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First, I am going to say a few words on what I believe is the global picture. What I say may sound like platitudes, but it is nonetheless worth being mentioned.

Fragmentation continues, Bretton Woods institutions are put into question by some major players in the global economy, and the Transatlantic relationship is badly crippled in a multipolar world. It is clear that the European Union is trying to save multilateralism while the G7 and G20 are weaker, but still relevant. Large global imbalances are a threat, and financial instruments are increasingly used as weapons; tariffs, sanctions, currencies, crypto assets are all used in a sort of geopolitical financial warfare. Security considerations take precedence, it is a battle between resilience and efficiency, defence expenditure is growing quite rapidly around the world, and we should think about deficits and public debts in this regard; here one meets the old dilemma, guns versus bread. You could say that I am more cautious about Artificial Intelligence (AI), you may argue that I am too pessimistic, but I think that together with huge benefits, AI comes with big risks, apart from an existential threat.

Second, the global macroeconomic scene is worsening and stagflation is looming. I think the IMF’s Spring *Outlook* is likely outdated, budget deficits in not a few countries will rise again at a time when fiscal space is very limited. There is a new inflationary bout and supply chains are again strained. However, I think central banks should be cautious about raising policy rates swiftly, since this is a supply-side shock.

I am very worried about a new wave of financial deregulation, and it seems to me that lessons from the great recession crisis seem to be disregarded. Jamie Dimon talks about a new credit cycle, but he is very gentle and prudent in this regard. Credit conditions have loosened for years now, and banks are asking for capital and liquidity requirements to be loosened too. European banks refer to American banks, it is the big debate of 20 years ago, when they said that they could not compete with American banks and that there should be less regulation. As John Lipsky has already mentioned and you too, Mr Chairman, mentioned as well, the non-bank financial institutions’ share of funding has risen very much, and the regulation of private credit is arguably inadequate.

I believe that all types of finance need to be regulated because contagion can erupt from any quarter of the financial system. ECB sees private credit as a risk to financial stability and Luis de Guindos is one of the latest to remark on this evolution.

I think that central bank independence is threatened, and it is not the current American administration only that I have in mind as I see a rise, in the background, of authoritarian temptations in many countries. There is strong fiscal dominance at work nowadays and we know from history that, sometimes, central banks have been forced to give up on their key mission. However, I believe that central banks may in the end have to raise policy rates because of the inflationary bout and persistent effects the Middle East war. It will be interesting to see how the reforms in the conduct of the Fed will be implemented once its new chairman takes office.

I think that crypto assets should be viewed as a threat to financial stability. I will not go into detail, but the early crypto assets were driven by a desire to decentralise finance, which in itself is a threat to central banks. Most of crypto assets are highly speculative, and stablecoins in particular endanger monetary policy transmission and monetary sovereignty. The

¹ Chaired by Jean Claude Trichet, former President of the ECB and honorary president of the Banque de France.

BIS is absolutely correct that stablecoins are not money and can harm the financial system as a whole; they could trigger a crisis. A proliferation of stablecoins is like going back to a world of free banking, which is very dangerous. Some European banks seem to be more relaxed lately about stablecoins because they fear American competition, but competition is not necessarily good unless adequate regulation operates, a proper regulatory framework is in place. I think tokenisation is the proper way to use the new technologies, that is the BIS view, and I think this is fully justified. CBDCs are inevitable and they will trigger a new type of currency competition, this is also an inexorable trend.

Artificial Intelligence can provide great benefits, but it entails huge risks as well. It may bring about a productivity shock, as Kevin Warsh, among others, has said. But, this is an open issue, we will see, because it is not only productivity involved here, but also the social impact and possible political tremors. One should consider externalities. AI entails not only an economic shock, it can harm banks by revealing vulnerabilities. The latest edition of *The Economist* talked about the “Mythos moment”, as it can enhance contagion and invite a new financial crisis. I believe AI needs to be regulated, I do not see eye to eye with those who say doing so would stifle innovation. I admit, however, that it will be difficult for central banks, the BIS, the Financial Stability Board, national regulators to coordinate closely in this respect.

Last, for the euro to be a stronger reserve currency, the Euro Area needs a collective deposit insurance scheme (EDIS), a safe asset, a joint fiscal capacity and more overall integration.