue side without looking at that. Well, right now, revenues and percentage of our GDP is about 14½ percent, the lowest since the Eisenhower administration, so you are going to have to re-jitter your tax book to bring rates down, but at the same time increase revenue.

So it's going to take both sides, and I believe that's the case with Europe is ahead of us in some

countries because they have been forced, but I do believe there is a growing sense that this is not something he can kick the can down the road on.

Ms. Rana Foroohar: Just on timeline, when do you think we are going to see meaningful action on deficit reduction in the U.S.? If you can laid out for us.

The Hon. Mark Warner: Our hope is that we would see a framework and action coming up this year. We unfortunately, while not unfortunately, we ran into our presidential elections next year, regardless whether I hope President Obama is reelected, but regardless who is elected, I hope that the next president will take some time, do we have 2½, 3 years, I--probably we do. But I'm not willing to roll the dice on that. And I think the effect that has upon America showing willingness to have a plan, I actually do think that helps European economy in that it will allow the interest rates to stay as low as they are. That low interest-rate framework is what we are going to need to continue the recovery in Europe.

Ms. Rana Foroohar: Minister, can you speak at all to the debt and deficit issues in Europe and what you would like to see done?

The Hon. Jacek Rostowski: Well, I think in Poland we are in a bad position to speak about this in some way because it's really very much easier to reduce deficits, and debt to GDP ratio when you've got fast growth. You know we were the only country to grow in 2009. We were the second fastest growth in 2000 and in 2010. We'll be one of the top two or three in 2011 with 4.1 percent growth according to the European Commission. And we're going to be the fastest consolidating country in 2011-2012. 2012 we're committed to bringing out deficit down to 3 percent of GDP from almost 8 percent in 2010.

And we can do that relatively painlessly by just limiting expenditure growth very sharply. We've introduced an expenditure rule, which very sharply limits expenditure growth, and allows automatic stabilizers to do the job.

But that's easy if you've got the growth of 4, 5 percent, the sort of growth that catching-up countries like Poland have.

UNKNOWN: (Inaudible) start with a lower baseline in terms of entitlements and expectations. Wouldn't that be--

UNKNOWN: Yes, but I'm not sure--yes. That's certainly true. But we started out with a big--with quite a big deficit in 2010. But it is much harder if the growth is, you know, 2 percent as in many European--2 or 3 percent as in many European countries and the United States. It's going to take longer, and I think we have to accept that.

Rana Foroohar: Okay. I think that this point about growth is really well taken. We actually did a chart recently looking at what 4 percent growth would do the deficit in the U.S., and it would basically, you know, solve a lot of the problems pretty quickly.

Next question. Let's go to this side here. Gentleman on my left.

Tom Taniguchi: My name is Tom Taniguchi from Tokyo, Japan. If the United States is the 28<sup>th</sup> of the ranking of the fiscal responsibility prudents, Japan should've been 29<sup>th</sup> or--I wish it was 35<sup>th</sup> because it's got no further bottom to hit. It can go only north.

But your metaphor, Mr. Fisher, of a tank being full, ignition key missing, sounds all too familiar for someone like me from Tokyo, Japan because there's been a tremendous disconnect for well over ten years between the base money creation and the money supply.

And you seem to be suggesting that in this age of globalized cyber-competitiveness it's become far harder for you to stimulate demand than a monetary economist has anticipated by using a single-country model. And that's my first part question.

And the second part is, if that's the case, then is it not gonna be necessary for you to leave the dual mandate, which the U.S. Federal Reserve is under, which is to say that you have to pursue two objectives, creating jobs and stabilizing money, which is unique

among the simple banks of the world. Thank you.

The Hon. Richard Fisher: On your first question, I had the privilege of co-chairing under President Clinton and Prime Minister Hashimoto the joint committee that was put together to deregulate and make Japan more competitive.

I'm not sure we succeeded. But it goes back to what the Swedish gentleman was mentioning earlier. It's not just a matter of money supply. It's also a matter of what incents people to take risks, create jobs, and expand.

And as you know, a lot of changes have taken place fairly recently in Japan. But it's very difficult to compare our two cultures because we have different backgrounds, different cultures, different competitive structures. I don't think the answer lies solely in monetary policy. That's my point.

And, again, I just repeat what I've said before. We have re-liquefied the economy--the issue is--as you did in Japan. We didn't want to fall into the Japanese

deflation trap as some of our economists would call it. But the question is how do you take these resources now and put them to work? We have to struggle with that from fiscal policy, regulatory policy. You have your own struggle and you're still struggling with it.

On the issue of the dual mandate I have a personal preference. This is something that was given to us in the Congress in the 1970s. And I do believe that the full employment mandate puts us on a very slippery political slope. It risks our mission being interpreted as being compromised by politics. Personally I would prefer to have a single mandate. However--again, I want to turn to my colleague from the United States--it's up to the Congress to make that decision. They're the ones that set the rules, and we have to operate accordingly.

But I do think that it would be--it's very unusual for us. We're the only large central bank in the world and one of the only central banks in the world that has a dual mandate rather than a single mandate. I can

probably point to you several numbers that would show that since that rule was passed, we've actually been less successful in managing inflation, and less successful in having economic growth and employment growth in the United States and before was passed.

Rana Foroohar: Senator Warner, do you want to add something?

The Hon. Mark Warner: I would respectfully disagree. I think it is a balancing act. I actually think that with all of the economic dislocation over the last 30 years the Fed has done a pretty darn good job of trying to balance those two.

I would only add that--this is not directly answering to your question. But the tragedy that's taking place in Japan right now and the resilience of the Japanese people I think the whole world has watched in amazement. And I would argue, that resilience, I think, will demonstrate itself again in perhaps being the spark to have re-growth in the Japanese economy.

I would not sell the Japanese short, and I think

the rest of the--I, because I'm an American, have been extraordinarily amazed at what's happened in the aftermath of the tragedy.

Rana Foroohar: Absolutely. We have a question over here, and then I'm gonna go to the other side of the stage. And if you could, just give your name and affiliation, please.

Dimitria Clayton: I'm American, but I've lived in Germany for the past 25 years. And one of the things that has really impressed me has been a lesson that you mentioned, Mr. Port, about the ability of the German economy to survive the crisis comparatively well with this sort of tri-part type consensus between government companies and labor, and the idea that you invest in employment, which I think is a decision that one takes when you have this structure of decision making in that context.

And this is very different, of course, in the United States, where labor traditionally is not at the table in the same way. But it seems to me that if this

kind of decision making, this type of cooperation across structures has been successful for Germany--and we're saying that Germany is a sort of a role model in this context--why is it a lesson that's getting lost in the rest of this debate where we've been talking essentially about increased deregulation primarily, increased deficit reduction and so on?

Rana Foroohar: I think that's a great. Mr. Port, do you wanna--

Mr. Wilfried Porth: First thing, you cannot really implement that overnight. That's a story which has been created over the past 50 years in Germany. And there's a special culture in this co-determination system in Germany.

And when you look at how the unions are behaving, the companies are behaving, you know, how have we set our rules and procedures, how we deal with the issues, I think--and I look into other countries where I have also lived and have negotiated with unions and with governments. I would say you can have some elements

maybe, and put them into other systems. But you need a very holistic approach, and you need lots of time to get to this maturity so that in such a crisis everybody trusts each other, that when they take such tough decisions, that's really in the interest of all.

And so I think it can be a lesson learned, but it will take time to implement it somewhere.

Rana Foroohar: Do you think this idea of a labor representation on boards is a good lesson to take away from Germany, that we should maybe take the U.S. and elsewhere?

Mr. Wilfried Porth: Honestly speaking as the labor director of our company, I can give you 10 good examples, and I can give you at least 20 bad ones.

Rana Foroohar: Okay. Fair enough.

Mr. Wilfried Porth: I would love not to have them on board, and then I have ten where they--so in each and every system you have to have a balance at the end of the day.

But the good part is that we have them there when

we take strategic decisions. So they are basically part of the strategic decision. So it's not so easy for them to say, "No, we have not been part of that."

Rana Foroohar: Less adversarial.

Mr. Wilfried Porth: Yeah. So it's a better link. But it takes much more energy to get to those decisions because they are part of it from the very beginning.

Rana Foroohar: Okay. Questions on this side of the audience. Over here, please.

Ann Mettler: Thank you. Ann Mettler from Germany. This actually ties into what was just said. The discussion is very much about cutting regulation, red tape, lowering social standards. And I am an employer. So to some extent I can agree with what you say.

But I think we should really take a moment to actually look at the employment figures. And at least for Europe I know them. And in Europe the highly-skilled have an employment rate of 82 percent. The low-skilled have an employment rate of 46 percent. So even though we have these high social standards in

Europe, the fact is that there's almost full employment among the highly-skilled.

So I think whether there's any discussion on job creation really needs is a serious debate about investment in human capital, education, lifelong learning, etcetera. And I think that so far this has been missing. And this is extremely important because we both--on both sides of the Atlantic these are highly-developed economies with high social standards. And frankly, we don't want to give them up.

I think, if anything, we are, in Europe, a role model for the rest of the world. You should aspire to be more like us, you know, because people like the high social standards.

And as I said, I can agree with some of what you said, but I think this is really key and needs to be brought into this particular discussion. Thank you.

Rana Foroohar: You're raising a very interesting point to because this whole bifurcated nature of the employment market and recovery has been a big point in

U.S. as well. Minister, please.

The Hon. Jacek Rostowski: Yes. I mean, I think the question of investment in skills and human capital is absolutely right. But you can have investment in human skills and capital whilst you're deregulate.

And of course it's important the--I don't want to call it an obsession, but something that comes close to an obsession about low deficits is a very German preoccupation.

And therefore, what we're saying now is that Europe, for the first time, is beginning to say, "Well--" because the old model was we could afford all the social entitlements that we wanted, but we had to keep deficits tight. And we've discovered now that that's actually not enough.

And the German government has decided that it's not enough. And I think they need to be praised for that, partly on the basis of their own experience of the previous five or ten years where we've had--and I'm sure you know that better than anyone--a very large

increase in short-term contracts, and a very far-reaching effective deregulation of the labor market.

But on--but coming back--so that we don't cover the old ground, coming back to the question of human resources, I agree with you entirely. And that's why one of the things we've done over the last three years has been a fundamental--the first reform we've really introduced in Poland, if I can say a word about Poland, in science and higher education, introducing proper competition, both in scientific grants and into higher education. And that's the first time we've done it.

We've still got a higher education sector, which while more competitive than before within the sector, is still largely state-financed, at least in the state universities. And this is a challenge that I think the whole of Europe is going to have to face. I mean, the leaders here, of course, way ahead of everyone in the United States, but also Britain, which is now reaching full private financing.

And, I mean, you know, universities are the key

industry of the future. They are the industries that create the human capital. And you can't have capitalism everywhere else and socialism in the most important industry in your whole economy.

Rana Foroohar: Rich, you come from a state with great institutions and pretty good rates on unemployment too. So what do you have to say about this?

The Hon. Richard Fisher: Well, I wanna second what the minister said. You're right. This is our weakness. Your weakness, our weakness. If you look at the income core tiles, there's greater security based on education. We know that.

We live at the high-valuated end--value-added end of an economy whether you're a German or an American, or wherever you may be in Europe. And we're gonna be competing against others that are coming up from the low value-added end.

How do you compete in what Winston Churchill used to call the superfine processes? We call them high

value-added processes. You need education.

This is the Achilles' heel to me, and this has nothing to do with monetary policy. It's the Achilles' heel of Texas. It's the Achilles' heel of the rest of the place we call the United States. And it's also an Achilles' tendon for Europeans as well.

I have noticed, however, by the way, that one thing since, in the last few years, having the greatest higher university structure in the world, which we do have in the United States, the Germans are beginning to take some of that back.

You go to these new campuses--like, go to University and others in Frankfurt. It's extraordinary the amount of effort that's going into creating higher education.

And as for the British, the way of being an Oxford graduate, I think they're lagging significantly behind, despite the reforms that Mrs. Thatcher started to put into place. But--

The Hon. Jacek Rostowski: I'm talking about George Osburne's reforms now.

The Hon. Richard Fischer: Right. In fact, this is the key to the future. Higher education. If we don't do that well, we will not be able to compete and others who value education--the Chinese, for example--will move into our value added space and take it away from us.

Ms. Rana Foroohar: To that point, you know, please, go ahead. Yeah.

The Hon. Mark Warner: You know, I do believe we still maintain the (inaudible) nationalistic the best higher education system and it's been enormous value added. I think there are lessons we can learn from your country in terms of particularly education along all skill levels. We have still a bias in America that says unless you have a four-year college degree, everything else is worthless. That is an absurd notion.

What has been different, though, and has been America's strength, and I go back to the lady's comment

up here in terms of this--we are a more dynamic, changing economy constantly. Some of these same arguments about the demise of America were being made in the late '80s in terms of some of our traditional jobs. What happened was we unleashed our still biggest assets: entrepreneurship and innovation. Folks like me and others did pretty well and we grew in economy through most of the '90s.

Our challenge now in terms of social standards, is some of this is just demographics. Seventeen workers per retiree 50 years ago; three workers for retiree now. Healthcare costs, even in the Germanies, and we've got as broken a healthcare system as anyone and there's again things we can learn, but some of this we have to pay for at some point. And the challenge, I think we've gotten mistakes that we--as you move and I think as the U.K. moves towards a more cost-based higher education system, what we've got to try to maintain in the United States is both constant pressure on increasing quality, but also making sure that we guarantee access.

We cannot afford wide swaths of our population to not have that education. We've always had a place in the job market to absorb those folks. We don't have that place anymore. And that is why, again, I think directionally at least the president is right and I'm one that believes we've got to look at both entitlement reform and cut some certain programs, revenues in terms of tax reform. But those two alone without that third leg of the stool in terms of growth, it's going to take all three. And the rest of the world is not going to stand still if we're simply taxing and cutting if we don't also have a growth agenda.

Ms. Rana Foroohar: I'd like to bring up one, oh, please go ahead.

Mr. Wilfried Porth: I just would like to add that as we have companies all over, or factories all over the world, the most easy part for us to bring out to the world is always this apprentice, German tradition apprentice system. We have that in Hungary. We have that in Tuscaloosa. We have it in China. We have it in

South Africa, wherever. The most difficult part is flexible work hours or flexible work systems.

Now, a lot of countries are there. They don't appreciate those flexible working hours. So the Americans, they rather like hire and fire. They don't like to shoulder the work. We tried it in the crisis; they didn't like it.

So I think what you mentioned is this qualification and training part in the German system is really liked by everyone around the world and wherever we go the first thing they want to have is just implement an apprenticeship over the state university system in the southern part of Germany. We're also implementing that always where we go and we get a lot of very positive feedback on that. So--

Ms. Rana Foroohar: Sticking with the topic--I'm going to take some more questions--but sticking with the topic of education and competitiveness for a moment, Richard, you raised an interesting point about how the Chinese are getting in this game. And in fact,

many countries, particularly in the emerging markets, are actually paying the top grads to come back and start companies at home now.

We haven't talked too much about jobs and immigration policy and I'm wondering if anyone would like to step into those waters and talk a little bit about what you think should be done on that front.

The Hon. Richard Fischer: May I take a stab?

Ms. Rana Foroohar: Please.

The Hon. Richard Fischer: Mainly because it's not my responsibility.

Ms. Rana Foroohar: Always a safe one.

The Hon. Richard Fischer: You know, when you think often of immigration policy in the United States it's Mexicans streaming across the borders, leaf blowers, low value added, etc. We have still to this day the most prominent universities in the world. Everybody comes to America to be educated. How do you finance education? You either do it through taxes if you're a

state university, revenues of the people, or through endowments and giving if you're a private university.

To me, one of the most ridiculous parts about our immigration is we bring people to America, they're educated in our institutions, they are subsidized by these taxpayers or by these private givers, because tuition doesn't cover the cost, we graduate them, and then we say go home. We don't let them stay. That's an absurd immigration policy and it's very counterproductive from an economic standpoint.

If we're going to give them the tools, why don't we let them use those tools where we educate them and keep them?

Ms. Rana Foroohar: Senator--

The Hon. Richard Fischer: So I think we're going to have to figure out a way to do that from an economic standpoint. I know the politics are difficult when we have so many people unemployed in the United States, but in the high value added areas, we're providing the educational base to propel that side of the economy.

Ms. Rana Foroohar: Senator Warner, do you think that we should be stapling green cards to--

The Hon. Mark Warner: Absolutely. I mean, this is kind of the--

Ms. Rana Foroohar: --PhD candidates?

The Hon. Mark Warner: --ultimate no-brainer.

Ms. Rana Foroohar: Right.

The Hon. Mark Warner: And if you look across the kind of where some of the greatest entrepreneurial successes in the last 30 years in America have been, they've been first generation Americans.

Ms. Rana Foroohar: Particularly in Silicon Valley. Yeah.

The Hon. Mark Warner: Particularly in northern Virginia and Austin, Texas, and elsewhere as well. But one of the things that we're going to have to grapple with, and this is in a country, I believe not only in America; I think it's going to be a growing concern in Europe. And there is, I think, been a reluctance to think through this but we're going to have an adult

conversation about identity validation. Because when you default to fences and walls and other things that may be a good political sound bite as the only solutions, and not think through the ability for any country or a community like the EU, to think about at least having some ability to have a fence enforced, it gets back to a validatable identity system. And that has very serious negative implications if done poorly. But as we see the combination of healthcare IT, security, and this immigration issue, it is one that we are going to have to, I think, grapple with.

Ms. Rana Foroohar: I want to make sure we get a European comment here, too, because obviously this has a very important impact not only here in Europe but it dovetails with issues in the Middle East, et cetera.

The Hon. Jacek Rostowski: Well, there was a very interesting proposal a few years ago from a German economist from Wiesecker who suggested that we should have a blue card particularly for people who wanted to come be educated and stay and work in Europe,

particularly from the countries of the former Soviet Union. Not the Block, which of course, most of which is already in the EU.

And I think we really have to open ourselves. I mean, if you take just the area of Poland, Ukraine, and Belarus, you have more graduates in those three countries than in France, Germany put together. So there's a huge potential and we haven't really known as a European Union how to take advantage of that, of the sort of magnetic--we can no longer be a magnet to the same degree for countries because, really, the gap in terms of democratic traditions and so on is for the moment too big on our eastern frontier. But we can certainly be as big, if not bigger, a magnet for highly skilled individuals. And we should be, to a much bigger extent.

But I just wanted to go back to what--which is slightly different, but a very interesting point about the apprenticeship system because in a sense when we talk about skills we tend to think about two things

which seem to me to be rather different. I was very surprised when I was in Switzerland on the Davos, the Davos Conference, to be told by our ambassador that the number of people in Switzerland who finish university is something like three or four percent, which is one of the lowest in Europe. And yet of course it's an extremely rich country. It's because they actually get the technical skills, the technical apprenticeship training.

Now, not everybody can do what the Swiss do and of course the great American model is the model where you have these great research university which teach people the hardest thing, which is how to think. All right? But we really need to understand that there are different kinds of skills. Some mechanisms will be excellent for the technical skills and other mechanisms are obviously critical for pushing the whole world economy forward. All right?

Ms. Rana Foroohar: This is a topic--

The Hon. Jacek Rostowski: I mean, it's not going to be enough. We're not going to push the whole world economy forward by having people who can make cuckoo clocks very well.

Ms. Rana Foroohar: I think this is a very interesting topic. I could probably do another hour on this. I'll just say I was in China recently and Montessori schools are becoming the rage, which I think is kind of interesting, given the generally metric-driven approach there. But that's for another day. I want to make sure we get time for a few more questions. The gentleman over here? We've got about 10 minutes, 15 minutes left.

Mr. Giles Merritt: Giles Merritt, Friend of Europe and Brussels think tank. Could I ask you to add three words to the debate? Fixing the economy, creating jobs, and saving the planet. Because it seems to me that the low carbon economy has another look in.

Ms. Rana Foroohar: Anybody want to tackle that one?

The Hon. Richard Fischer: That was an excellent statement disguised as a question. Oh, excuse me.

Mr. Wilfried Porth: Actually, coming from the automotive industry where we are at the moment really facing tough times in reinventing the vehicle, basically, and with lots of opportunities for new jobs, different jobs, different technologies, new companies, what we would need is, you know, we have different support in different areas or regions in the world. What we need is--what we would need is a strong commitment of the European, for example, European states. Even Germany, which is quite a difficult one to get a buy-in for this initiative. If society wants a change there, we need to get more support in making it happen. But I think there are lots of opportunities in this field for new jobs and innovations, because you have been asking for innovations in the beginning of the discussion here. But we are not yet there. It's not yet really good organized. It's not really organized in a way where all parties who can support it are really

working together and doing that with full speed and full energy.

Ms. Rana Foroohar: Minister, you wanted to make a quick comment?

The Hon. Jacek Rostowski: I really have to protest. I mean, I think that Europe has done far more than any other region in the world. And we're not going to agree to being put in the kind of situation we were in Copenhagen where we sold out the shop and then the Chinese and Americans went off to talk to each other because it wasn't worth talking to us, because we'd given everything away. And I think, you know, enough of being the biggest dummies on the whole planet. Europe cannot carry this burden on its own.

Ms. Rana Foroohar: Go ahead, Senator.

The Hon. Mark Warner: Let me try to add I think it will be written about for a long time how the overwhelming science around this, around climate change, how somehow that argument got turned on its head in the United States. I don't fully understand.

Ms. Rana Foroohar: Okay. Lot--

The Hon. Mark Warner: But let me just--

Ms. Rana Foroohar: Okay. Please.

The Hon. Mark Warner: --let me just finish two or three quick points. One is, so I think the framing around this issue in the United States, at least, will be much more for those of us who want to act around security and job creation. My only caution, and I say this as somebody who helped start one of the larger cell phones companies in America. I remember back in the mid-'80s when they said it would take 35 years to build out the cell phone networks in Europe or America and at the end of the time three percent of Americans would have cell phones. Luckily, the markets were wrong and I got rich.

My fear is that in the promise around green jobs we've seen ten years of trading going on with carbon credits in Europe. We've seen a lot of capital and we've perhaps promised too quickly delivery of this massive new job creation. We haven't gotten to the

tipping point on (inaudible) yet. And my hope is that we will make that investment in the United States and in Europe and that the interesting thing I would--the only point I would make with the minister, I think he's on one level right. The curious thing about the Chinese, though, is while they probably will not sign up to an international accord, they have made the calculated business decision that this is the space they want to own, and I think for Europeans and Americans to watch them make the investments, we are losing an area that we had a technological lead on, Europeans and Americans, and we sometimes have been-- this is an area we ought to have, dismissing for the moment the almost religious argument in the United States about climate change, and we ought to have a common trade approach in terms with China.

Ms. Rana Foroohar: I've been told we have only a few more minutes left and I know there's a lot more questions, but folks will have a chance to mingle later. And I'd like to give our panelists an

opportunity just for a couple of minutes each to sort of wrap up, give your takeaway in terms of your areas of expertise in your regions, what we need to be doing right now, top two or three points, to create growth and get jobs growing again. Richard, do you want to start?

The Hon. Richard Fischer: I'm delighted this conversation had very little to do with monetary policy. And I think that--I hope what it tells me, and I certainly feel this way is, again, as a central banker for a very vital economy, the United States, we've done our job. We've done enough. It's up to others now to incent the very good things that everybody has talked about. So I think--

Ms. Rana Foroohar: Very quickly. QE2: thumbs up or down?

The Hon. Richard Fischer: We don't call it QE2 in the Federal Reserve. As everybody knows who follows these esoteric things, I was against it. But we do have a committee; the majority of the committee voted for

it. You might say that it helped. A central banker should keep their word once they pledge to do something. We will complete it and then I personally would not support any further monetary accommodation again because that's not the issue in America now.

Ms. Rana Foroohar: Are you worried about inflation?

The Hon. Richard Fischer: I am worried about inflation from this standpoint. You're seeing inflation running at 4.5%, depending on which index you use in the U.K. to 5.5%, despite the fact they have record unemployment, by the way. And you're beginning to see weight settlements take place in Germany which is a key part in terms of setting expectations in the rest of Europe that may run as high as the mid-three percent, or low 3% level. Anything above 2% makes a central banker's heart stop. And then we're beginning to hear, particularly in aviation and in IT and elsewhere within the United States of the willingness to provide greater compensation packages. And then we have the pressure

coming from imported goods from China and so on where what's coming in the door is much more expensive now.

Ms. Rana Foroohar: Yes.

The Hon. Richard Fischer: Very little pricing power because of fallow demand on what's going out, but I hear more business operators today than I have heard in years, going back to the summer of '08, talk about a desire to price more aggressively, see what they can get away with, see what their pricing power is. And we'll just have to watch that extremely carefully.

Ms. Rana Foroohar: Okay.

The Hon. Richard Fischer: And then lastly, excess liquidity leads to excess volatility. There's a lot of money sloshing along the system. It's being used for speculation rather than the very good things that everybody has talked about at this panel. So--

Ms. Rana Foroohar: Very interesting point.

The Hon. Richard Fischer: --that's why I would not support further monetary accommodation.

Ms. Rana Foroohar: Okay. Very good. Minister?

The Hon. Jacek Rostowski: Well, the first thing we have to do in Europe is to definitively stabilize the Euro and the Euro zone. And I think we're well on our way to achieving that. On economic growth we have to stop digging, as far as regulation is concerned, and we have to realize that growth doesn't depend just on pleasant things, as I said earlier, but really on structural change as well. We have to get real. But I think we are getting real and we're getting real very fast.

Ms. Rana Foroohar: Okay. Very good. Senator.

The Hon. Mark Warner: First broad based policies that promote innovation, entrepreneurship, particularly in energy, in areas where America's done well, life sciences, dotcom, IT, other. Infrastructure is something we've not talked about in America. That was a competitive advantage; now it's becoming rapidly a competitive disadvantage. Second, getting in place, and we again have more luxury than most of our European friends, a deficit and debt reduction plan that puts us

on a path where, echoing the minister's statement, we can just stop digging. That will help and that will take from both sides of the balance sheet, both revenues and spending cuts. And third, I think in terms of the context of this conversation, recognize that while we have differences, that as we look at the challenges and opportunities around the emerging markets as mature economies for the most part, we have a lot more common ground than I think we sometimes allow our governments to represent and haven't that often.

Ms. Rana Foroohar: Meaning that they are the consumers of the future and we need to--

The Hon. Mark Warner: Well, that we have to recognize that if we are--the number of times from intellectual property to trade agreements and other things, that we are played off against each other is stunning to me.

Ms. Rana Foroohar: So it's not about the "West and Rest"; it's a little more nuanced than that.

The Hon. Mark Warner: And it's about how we think in areas of agreement that we can look at those, a billion people in India and a billion people in China, vast numbers elsewhere, as not as competitors simply to take our jobs but as customers.

Ms. Rana Foroohar: Mm-hmm. Mm-hmm. Okay. Great point. Mr. Porth.

Mr. Wilfried Porth: Yeah. My takeaway is I heard from three people who really can influence it, the nice word of deregulation. I heard it. I would like to see it in the future. Because what I hear from Brussels is just the opposite. So I would encourage you to go this route. We need deregulation in order to be faster, more sustainable, and have a better frame for companies to operate. Because at the end of the day, companies are creating jobs.

Ms. Rana Foroohar: And one final question for you. Do you think it's time to start doing more for new business as opposed to just big business? What would you say to people that throw that question out?

Mr. Wilfried Porth: I definitely think that small businesses like we heard from our Swedish colleague here on new technologies and new innovations, we need to support that because this is the engine, so to say, for the future developments.

Ms. Rana Foroohar: Yes.

Mr. Wilfried Porth: So we need to invest there. Definitely.

Ms. Rana Foroohar: Okay. Great. Well, thank you to all of our panelists. Thank you for the great questions and all of your attention. Clearly a complex and rich topic. I probably could've done four more sessions on this. But appreciate your attention and I hope you enjoy the rest of the panel here today.