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RESTORING ECONOMIC EUROPEAN LEADERSHIP
12th RAYMOND ARON LECTURE
WITH HENRI DE CASTRIES AND DONALD KOHN

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Introduction and Moderator:

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Featured Speaker:

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Discussant:

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P R O C E E D I N G S

MR. TALBOTT: Good afternoon, everybody. I'm Strobe Talbott, and what a beautiful afternoon it is outside. So, this is obviously, a very dedicated audience. Welcome to the 12th Annual Raymond Aron lecture, Restoring European Economic Leadership. This year's event is in the form of what promises to be a very stimulating conversation, featuring Henri de Castries and my Brookings colleagues, Don Kohn.

Given their topic, we've asked Antoine van Agtmael, a trustee of the Brookings Institution and co-chair of our international advisory council, to open the program with a few short remarks based on his standing as a thought leader on the global economy. We're also fortunate to have with us as moderator, Jim Hoagland, a longstanding friend of many of us in this room and in this institution, a card carrying Francophile, and a Pulitzer Prize winning columnist. His part is participation -- is also particularly fitting, since Raymond Aron was not just a philosopher and a political scientist, but also a journalist.

On a somber note, I hope you'll feel that it's appropriate for me to mention that Aron was a mentor of Stanley Hoffman, revered by many of us, who has just passed away. Finally, our thanks to the Embassy of France and Ambassador Araud for their support and assistance with this lecture series and our work on France within our center on the United States and Europe.

I'm not sure that Monsieurs Aron and Hoffman would approve, but if any of you are in the business of tweeting, you can do so by using the hash tag of Euro Leadership (Laughter). So, with that, over to you, Antoine.

MR. VAN AGTMAEL: Well, thank you, Strobe. It's an enormous pleasure for me to introduce today, first of all, because this is a Strobe set, the 12th Annual Raymond Aron Lecture. And I see it kind of as a reward, this introduction, for suffering through -- not suffering through, but at school, they were asking us to read the editorials of Raymond Aron, which was -- at the time, my French was quite bad, so it was difficult, but very interesting, so I learned how he was not only a friend of Sartre, but wrote "Opium for the Intellectuals," which didn't -- the intellectuals in France at the time, didn't take very kindly, I remember.

And so, it's great to have today someone who is both a leading French European and international businessman and financier, but also, a true intellectual to give the 12th annual lecture today. Henri de Castries is a graduate of the famous Ecole Nationale d'Administration, and went on to one career to become the chairman of AXA, which he has done, I think for the last 14 years or more -- 15 years.

AXA was one of my very first clients, (Laughter) so it was very nice to see that. And AXA, as all of you know, is not only a leading insurer in France and Europe, but also, in the United States, where AllianceBernstein is one of its subsidiaries, but in China, all over Asia, and in fact, all over the world -- one of the truly big financial companies in the world.

In addition to that, he is chairman of the Institut Montaigne, and that's, I think, appropriate for this time, because Montaigne was a moderate at the time of fierce religious wars in France and Europe. Frankly, and I just read in a book about Montaigne, that makes ISIS look like child's play. It was horrible at the time, and he was the man who very adroitly maneuvered through that, and in his essays, wrote about that. And finally, he is the chairman of the very well-known Bilderberg Group.

I got a preview of his speech, and so, I know that you're in for a treat. He really is addressing some of the issues that you're reading about every day in the newspapers, head on, which will, I think, be very interesting to all of you. With that, let me give it over to Jim Hoagland, who in turn, will introduce Don Kohn.

MR. HOAGLAND: Thank you, Antoine.

It's a real pleasure and honor for me to welcome you this evening to the Raymond Aron lecture. Raymond Aron, as my friend, Strobe, has said, was an outstanding intellectual, a political scientist and a columnist.

And indeed, when I first started to think in the 1980s about writing a column myself, I went to him to seek his guidance and counsel, and he was very generous in providing that. Raymond Aron, as Phillip Gordon noted, in inaugurating these lectures in 2004, was a bridge between scholarship and policy, and between France and the United States. So, it is a pleasure to be able to be on this stage and to welcome our distinguished speakers to honor Raymond Aron.

We will first hear from Mr. de Castries, who has just been introduced. I will later introduce Donald Kohn more fully. We will then move into a brief discussion period here on the stage, on the podium, and then, throw it open to questions from the audience. And we will be ending by 7 p.m., so you can get out into a little bit of that gorgeous weather out there.

The Guardian, a leading leftist and very literate British newspaper, recently labeled Mr. de Castries as perhaps the most powerful man in the world. I think they were alluding a little bit to his role, perhaps, not only at AXA, but at Bilderberg, as well, because if you follow the conspiracy blogs (Laughter), you will see that the Bilderberg runs the world, actually. It's a secret society that runs the world.

If you have, as I have, been to some of the meetings of the Bilderberg Group, you will describe instead, that it's a very lively discussion group. So, without further add-ons, we will turn to you, Henri.

MR. DE CASTRIES: Thank you very much, Jim. Good evening, ladies and gentlemen. It's an honor and a pleasure for me to be here this evening with you, and I would like to thank very much, the Brookings and its president, Strobe Talbott, for their invitation.

I would like also to thank the Center for United States and Europe, and especially Fiona Hill, Andy Malford and Phillipe Le Corre, the French Ambassador, Gerard Araud, and of course, Jim Hoagland and Don Kohn.

It's a particular emotion for me to be here this evening for this Raymond Aron lecture, because I have a sort of special connection with Raymond Aron, which was someone I deeply admired, and I was, as a young student, encouraged to read his books by my grandfather, because both of them left France in June, '40, to join the goal from a small, little harbor in the south of France called Sazon Blues.

My grandfather found Raymond Aron on the pier and took him with him, telling him we need to go to England, because they will need us in a few weeks to fight on their beaches. Fortunately, it didn't happen. And my grandfather was later the representative of the free French here in the U.S., and happened to be in Roosevelt's office with Harry Hopkins on the night of the Sicily invasion, or I would say, landing.

So, it was a particular emotion that -- I start this speech this evening about the European Economic Leadership. Can it be regained or not? And the reality is, I think that the only time in history where Europe really had an economic leadership was a brief period of the last 20 or 21 centuries. It was between the end of the 18th century and the beginning of the 20th century, because of a combination of demographic, technological and military competitive advantages.

Most of these advantages were gone at the beginning of the '70s. It's clear for me, that the military strengths hardly survived the First World War. The technological revolutions have not been European since World War II, and the first stages of the demographic decline were there at the beginning of this century. They started, in fact, at the end of the 20th century.

Today, I would say the complexity of our government structure in the EU, the difficulties of probably too quick enlargement, have led to an institutional overload, and the very incomplete and insufficient implementation of the Lisbon Agenda have all undermined the European momentum, which had been strong until then, but has been fading since.

If we now want to regain a certain form of leadership, we cannot deal separately with these demographic, strategic and economic challenges. If we want to address the issue of economic leadership, we have to look at all of them together.

And I found a quote by Raymond Aron dating back to '78 saying we, Western European countries, all suffer to no longer have neither imperial ambitions, nor the ambition of European unity, nor the ambition to transform the world. In a way, whether we like it or not, we are all currently turning into Sweden or Switzerland, '78 (Laughter).

So, the first challenge we have, I think, is a strategic challenge. The model and the core values of Europe and democracies are under pressure, and these pressures are coming from different angles. We are going through difficult times. Firstly, we have some people out there we clearly want to destroy our model and are the enemies of our values -- terrorists. This is real.

We have attacks. Madrid, 2004, London, 2005, France, for the last time at the beginning of 2015. ISIS' reach among European youths should not be underestimated. It's rampant, and it's probably going to increase.

Secondly, we have nations out there who do not believe or no longer believe in our model. These questions on the model come from outside, and to a certain extent, it's not only nations, it's also a certain fraction of our population. From outside, clearly, Russia was ready to fight against any expansion of our model. We see that in Ukraine. I start to have some questions on Turkey. We have slammed the door on Turkey. I think it was wrong. And the evolution we see these days is clear, their disassociation from the European model.

The last one is China -- not a negligible economic force, who clearly has to believe that democracy is not a precondition to reach economic prosperity. So, we have big nations out there questioning our model. We have also inside, the staggering disillusion of a growing fraction of the European population which thinks that the political system has transformed progressively the EU into the world's best breeding ground for populist parties, and they are depicting the European Union as a sort of monster created by incompetent elites. Well, I mean, this cry being the administration as a monster created by incompetent elites is something probably we share on both sides of the Atlantic, but it's probably stronger in Europe than what it is in the U.S.

Then, we have -- and this is a new element, very, very visible these days -- we have a sur-challenge. We have those who would like to join our model at Miuras, but do not seem to be welcomed -- the refugees. And I think it's testing the core of our values, because these people are risking their lives to live into models similar to ours. If we are not ready to welcome them, then, we will be questioned on the seriousness of our values. So, we are challenged from a strategic point of view.

This is questioning the military retrenchment of Europe. Europe is the only part of the world where over the last 15 years, military budgets have been decreasing. It's clear that we have to decrease public spending, but decreasing it on the military side is probably not the best thing we can do, if we want to keep a certain form of leadership.

We have decreased our military budgets by 15 percent from 2006 to 2013. It will have, at this stage or another, to come to an end, and we will have to reign gauge into NATO, but also, probably, into a more active, I would say military syncing of the world.

The second challenge we have besides this strategic challenge is a demographic challenge, and what we could call the time bomb in Europe. Some European countries are facing a very, very severe demographic challenge. Germany. Between now and 2060, the German population will probably decline if they do not change their immigration policies, to 65 million inhabitants. This would mean the country of the size of the Netherlands, Antoine, disappearing. It's not negligible at the Europe scale.

In 2030, the group of persons aged 65 and more will represent nearly 30 percent of the total German population. More interestingly, if you look at Europe as a whole, Europe represented 20 percent of the world population in 1960; now constitutes 7 percent, and will shrink to around 5 percent in 2060. So, less people; aging people.

The birth rate in Europe is 9.9 per solvent, whereas it's 12.5 in the U.S. It's close to 40 in Asia, and it's close to 38 in Sub-Saharan Africa. The birth rate in Europe is even in lower than in China, where it's 12 per thousand. So, a big demographic time bomb. And since demography is most of the time leading the prosperity of the economies, you see that it can be a very serious challenge.

The last challenge is the economic one. And we are paying the cost of our complexity, of our intelligent (Inaudible) and of our divergences. The Eurozone was built to become the most prosperous region in the world; one of the most populated. But it has become over the last years, one of the symbols of the economic crisis.

We are losing ground as a BLOC. The overall competitiveness of the Eurozone is called into question. We have a decreasing active population. We have high unemployment rates, in particular for the youths today. The European unemployment is 9.6 percent versus 5.1 in the U.S., so nearly double from what it is in the U.S.

We have a productivity which is not satisfactory. In 2014, the productivity in Europe per hour was 20 percent lower than what it is in the U.S. Between 2007 and 2013, what the economists are calling the Total Factor Productivity has been modestly growing in the U.S. and Japan; has been decreasing in Europe. We suffer from a lack of research and innovation.

There are more than 30 percent fewer patents filed by EU citizens versus U.S. ones. The EU overall expenditure on research and development amounts to 2 percent of GDP. It's 2.8 in the U.S. And if you look at the number of patents, I found numbers which are staggering. In '85 -- 1985, 30 years ago, not that far away, you had in the Eurozone, 20,000 patents a year; in the U.S., 40,000, in China fifty, 50.

In 2013, 130,000 in the Eurozone; 245,000 in the U.S.; 145,000 in China. What does it mean? We are lower than the U.S.? Lower than China? The technological revolution is there, but we have a risk which is to lag behind. Uncontrolled public spending is the next issue, and there, I will be very brief.

I will just mention what Mrs. Merkel has been saying, which is, I think capturing the essence of the European issues as far as spending and entitlements are concerned. Europe today, accounts for just over 7 percent of the world population; produces around 25 percent of global GDP, and has to finance 50 percent of global social spending. It's obvious that we will have to work very hard to maintain our prosperity and our way of life, so we have issues there.

Last, but not least, I mean, the burden of excessive and inappropriate regulations. Inflexible labor markets, legal uncertainties, sometimes naïve competition rules, and I will come back to that, the precautionary principle, which is basically an aversion to risk taking, therefore, a long-term aversion to growth, because there is no growth without risk taking. This is not creating the business friendly environment we would need to see the growth increasing. So, the BLOC as a wall could be seen has having lost ground.

The second thing is, the BLOC is breaking up with increasingly important divergences between its member states. Despite what was originally planned with the Eurozone, which should have led to more convergence, we are seeing divergences. In terms of public spending, the difference between France and Germany, back in 2003 was five points; 48 percent in Germany, 53 percent in France. Today, the gap is 13 points, though the gap has more than doubled within 10 years.

In terms of use and employment, the gap was seven points between France and Germany in 2007. It's now 16 points. The gap between Germany and Spain was six points in 2007. It's now 45 points. Fifty-three percent of the Spanish people under 25 are jobless today.

In terms of L&D spending, if the average is at 2 percent, Germany is at 2.9, comparable to the U.S. France is slightly above the average at 2.2. Spain, as an example, is at 1.3, and Italy would not be that far away. So, growing divergences.

The next point is, you could have question marks about the ability of Europe to deal with the digital revolution. Well, digital Big Data. And this would further weaken the open competitiveness. Very simple example: On the Forbes 2015 list of hundred richest people in technologies, which is a way to capture where are the entrepreneurs, you had 51 U.S. citizens, 33 from Asia, 8 from Europe. So, this is not great.

So, you see that we have strategic, we have demographic, we have economic challenges. They have been made worse by -- I mean, the governance of our model, because the EU enlargements of the 2000s were not very well managed, and the rule of unanimity of 28 has proven to be a very significant burden in a world which is becoming more agile and more instantaneous.

So, our will to work together has diminished over the years, because you have more and more European countries who want to opt out, rather than to opt in. In the past, Europe used to be a saying where one subject was progressing, and the others -- I mean, the countries which were not part of the initial effort were willing to opt in to join.

Today, it's the reverse. You start something, and you have people willing to opt out. So, sometimes, and this is going to be the end of the depressing part of my (Laughter) presentation, you have the feeling that Europe could become what Ayn Rand was describing in *Atlas Shrugged.* (Laughter) I don't think we are there, in fact, because I think the European Union, despite all of these shortcomings and despite all of these challenges, has never been more relevant, but it needs to adapt its rules, it needs to adapt its priorities, it needs to adapt its governance to the new times, to the changing times, which means reaffirming very strongly what our vision is, being ready to fight for it, redefining our priorities and changing the governance.

Why do we have significant competitive advantages? We are whatever -- we remain one of the major consumer markets in the world. We are a key reservoir of skilled labor. Europe is the place where most of the international students go. Of course, you have a lot of them in the U.S., but if you look at what are the destinations of the international students, the UK is hosting 11 percent of them, France, 7 percent, Germany, 5 percent. It's more than the U.S., in fact.

The resilience of the Eurozone is a very positive thing. Of course, the Eurozone had a significant number of shortcomings, but the crisis has proven, as usual, that Europe was able to react, and to react strongly, when the very big threats were there. The ability to make major steps toward a banking union, the new fiscal measures, the number done by the ECB as part of the QE policy show that we still have a reaction capability.

So, even if the stimulus of the ECB can be questioned, because some people see that as a way for governments not to do anything, in other terms, it's a sort of hospital where the anesthetist is taking the key role, and the surgeons are still at the bar outside (Laughter). It nevertheless, works and gives us a possibility to move and go forward.

Europe has many leading companies worldwide; a large number of them succeeding in Europe, but also, outside of Europe. And France is a very clear example of that. Europe is still an attractive model. If Europe was not an attractive model, we would not have all of these refugees trying to join. So, what do we have to do? Reaffirm what we are standing for.

I think there is a very important. Democracies are a creation of the middle classes. If the middle class is not happy, the democracy is threatened. The middle class emerged because our economies were prosperous in the 20th centuries, or they were stabilized because of that. Why do we believe that there is a very strong link? Because the values we are fighting for, and they are exactly the same as the values here in the U.S. -- it's a very strong belief that individual liberty moderated by the respect for the others are the core of what we believe in.

And it's the right model to succeed in the new world, because in a world where technologies are going to enable us to change many things, but starting from a very, very granular dimension, individual liberty, the ability to create things, the ability to move, the ability to exchange are very, very fundamental elements of success. And the countries which do not believe in our model, which were, over the last year, sometimes likely arrogant, are starting to run into trouble to hit certain difficulties, precisely because of their poor governance.

Some of them are democracies, but if you look at what people were saying about the breaks and where the breaks are today, it's a very clear illustration of the fact that the -- say, having a large work force, having capital, accessing some technologies is not enough. You need to have a proper governance. And this could be one of the advantages of both Europe and the U.S., if you can overcome some of the shortcomings we have seen.

So now, if we move to the priorities after having said that -- I mean, we needed to redefine the vision which has to be peace and freedom, democracy and prosperity. What do we see as being the priorities? I think we have three of them, and I'm sure some of you will challenge that. But the three core things for me, they are very simple. It's education, competitiveness and security.

Education is absolutely essential, and there, to be brief, what I always think we need to do at the European level, we need to invest more in primary education. We need to invest more and be more selective in our universities. We've been losing ground in the PISA rankings steadily, because we have not understood that primary education was the absolute key. We need to educate people. We need education, not schooling.

I mean, putting children in four walls is not enough. We have to ask ourselves what do we teach them. And we need to adapt what we teach them to the new world. One of my favorite examples is to refer to Germany. Up to the '60s, most of the Germans were learning to write in Gothic letters. It's not useful anymore. They moved in the '60s to foreign languages. We have to move to new technologies the way we have moved to foreign languages in the '60s.

We need to integrate into the schooling system the new technologies. We need also to use the primary education to integrate better the children of the people who are coming from outside of Europe, because if you start at primary school, it works. If you wait for too long, it doesn't work. There are a lot of studies on that. It is essential.

The second thing, of course, is universities. We have a tendency not to be selective enough. We cannot afford to have hundreds of universities. We have to be more selective in what we do. This will have an impact not only on education, on research and on economic growth. The second thing we need to do is to improve the European competitiveness, and there, what we need to do is address public spending and tax reduction, labor market reforms, competition regulations, and the precautionary principle.

We need to reduce public spending. We need to have reforms from our entitlements. I give you a very specific example: France is one of the few, if not the only country in the world where the state is guaranteeing the deficit of the unemployment indemnification system. Crazy, because it's making everybody unaccountable, both the employers and the employees. The cost of that -- four billion a year. Is a reform possible? Yes. Is it done? Not yet. It should be done.

It's by reducing public spending that we will reduce taxes. We cannot reduce taxes if we do not reduce public spending, first. Secondly, we won't -- we need -- we must, sorry, improve the agility and the flexibility of our labor markets. In today's world, the only way to be efficient is to have negotiations at the company's levels. To have these big circus of global negotiations leads nowhere, in a world where employment is going to change fundamentally in the years to come.

Technology is going to lead us into a new society where lifetime employment will not be the world for the majority of the people, and where skills will have to change very quickly. Some people say that people will have to be re-skilled every five years. When the amount of knowledge is nearly doubling every 18 months, how would you -- I mean, keep your skills for 40 years? It's nonsense.

So, you will have to be re-skilled. We need to adapt the labelers to take that into account. We need to change our competition regulation. Europe has been too naïve about the concentration rules. We need to look at the companies and at their concentrations taking a world view, because if we don't do that, we will not be able to build European champions.

This is not the (Inaudible), this is pragmatism. By refusing to let the European companies concentrate more in Europe, we will leave the door open to Chinese, Americans, sometimes. Our biggest competitors will become world leaders; will have the technology and will take the market shares.

Last but not least, we need to change the precautionary principle, because the precautionary principle is basically an aversion to risk. Look at what impact it would have on the energy sector if we were to do things with our shale gas. Look at what it would do to nanotechnologies or to biotechs. Some very good French scientists are crossing the Atlantic to come here because of this precautionary principle. It's a waste for our countries.

It's great for the U.S., and I'm happy for you, but it's -- I mean, it's a waste for our country. We must redefine what our risk appetite is. If we want to have growth, we have to accept risk. We need to redeploy our security policy. I've already spoken about that. We need to redefine our attitude towards security challenges. They are not only conventional ones now. You also have unconventional threats.

The militaries have now characterized that by asymmetric threats. Two bad guys in a garage can threaten you the same way two good guys can threaten large corporations by inventing nice things in the business field, but states can be threatened by small groups. You have to address that. You have to address the issue of cyber security. You have to redefine what the engagement of European nations is towards NATO, because the decline in budgets is leading to a point where the effectiveness of the action is going to be questioned.

Last but not least, we need to change our governance, I think. We need to make a decision. Either the European Union continues to be enlarged, and it will be, at best, a free trade zone.

This might be a sort of British vision. It's not my vision. If we decide to deepen Europe, and I think we need to decide to deepen, we need to be more selective. We need to make choices. We cannot move at 28 at the same pace.

So, we need to select priorities. I have suggested some. We need to start with the hard core of countries. They do not need to be exactly the same on all the efforts. You can have different circles, but you need to start with a smaller core and move. And I think one of the areas, of course, where we should move further, is the economic area.

This way of moving Europe is a way to go back to one of the founding principles, which was subsidiarity and it would be an answer to the UK concerns, and I think it would be the right way to move. And I think if we want to do it, we have to achieve it without changing the treaties. If we want to change the European treaties, it's going to be long. It's going to be hard, and there is a very high risk that it's going to be unsuccessful, because the population doesn't want to vote on something which is seen as very unpopular.

And I think we have the tools to do it, because we can have what is called the enlarged corporations' mechanisms, which would enable us to deepen the corporation on very specific aspects. So, overall, what I think is if we very clearly redefine our vision, freedom, prosperity, democracy; if we are able to set priorities; education, security, competitiveness; if we change the governance, they are all reasons to think that Europe is going to stay an attractive model.

This is in the best interest of the United States, because at the end of the day, we share the same values, because the destabilization or decline of Europe would not be in the interest of the U.S., and it would have a profound impact on the world economy, and because we cannot take for granted that security is a public good. So, there will be no economic leadership, if we do not reinvent the political leadership, and if we are not able to address the strategic challenges.

Is it going to be easy? Of course not. Should we do it? Of course, yes. And that's why I would like to end on a second quote from Raymond Aron dating back to '78, which is going to show you, I mean, how visionary he was. European unit is neither a complete success, nor a failure. As always, in history, it is the imperfect realization of a great idea. I will go for the imperfect realization of a great idea. Thank you very much, ladies and gentlemen. (Applause)

MR. HOAGLAND: Thank you very much, Henri. I have to say it's rare that I've heard remarks that were so infused with energy, and yet, so sobering at the same time (Laughter). I think you've presented us with a lot of information and analysis that we will have to absorb here in the United States to better understand what the hell is going to happen in Europe (Laughter).

Don, you have perhaps, an easier task in terms of not, perhaps, having to be so pessimistic. Donald Kohn is a senior fellow here at Brookings. A native of Philadelphia, he received his PhD in economics from the University of Michigan, and he then set about occupying just about every single important post at the Federal Reserve on the staff, before being appointed to his board by President George W. Bush, and becoming vice chairman of the Board of Governors of the Federal Reserve, to be succeeded by someone named Janet Yellen (Laughter).

And this shows you, of course, that Brookings, like every daily journalist, puts first of all, the idea that timing is everything. We have Don here today, when the things that have happened are perhaps -- that actually didn't happen (Laughter) just a few blocks from here, voiced by Michelle. It might be the subject of questions and conversation.

Don is also on the Financial Policy Committee of the Bank of England, where in June, he predicted that the British, and as I read your speech, by implication, European financial markets would soon come to take on a much more important role in providing credit as bank financing became smaller. This leads us, perhaps, into a discussion about risk and financial stability. Don, take us where you will.

MR. KOHN: All right. Thank you very much, Jim. Thank you, Fiona, Strobe and Philippe for allowing me to be part of this panel and listening to Henri. So, I certainly found Henri's talk very thoughtful and thought provoking, and I want to reflect a little bit on some of my concerns about Europe, and then, Jim, you can take us wherever you want afterwards.

MR. HOAGLAND: All right.

MR. KOHN: I agree with your point near the end. We freedom loving people everywhere, democrats with a small d, everywhere, need Europe, European leadership with U.S. leadership. So, we do share your vision; the vision of Europe. We share the priorities of Europe, and there are too few of us in this world, and we need a strong Europe. The U.S. would definitely benefit from a stronger Europe.

Now, some of the things you've said led me, as Jim said, to be a little bit pessimistic and to raise some questions. I do worry about Europe. I think that leadership from Europe will require you coming to grips with some of those issues, but also with -- as I see a very fundamental issue about what is Europe.

You talked about Europe this and Europe that. It's 28 sovereign countries, or I guess 18 or 19 in the Eurozone who have seated some authority to the center, but there's a lot of tension between what they've seated to the center and what they want to return, what they want to keep on their national level.

And I think Europe has been subject to a couple of stress tests in the last five years. One of them came from the U.S. (Laughs), a global financial crisis, but it was amplified in Europe with the Eurozone crisis and then the refugee crisis of the last couple of months, and it's revealed some real problems with where Europe is now. And I worry that both politically and economically, you're not in a stable place. It needs to move one way or the other.

Now, one of the things you noted was the disillusion of a number of people in Europe about the center and about the elites and where they've led them. So, I think politically, you've gotten ahead of your citizens. Certainly, there's a lot of disillusion in the United States. Anyone who listened to the Republican debate last night, certainly got an earful of that.

But we have a political process for working this out, and that's what you were looking at last night; a presidential election for the leadership of the country based on elections for the Senate and the House. And I think the citizens feel they can change Washington, if they want to. And my sense is, in part reflecting some of what you've said, that the citizens in Europe don't have that feeling. And there is not the sense of a democratic process by which you can turn the big ship around. As you said, they are more alienated and frustrated in Europe, perhaps than they are in the U.S.

I think a related issue that you highlighted that's going to require a fundamental rethinking and fundamental challenges on the governance side is decision making. So, this unanimous decision making for all major decisions -- you've seen the crisis management has been very clunky, very difficult and very untransparent. So, you have in theory, unanimous decisions, eventually, but then, somehow, Germany and sometimes Germany and France have to be sort of taking the lead, and then everybody comes along with them.

So, how the decisions are made, whether there's a way of people disagreeing with Germany and France and making those views known and felt is not clear. Right? So, we have in the U.S., a Senate and a House of Representatives, and people can be in the minority and not get their views reflected in law. And I think that's much harder in Europe, because the process isn't there, and that's part of the frustration.

So, I do think you need -- I worry about the political stability. I worry about the degree to which resentment is building up, and that -- you need to come to grips with that. And I don't know whether that's -- I think that must be a treaty change, to change the democratic processes and make sure citizens feel that they have a greater part in what's happening in the center.

The second point, the sustainability point, I think is economic. So, I think the Eurozone crisis has revealed that it wasn't sustainable the way it was. Right? So, the adjustment within any currency union is going to be difficult, because you can't -- economic adjustment to a lack of competitiveness, because you can't adjust the currency values. You have to adjust the cost of labor within the -- and the prices within the union itself.

And that's always going to be hard. It's hard even in the United States, but it's made much more difficult in Europe, because there's less central -- money flowing into the central fiscal authority that can then be taken from the prosperous places and sent to the less prosperous places to cushion that adjustment. And I suspect there's less labor mobility, given that every country has a different language. There are lots of different programs to subsidize housing differently and different --

So, there's less labor mobility. There's less fiscal exchange, support, and that makes the adjustment more difficult. The pain in Europe was aggravated by this decision making process. The repeated crises that took so long, and things got worse while they happened. The unwillingness to transfer funds from the stronger countries to the weaker countries, while they made the adjustment, and therefore, made the pain, the austerity all that much more necessary and painful; unwillingness to recognize the unsustainability of debt, the sovereign bank connection, so that when a country got in trouble, its banking system also got in trouble.

The lack of flexibility in a number of peripheral labor markets and product markets; the unwillingness or the current account surplus countries to increase their domestic demand to keep the European Union or the Eurozone growing, while some countries had to adjust; and the very weak nominal growth in the whole area, so that inflation ran well below target for a long time, and the Euro ECB was very slow to stimulate the economy. That made all of the adjustments and the pain that much worse.

Now, I think Europe has dealt with some of these issues, so the banking union has helped to break the link between individual countries and the safety of the banks in those countries, and amalgamated that at the center. But that's not complete. It's got more to go.

I think the unwillingness to transfer from the stronger countries in the stronger parts of to the -- transfer funds and the help to the weaker parts of Europe is still there, and hasn't necessarily been overcome. Labor markets are being reformed, but slowly. Inflation is extremely low. The ECB has taken very constructive steps this year, but it was very late in doing that, and inflation is still low. And it's not clear to me the surplus countries, the current account surplus countries recognize the responsibility for the hole that they need to adjust while they're asking the deficit countries to adjust at the same time.

So, I'm not sure that Europe -- I think one lesson of these crises is that Europe is kind of caught between sovereign countries in the center. I worry that it's not in a stable place. I think what's required for European leadership, which the world needs so strongly, is figuring out what's sustainable and how to get there.

You recognize this, because you had those thoughts at the end about deepening the core -- cooperation among the core. But I still wonder whether the populous of the core would be willing to do what you want them to do.

So, I don't know how you're going to figure that out; to give ownership to the citizens of this country for this deeper, deeper Europe. And I think there are lessons from the crisis about what works and what doesn't work. Some of what's done may need to be rolled back. It's time for a stock take, to see where the sustainable points are, where your citizens will let you, what's right and what isn't right.

Too often in the past, I heard arguments for going forward in Europe of two sorts that made me extremely uncomfortable. One was the bicycle metaphor. Right (Laughter)? So, we have to keep moving forward, or the bike will fall over. And I thought, that's not really a reason for taking an action that buy itself, might not pass a cost benefit analysis. And if this union is so fragile that if you don't keep moving, it's going to fall over, it's going to fall over eventually anyhow, and I'm afraid we've seen signs of that.

The other rationale that always made me somewhat uncomfortable, and you saw this with the Eurozone, was recognize that this action, forming a currency union, for example, isn't by itself sustainable, but it will bring other actions with it; closer economic union that does make it sustainable. And I think what's happened is, there's been a lot of action and movement that maybe can't be sustained, and it's time to stop and take a look and see where you want to go. I'd be very interested in the lessons you're drawing from the Eurozone crisis about what needs to happen in Europe. Thank you.

MR. HOAGLAND: Thank you, Don. Let me take a couple of the thoughts that Don just uttered and try to frame a couple of questions out of them for you, Henri. It's been article of faith, I think, for a long time, that Europe advances through crises -- that crisis helps Europe come together in ways that it wouldn't in quieter times. But that doesn't seem to be the case this time, from your own description with the dysfunctional nature of decision making and governance that you've outlined here.

Don said that you seem to be caught between sovereign countries and the center. Will France's economic problems that you've outlined be solved by the French, or through Europe? (Laughter) Or at all.

MR. DE CASTRIES: We have to start by solving them ourselves, and the -- I think it's going to come, because there is going to be European pressure. We cannot have double standards. We cannot say anymore -- and I think this is why -- I mean, this, the current situation is an interesting one. You cannot on one hand say that you want more Europe, and on the other hand, not do your homework.

I mean, I had a very interesting discussion with a German journalist a few days ago. He said, well, French are well known for loving visions but hating homework (Laughter). I think we need to have both, and I think we can have both. If we want to have more Europe, we have to undertake the unavoidable economic reforms which will help us deal with our competitiveness issues.

If we do it, I think most of the other European countries which have not done it yet, will follow. And to a certain extent, I mean, Spain and Italy have moved very -- I mean, Spain has moved very largely. Italy is probably gradually starting to move, but looking at France to see if it's really happens. If we don't do our homework, we won't have more Europe.

MR. HOAGLAND: But as I listened to you talk about the problems that separate France and Germany today, the economic changes that have come mostly to the detriment of France, to the advantage of Germany, I began to wonder if it makes any sense any longer to talk about the French-German motor. Is it possible that we've reached such an economic disparity between the two countries that they cannot work together, or is it a problem of political leadership? Why isn't the French-German motor working?

MR. DE CASTRIES: Well, first, it's working better than you would think. Second, it doesn't mean that there are no divergences. They around there deepened over the last year, but I think it's reversible. And I think that to do it -- I mean, because I could give you a speech on the German issues. I mean, they have their issues, too. I mean, demography is a very big issue.

Their energy policy is a very, very big issue, because a very large part of their energy supply is relying on coal. I don't think it's something sustainable in today's world. So, they have their issues, too. I think they are going to suffer more than others from a Chinese slowdown, if there is a Chinese slowdown, because they are very dependent. I mean, the automobile sector -- I mean, the machine building sector is very dependent from China.

So, the issue is to align countries in the same direction. For that, we know that -- I mean, the two core things we have to address as French is labor market and public spending. And it's clear that there -- I mean, any international institution has been pointing that for years. If we fix that, I think it's important, but it's not enough anymore to have a Franco-German axis to move things.

Why is it not enough anymore? Because you have the Central European countries who are taking a slightly different view, and because you cannot pretend that the two biggest economies in Europe are going to dominate the rest. I mean, it's like in our own companies. I mean, you do not manage the way you are managing in the last century. I mean, the world has become much more balanced. It's much a sort of "partnership-like" issue. But you need in the partnership, some "leading partners."

If things do not work between France and Germany, most of the things will not move. If things work between France and Germany, there is a reasonable hope that they will be able to convince others. So, it's a necessary condition. It's not a sufficient one.

MR. HOAGLAND: I will come back to both energy and demographics in a second. But Don, I wanted to ask you to reflect for us briefly on the fed's decision today not to increase interest rates. What are the implications of that for Europe? What will be the synergy be here on monetary policy between Europe and the United States?

MR. KOHN: Well, I think the fed is focused appropriately on maintaining good growth and getting inflation back up to its 2 percent target. I think Europe and the world benefit from a strong U.S. economy, and I think it would be a mistake to go back to where we were, say before the crisis, when the U.S. consumer was driving global growth. That was unsustainable.

The buildup of debt that made that possible led to the collapse that we saw in the global financial crisis. But the U.S. must be strong. Its growth must be reasonably robust, and that will help the global economy. So, I think Europe benefits from a strong U.S. economy, and what you saw today was the Federal Reserve not willing to take risks with that.

So, they said, yeah, the labor market is very strong. The unemployment rate is low, but we still have a little bit to go in terms of the amount of slack in the economy. Inflation isn't going anywhere. Financial market is a little bit disturbed. So, we would be taking a risk to raise interest rates at this point, and they decided not to take that risk. I think they made it pretty clear that their minds were still focused on when to raise rates. It was a question of when, not whether.

MR. HOAGLAND: Right.

MR. KOHN: So, I think Europe will benefit to the extent that the feds' decision helps the U.S. economy.

MR. HOAGLAND: Henri, you've been quite outspoken on energy. You've likened people who invest in fossil fuels today to people who invested in the asbestos industry in the 1950s and '60s.

MR. DE CASTRIES: I said in coal.

MR. HOAGLAND: I was going to get to that.

MR. DE CASTRIES: Not fossil. Not all fossils, but coal.

MR. HOAGLAND: Right, right. And you've instructed your own company to divest from coal producers to the tune of a half a billion dollars, which is quite an impressive decision to make. But what I'm wondering is, how do you go from there to the climate change. I mean, you're talking not only economics, but climate change to a great extent.

What role will business play in the climate change conference in Paris? And how do you rate at this moment, the prospects for a success of that conference after President Hollande last week suggested that it may not work?

MR. DE CASTRIES: Well, I think it was slightly less pessimistic than what you imply. No, I think the -- I mean, the interesting thing happening is that business is starting to involve itself. And why so? Because there is a growing degree of awareness. I mean, of course, we as insurers, we are in the first line. I mean, we are on the front. And what we see is really ugly.

The number of natural catastrophes is increasing. The severity of these catastrophes is increasing. The world with 2 degrees more is probably still insurable, but a world with 4 degrees more would not be insurable at all, and this is not good news -- not for the insurers, but not for the world in general. Because this would mean that the -- I'd say the whole world would be in turmoil.

I mean, we see that it's very, very, very clear. The frequency, the severity, the impact, because business people are rational. When they think long-term, they start to understand two things. First, that there are certain business propositions which are not going to work long-term. And that's why I was, I mean, comparing coal to asbestos.

If you know that something is bad, do you really want to consciously expose yourself, especially in this country, but also in others, to legal actions in a couple of years, saying well, you knowingly invested in coal. You knew that this would be bad for the enforcement. You knew that this would be bad for people, so you have to pay for that.

So, more and more people understand that they are bad business propositions, because these business propositions are threatening the balance of the climate. And there are more and more people understanding that with new technologies, there is a workable business in new energies -- in renewable energies. If you look at the cost of solar energy as an example, I mean, the manufacturing cost of solar energy has decreased extremely substantially over the last 10 years, and this is not because of public subsidies.

Of course, it's too largely subsidized, but you could see that as a long-term investment, because the reality is, the cost is declining, and it's becoming a workable proposition. Business people are rationale. They just have to stop investing in one place, and to invest more in the other one. So, I think the fact that for the first time, they will involve themselves in the discussions, the fact that some of them are starting to take commitments, I see that personally as good news, because at the end of the day, they are the ones having -- I mean, the keys of the safe, because it's private investment which is driving many of these good or bad phenomena.

MR. HOAGLAND: But is it your sense that business will play a major role in the conference?

MR. DE CASTRIES: No. I mean, major -- I wouldn't say that. I mean, we are starting to be engaged stakeholders, and it's good news.

MR. HOAGLAND: I agree. If I could ask you one more question, before I turn to the audience for questions for both of you? Could you just give a sense of the extent of the resolve of European and particularly, French companies right now in continuing the sanctions against Russia, if there is no progress on Ukraine? How eager, how uneager are French companies in European countries to see that resolved?

MR. DE CASTRIES: Could I take the problem from a broader perspective?

MR. HOAGLAND: Please.

MR. DE CASTRIES: I belong to those who think that we should engage Russia more, and that there is not only Ukraine, there is also the Middle East. I think we've made some mistakes with Russia. I don't like within (Laughter) -- but I think of it -- what is the alternative? I mean, the alternative would probably be worse.

So, I think you have to deal with the devalue now, and I think the -- you have to try to engage them, because they are the key to the solution in a number of cases, where I think we would be better off starting to, I mean, have serious discussions, rather than looking for confrontation. I am very clear about the point that of course, in Central and Eastern Europe, there is an absolute redline, but for me, the absolute redline is the Baltics. It's not Ukraine. It was not Crimea.

MR. HOAGLAND: We'll turn to the audience for questions now. If you could raise your hands, I'll try to call on you, and if you could identify yourself and any affiliation. We have a microphone coming forward to this gentleman here.

MR. DROZDIAK: Bill Drozdiak. I'm with the Brookings and McLarty Associates. For Mr. de Castries, you mentioned those frightening figures about youth unemployment. And there seems to be a growing disillusionment among young people in Europe with the European Union. What can be done to boost employment among young people, so that we don't run the risk of a lost generation there and recapture some spirit of European unity?

And a question for Donald Kohn that may be related to the youth unemployment issue. The Fed has a dual mandate. It seems to be a fatal flaw, perhaps, for the European Central Bank that it only deals with price stability. Do you think the ECB and its monetary policy would be a lot more effective if they also had a mandate to influence growth and employment?

MR. HOAGLAND: All right.

MR. DE CASTRIES: On your first -- I mean, on the first part of your question, no easy solution. Short-term actions, long-term actions. Long-term actions, I think it's dedication. There are some very interesting experiments going on in France, interestingly, not within the "state system."

But one of the Internet entrepreneurs in France, Xavier Niel has founded something called School 42, where he's taking young people between 19 and 23 approximately, which he selects through, I would say not (Inaudible), but similar things. And he's teaching them to -- well, he is -- they teach themselves how to code. Very interesting experiment. Very, very interesting, very well, because many of these people are non-graduates. So, I mean, that may be one thing.

But I mean, long-term education is key. We need to change the skills we teach, and we need to invest in primary education, because the ones who have trouble finding jobs are the ones who had problems in the primary education. So, everything is played off in the first seven to eight years. So, that's why I said you need to invest in primary education. It's not going to change things for the ones who are already out of it.

For the ones who are already out of it, what sort of short-term actions can you take? I mean, in France, we have one issue, which is the minimum wage. There is a sort of political taboo on the minimum wage for young people. I think it's wrong. And the state, rather than subsidizing false jobs in the local administrations for young people, 80 percent of which do not find another job once this temporary job is over, they should better decrease the minimum wage paid by the private companies to the young people, and match the difference, because this would give them a real experience in real companies, give them real skills and progressively integrate them into the labor market.

I mean, the issue we have is that we have a very inflexible view of the labor market. Here in the U.S., when people enter the labor market, many of them are in the lowest D size (sic). Three or four years later, they have started to climb the ladder. In France, basically, we have cut off the first two bars of the ladder. So, that's why there is a barrier to entry.

But there is not going to be any quick fix, because many of them have been without jobs for a significant number of years, and for these ones, it's going to be very difficult.

MR. KOHN: So, I agree it's a related question, because I think one of the things you could do about youth unemployment is have stronger aggregate demand; overall demand in the economy. And in that regard, the countries that have fiscal space should be using it in order to stimulate demand in their countries, which will then spill out over their borders. And in that regard, I think the ECB was late and slow in adopting unconventional monetary policies, which unfortunately were -- have been required in the U.S., in Europe, after the financial crisis, and certainly, after the Eurozone crisis.

Now, was it because they didn't have a dual mandate? I don't really think so. I think inflation has been low. I once said in an ECB conference a year or two ago, if you were a person from Mars, if they have that, and you came down and looked at ECB monetary policy, you wouldn't guess that there's a symmetrical 2 percent, or 2 percent or about a little below, inflation target. Every time inflation tended to rise, they raised rates in order to keep it from rising. When inflation fell, and the forecast of inflation was low, they were very slow to react. It looked very asymmetrical.

MR. DE CASTRIES: That's right.

MR. KOHN: I don't think there's a conflict. There hasn't been a conflict over the past five years between inflation and employment. I think taking the 2 percent inflation target very seriously, doing everything you could to get to 2 percent would have -- much earlier than they did -- I think they're doing it now, but it was late -- would have made the youth unemployment problem much less, and would have put the European economy in the right place, and you don't need a dual mandate for that. You just need to take that 2 percent target seriously.

MR. HOAGLAND: A next hand down here. If we can get a mic to the second row?

QUESTIONER: Good evening. My name is (Inaudible). I'm an EU visiting fellow here at Brookings, and I'd like to first congratulate the speaker on a masterful presentation. I think you really hit all of the spots in terms of the problems that Europe faces and the potential of Europe, and the importance of Europe doing well.

I would like to contest, though, a couple of things which I found that you made. One is the connection between enlargement and deepening, where you seem to represent it as a contradiction. Full disclosure -- I'm from Estonia (Laughs), so I will definitely be in favor of the enlargement side of the equation, but let me just remind you that in 2004 and 2005, the European Constitution, which would have been a huge step forward as far as Europe's political integration, was not opposed by Estonian voters. It was ratified by all of the new member states, but it was refused by the citizens of France and Holland, two of the founding members of the European Union.

You also said that it was a mistake to close the door on Turkey. I completely agree with you, and I think that brings up the issue of cultural barriers to both the enlargement and the deepening of Europe. And in France, I think we have seen that the cultural barriers are quite often raised as one of the issues why the negotiations with the United States and the T tip has not gone as fast as it could; why the single market, for example, on services has not gone as fast as we would.

How do you see the cultural barriers to integration being overcome, not only in France, but in Europe, as a whole, which I believe is the key both to Europe's survival and also, to regain the leadership in the world? Thank you.

MR. DE CASTRIES: I think it's going to be difficult, but I think we are at the turning point, at the testing moment. And the refugee crisis very clearly indicating that, because I think we are back to what do we really stand for in terms of values and culture. And I think the split is, do you really believe in individual liberties, tempered by the fact that you accept sort of -- I mean, collective discipline respect for the others.

I'm worried today, because I think we have (Inaudible) Europe. One state which is starting to play very strange games -- I mean, to be totally open, it's Hungary. And I think taking a weak position towards Hungary on very fundamental values, is a very, very bad signal. So, I think the way to overcome the "cultural barriers," is to be absolutely clear on what you stand for, and to be extremely firm with the ones who try to take the benefits without really just standing for the real values. But it's a unique moment to clearly reaffirm what you believe in.

MR. HOAGLAND: Well said. Well said. The gentleman holding up the white piece of paper.

QUESTIONER: Yes, and my name is (Inaudible) Korovsky. Since you are in the insurance business, you are now being (Inaudible) by the Solvency II, which starts imposing a little bit of the Basel's credit risk weighted capital requirements. Don't you think that Europe would have -- be able to aspire to more leadership, abandoning credit risk adverse requirements, and for instance, going for job creation capital requirements, sustainability, capital requirements -- something that has a purpose, different than just avoiding risk?

MR. DE CASTRIES: Okay. Interesting question, and I am not sure I'm going to agree with you. I think there is no long-term goals without financial stability. I think one of the reasons for which you have seen no failure in the European insurance industry during the crisis is precisely because all of the big players were preparing themselves for Solvency II.

I mean, the ones who have failed were banks or bank insurers, but there has been no insurance failure in Europe towards the -- during the crisis, because Solvency II was in the minds of everybody since, I mean, basically, the end of the last century. Having said that, is Solvency II an ideal regime? No. What is wrong with Solvency II? It goes back to my point about risk appetite.

A very bad combination between risk appetite and investment horizons. In a financial system, and I guess Don would agree with me, if you want stability, uniformity is not the way to get it. You need to have different business models, different risk appetites and different risk horizons. The insurers wear long term hands (sic). By nature, they are not systemic. They have no liquidity issues. They do no transformation. They have a long-term duration of their liabilities.

So, they should be investing in long-term assets. Solvency II is preventing them from doing that to a large extent, because if you take the combination of the accounting norms and the risk horizon of Solvency II, which is one year, so it's using the fair value system, which -- I mean, I prefer to call immediate value, because fair is a moral judgment, not a fact.

So, if you take the immediate value system and a one year risk horizon, what you do is you shorten automatically the duration of your investments, and you create something which is very artificial. And I think this will have to be corrected. That's good news. Bad news? It's going to take a generation to correct it, and in between, we will miss growth opportunities.

MR. HOAGLAND: The lady back here with the glasses.

MS. WALLER: Thank you. Good evening. My name is Kiernan. I'm a German lawyer currently (Inaudible) to the World Bank, and my question is that you've highlighted the current situation that there is a demographic de-growth, there is an economic de-growth, we don't really have inflation.

And I would like to know both of your points of view on some German economists that are now emerging and saying, you know, maybe it's not a crisis. Maybe it's not a face. Maybe de-growth is a glimpse into our future that Germany and the EU as a whole is seeing before the rest of the world. And maybe if can just stop waiting for growth, embrace the situation and figure out how to maintain prosperity and economic leadership in the world, while having de-growth for the zero inflation. And I would like to know what you think about that. Thank you.

MR. KOHN: Well, I think growth is very important. It's true that demographics everywhere, in Europe, to a lesser extent in the U.S., even more in Japan, are putting a lid on and putting downward pressure on how the whole economy can grow, but on a per capita, per person basis, economies can still grow. And I think Henri pointed to some really important issues for the U.S., for Europe, to promote that kind of growth. So, education, innovation, opportunity.

And he also pointed to the risk of the middle class feeling left behind. And you can ask why this alienation, not only in Europe but in the United States of the many people towards what they feel towards their government. And I think part of it is they don't have the hope they once had that each generation is going to be better off than the previous one. So, demographics can put some downward pressure on aggregate growth, but it doesn't have to undo this hope, this opportunity that's there.

And I think on both sides of the Atlantic, both sides of the pond, that's what we need to concentrate on. Productivity growth in the U.S. has been very disappointing. And it's not clear why. Partly, it could be a lack of innovations, but partly, we have some structural problems in this country. The White House and economists have pointed to too much licensing, too many barriers to entry in some part of our economy -- service economy, service parts, for example.

So, I think there are things we can do to help growth, and that would be important for the political dimension, as well as for the economic dimension.

MR. HOAGLAND: I'm afraid this will have to be the last question of the evening, and I'll give it to the gentleman here.

QUESTIONER: Thank you. (Inaudible) visiting fellow here at the Center in United States and Europe. It seems to me that 90 percent of the issues we've been looking at today have to do with governance, deep down. Now, Europe is a multi-layered governance system, like the United States, but unlike the United States, it's a fragmented multi-layered governance system.

We have effectively a situation whereby policy making takes place increasingly at a super national level, but politics, on the other hand, is still perceived by the average citizen and lived by the average citizen at the national level. So, we have a gap between politics and policy. That is a problem for two reasons. One: It is a problem in terms of the quality of the democratic process. This erodes the quality of our democracies.

But it is a problem, also, in terms of policy output, in terms of legislative output, because if I am to win political kudos at a national level, well, I'll push for policies that will be positive for my own little nation state, but detrimental to the broader union, as a whole. And I do think that the key reason why we have such a problem is that we don't have a Pan European public sphere.

We don't have a public sphere that contributes to close the gap between policy and politics. How would you suggest we could start going about closing this gap between politics and policy making by nurturing a Pan European public sphere? Thank you.

MR. KOHN: More think tanks (Laughter).

MR. HOAGLAND: Is that your answer?

MR. KOHN: More jobs for us. (Laughter)

MR. DE CASTRIES: More think tanks, of course. I mean, Brookings, Montaigne. But I think it's a very, very interesting question. A couple of comments. I've seen Peter Skinner in the audience, who has been a distinguished member of the European parliament, and it's not because he's a friend that I'm going to say that. But I think reinforcing all of the European parliament is a way to reconcile things.

The second thing is -- one of the reasons for which Europe isn't popular is a very simple and stupid one. When there was good news, it was addressed as being the national decision. When it was bad news, Brussels (Laughter). So, Brussels was the easy scapegoat of all of the difficult decisions in Europe over the last 30 years, and it has probably created a very significant amount of frustration.

So, if you are a true European today, as a local politician or as a national politician, I think you have to be more accountable in what you say and in what you do, because it's too easy to blame Brussels for the bad things and to take credit for the good ones. Last but not least, I think one thing which is all going to very reconciliate us is, Europe is the only pertinent parameter in terms of security issues, and more and more, in terms of economic issues.

Europe is what, I mean, our village was in the middle age, and it's -- I mean, it's what the nations were in the 19th century. I mean, we have our values. We will have to defend them. I was listening very carefully to what Don was saying at the very beginning, and his fears about the stability of Europe.

I mean, the parameter has never been stable. Thirty-five years ago, we had three dictatures, Portugal, Spain and Greece, and they have joined. And it's good that they have joined. The Habsburg Empire lasted 700 years, and its parameter has constantly changed up to the end. So, I'm not worried by that. I think what's holding people together is a common view of their future.

So, the values and the ability to -- I mean, explain to the middle class what's in it for them is absolutely critical. And if we can manage that, I think we will have this public sphere.

MR. HOAGLAND: Raymond Aron said that in writing a column, there were two sentences that count: The first one which gets the reader into the piece, and the last one, which sends the reader away with the message. And everything in between was just in between. (Laughter) So, to conclude, I'd like to take just a minute for each speaker, starting with Don, to give us the message to take away.

MR. KOHN: (Laughter) You know, I think the last sentence that Henri -- the last paragraph of Henri's response was the right one. People need to feel a stake. And your question was, how to get them to feel the stake. And I think my question was, what democratic reforms and changes needed to happen so they felt the stake, and so they could feel like they could change the policies when they didn't like the policies. So, I like what Henri said, and I think I'll let him have the last word.

MR. HOAGLAND: You get the last word.

MR. DE CASTRIES: Okay. Then, I say -- I'm going to end with a Portuguese saying, which is, when the wind is blowing, some people build walls because they fear. Others build windmills because they believe in the future. I think we should build windmills (Laughter).

MR. HOAGLAND: And on that note, we conclude. Thank you for coming tonight. (Applause)

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