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# Christine Lagarde on the New Global Order

Christine Lagarde, president of the European Central Bank · 29 min · **Watch the video →**

> Transcript by Myles Marino. Transcribed by machine from the public video, then cleaned up: timestamps and filler removed, speakers labeled, misheard names fixed. The wording is otherwise as spoken. **[inaudible]** marks audio that could not be recovered. Check the video before you quote anything that matters. All twelve talks: mylesmarino.com/posts/dealbook-2026.

**ANNOUNCER:** Please welcome Andrew Ross Sorkin and his guest, president of the European Central Bank, Christine Lagarde.

Christine Lagarde is here. She is one of the most powerful policymakers in the world. Depending on which list you read, the most powerful woman on that list. She has run the European Central Bank since 2019. First woman to hold that job. Before that, she ran the International Monetary Fund. Before that, she was France's finance minister, the first woman to hold that job in a G8 country. The ECB sets interest rates for 21 countries and some 350 million people.

We're going to start the day with her because there is nobody better to put this moment in context. We're going to talk about everything: the relationship between America and the rest of the world, the wars in Iran and Ukraine, the economic issues facing Europe and France, the politics of AI. And underneath all of this, the very issue of trust, which I think is being challenged more than ever. Thank you for being here.

**LAGARDE:** It's a pleasure, Andrew, to be with you and with all your guests.

**SORKIN:** I want to start on the issue of trust, and maybe you can speak to it. Even in the last several days, as we were talking about JD Vance's situation today, there is a real question about trust, and not just trust, but where we are in terms of the true risks to the system. You've lived through a whole number of financial crises. I don't know if we're about to live through a digital crisis that could have a much bigger impact.

**LAGARDE:** What I would say first is that trust is at the core of what I have to do on a daily basis. Trust and money are very strictly related. I would argue that it's at the basis of so many things, whether it's the personal relationship, trust in politics, trust in the system, trust in currency. At the moment, trust is in short supply. So we have to make every effort to secure it, to cherish it and to develop it. I'm very happy to go in any direction you want, but I think it's fundamental to money, fundamental to technology, fundamental to trade, and there are some really interesting developments at the moment.

**SORKIN:** On October 29th, you announced that you will be leaving the ECB nine months early. I want to read the statement for a second, because I want you to speak to this. You said the reason you were going to step away is, "I want to have the freedom of speech, the freedom of expression, the freedom to engage on matters that are not monetary policy matters. I don't think I can be comfortable in that

neutrality at the present time. And I am interested in truth. And I see the truth being very often damaged, contradicted by misrepresentation." What is happening in this moment that led you to make such a big decision?

**LAGARDE:** As you know, in Europe there are at the moment many elections in the making, one of which is in my country, but in other places as well. As a central banker, I have to observe the principle of neutrality. I cannot focus on any particular member state in the European Union. If I'm asked to comment on whether it's France, Italy, Germany, Spain, Greece, I have to say, terribly sorry, I'm not commenting on any particular country, because I work on the whole of Europe and the euro area. Listening to the propositions, the campaign, the fake news, the fake representations, the misrepresentation, the recharacterizations, I see it as my duty to clarify, rectify, and speak from my position and based on the experience that I've had. You had this beautiful video earlier on which described what I have done. I've been 20 years on the international scene. I've seen the financial crisis very close by, as you mentioned. I've seen countries go up and down under program. I just want to also bring my testimony to what is happening at the moment in my part of the world.

**SORKIN:** Let me ask you about something that's happening in this part of the world, from the perspective of your side of the world. I saw you earlier this year in Davos and asked you about the relationship between the United States and the rest of the world, in Europe in particular. You said they are behaving, this is the U.S., very strangely for allies. And you said trust has been undermined a little, perhaps a lot. How does the rest of the world view us right now?

**LAGARDE:** I'll tell you something. For those of us who believe in democracy, for those of us who believe in alternatives and rotation in power, I think the rest of the world is looking at the United States thinking institutions can actually hold in spite of whatever happens. I'm not taking a political view, but it's simply a fact that democracy is about *alternance* of power and authority. I think the United States has demonstrated that democracy is alive and kicking in this country. So, truth be told, there is a lot of interest. I'm understating my position here.

**SORKIN:** You're understating your position.

**LAGARDE:** Yes. There's a lot of interest outside this country in what is happening at the moment and will happen.

**SORKIN:** Do you think the midterms here in the U.S. change the dynamic with which so many of these trade deals and other things are now taking place?

**LAGARDE:** There are some interesting things about trade. Can I go in that direction?

**SORKIN:** Okay.

**LAGARDE:** Backtrack to January '25 and then April '25. Everybody believed that trade was going under, that trade would be on hold, that tariffs would stop many things and that the relationships would have to be rebuilt. Relationships rebuilt, yes. Trade down, no. If you look at the numbers compared with January '25, trade is up by more than 25%. This is incredible, because in the meantime

tariffs have been raised by the United States vis-a-vis the rest of the world: Europe, a particular deal; China, another one; certain sectors, particular rates. Notwithstanding that, trade has continued and has prospered. It's very likely that for two or three years in a row, trade will grow faster than GDP.

Why is that? It is so because the artificial intelligence sector at large has propelled a great intensification of trade. There was a really good story told by The Economist which describes how an NVIDIA server rack goes through six different countries before it eventually enters the United States. Every time it crosses a border, trade increases. So we have that incredible increase of trade as a result of artificial intelligence and as a result of the trust that people have in each other: going from Taiwan to South Korea, borrowing from the Netherlands, bringing goods from Germany, going to Mexico before it comes back to the U.S.

**SORKIN:** When the tariffs on Liberation Day were first announced in the U.S., every economist was saying that this was a doomsday scenario. What's interesting is you're suggesting it wasn't.

**LAGARDE:** I leave it to you to call it Liberation Day.

**SORKIN:** Correct. So I'm curious, what did you think before that day? And what do you think now?

**LAGARDE:** You can call it what you like. I think it's the entrepreneurial spirit: people in the business of making, trading, buying, by and large trying to either circumvent or ignore some of the barriers that have been erected. It gives me confidence in what Montesquieu himself said in his old days, which is that wherever there is trade, there are better relationships. If his finding from the 18th century is confirmed by what we're seeing now, where countries are interlinked, where supply chains are being rebuilt, and where security prevails over reduction of cost, then maybe we will be served by that trade to enjoy better relationships. It remains to be proven, because we're not there yet.

**SORKIN:** Let me ask you a question about relationships. There's been a lot of hand-wringing about relationships in recent years, and about what those friendships between countries even mean. I wonder whether you believe that this idea of relationships has, to some degree, been a myth. Stephen Miller, who's the new chief of staff to the president, says, we live in the real world, a world governed by strength, governed by force, governed by power, and effectively these relationships have never really been relationships at all. They've been relationships of convenience and relationships of leverage. Who has leverage over the other?

**LAGARDE:** Shall we stay for a second in the artificial intelligence world? I'm not saying that because Sam is going to be the next speaker, but it's a really fitting example of how we are interrelated in a much deeper way than we think. If you look at the outside of this world, artificial intelligence is dominated by the duopoly: the United States on the one hand, China on the other, and Europe struggling and trying to catch up in the middle. But if you go under the hood and figure out how things are made, what the components are, what rare earths are needed, you see that we are all interdependent. If it weren't for the lithography machines that are made in the Netherlands by ASML, if it weren't for Zeiss making some very, very specific optical equipment that is used in the lithography machine, a lot of the microchips simply could not be built.

So yes, force is a key component of the relationship. Sovereignty is an important component. An international currency is a component as well. But bottom line, if you look at sectors, if you look at products, if you look at the convenience brought about by the communications systems that we have in place, we are all in this together. To assume that one, because it has strength, because it has a particular standing at the moment, is going to use that leverage forever, I think is a little bit misplaced, or ignorant of what is happening in real life.

**SORKIN:** Let me ask a question about the U.S. and Europe, and I'm going to try to relate them. I think that right here in the U.S. and in Europe, there is a view, and you hear it increasingly, that capitalism is failing people. Everywhere people talk about affordability. I wonder whether you think it is an indictment of capitalism, and how this country has, to some degree, moved left. In Europe, by the way, in your own country, things may move the opposite way and move right. How do you explain it?

**LAGARDE:** Things are shifting, and sometimes they're shifting back and sometimes they're spilling over. That's a fact. There is an issue of distribution. As we speak, there are significant valuations being determined, significant IPOs being declared. It raises the question of who is benefiting, how that creation of value will be shared and distributed, and through which means. I don't want to make any advertising for your book, but I think your 1929 book gives us a very good example of...

**SORKIN:** Thank you. She's trying to butter me up.

**LAGARDE:** No, but there is a great analogy between what you describe in the '20s, where everybody was getting so excited about the car sector, radio, electrification, and where retail investors were brought into the game and were encouraged to invest through borrowed money in the main, and where expectations were ahead of actual earnings, and losses were widespread. I think we are in a situation that is not very different from that. Where we have changed, we have improved, we have evolved, but we have to be cautious. I'll tell you why. Through new platforms, through ETFs, many households around the world are part of that frenzy of investing in technology at any price. That's the reason why we should be very careful that, number one, there is transparency. We know what we are getting into. We know the circularity of investments and shareholding and long-term contracts between all those players.

**SORKIN:** You're referring to the AI trade.

**LAGARDE:** And number two, there is enough financial literacy around the world. I think it's less of an issue in the U.S., because financial literacy is probably better developed, but it's very much an issue in Europe. There has to be enough financial literacy so that when people are encouraged to buy ETFs or indices, they know what they're getting into. So you distribute in different ways. Either you distribute the value that has been created by sharing in the equity, for instance, or you distribute via tax. I'm sure that will be an issue you discuss with other members of your panel.

**SORKIN:** Do you think we're in a bubble? And a bubble by default has to pop.

**LAGARDE:** First of all, we've already seen a significant price correction in the last few weeks. At the ECB, we don't call it a bubble. We just published the Financial Stability Review, and we do say that there is a very ambitious price valuation, which, some of you understand quite well what I'm talking about, stands to be corrected eventually. It's going to be a matter of what expected earnings are, will be, and what discounted value results from that.

**SORKIN:** Let me ask you a different question. The war in Iran, and Ukraine, but Iran has created a huge spike in the price of oil, specifically in Europe. I'm curious, given what...

**LAGARDE:** I don't think it is specific to Europe. I think the price of oil, in particular, less so gas, but the price of oil is pretty much in the same range across the world.

**SORKIN:** Okay. I know you're not going to want to tell us whether you want to raise or lower interest rates, but I want to ask you a sort of philosophical question. People see inflation happening, and they say to themselves, historically a central bank would try to raise interest rates to cut down on the inflation. And yet, because it is so related to energy, unless you think it's related to other things, there's a question mark about how you think about those two issues, because raising interest rates is obviously not going to create any additional supply of oil.

**LAGARDE:** I can be as good a swimmer as I am, I cannot reopen the Strait of Hormuz. That's a fact. It raises the whole question of whether it is transitory or not transitory, whether it will resolve by itself, or whether central banks have to get into action to make sure that it does not travel from a commodity price increase to transportation prices to all prices, and in particular to salaries. That's when central banks really have to intervene. When we have the second round, we have to intervene before we see the second-round effects. When we are concerned that there might be second-round effects, in other words the price of oil traveling from oil to wages, we have to get into action. And yes, you're right that the natural impact of increasing the price of financing is going to dampen growth. What we have seen in Europe is a resilient economy which, contrary to our projections, is resisting much more than we had anticipated.

**SORKIN:** And you think that's a function of AI?

**LAGARDE:** I think AI has a lot to account for, yes, and it's positive. Let me clarify. We had the negative pressure from oil and gas prices in particular, and then we had the positive of investment in AI and developments and increased productivity. It's not the only thing. There has been fiscal support as well, particularly military expenses and budgets, and infrastructure improvement. But those two, AI and fiscal, have certainly supported growth.

**SORKIN:** Let me ask you about your home country, and I don't know how much you can speak to it. France is now paying about a point and a half more than Germany to borrow for 10 years. You're seeing a real sort of imbalance. At what point do you say to yourself, this is a genuine problem?

**LAGARDE:** I'll tell you what the genuine problem is with our European construction. We have a monetary union, which works well, thank you very much, with a euro that is the second international currency in the world at the moment, and a developing role. But at the same time, we do not have a fiscal union. When the chair of the Fed deals with the Secretary of the Treasury, he deals with one person, one Treasury, one issuer. When I deal with my fiscal authorities, I have 21 interlocutors. That's a structural problem that has not yet been solved, and which I hope will be solved over the course of time. Remember, we had that issue back during the European sovereign debt crisis in 2011, when suddenly people in the business and in the trade realized that one country, namely Greece, which is doing fine now, thank you very much, was not in the same league as other euro area member states. Suddenly they had to adjust, and the price of financing for Greece went way up.

**SORKIN:** Do you imagine that the budgets in Europe are going to change as they relate to social programs? I don't know if Lord Blankfein is here, but we were talking about this before. There's a question in the U.S. about social programs, but there's a real question about them in Europe, and what happens longer term.

**LAGARDE:** I think you're referring predominantly to the pension system, right?

**SORKIN:** Pensions, but maybe also healthcare or other things. Pensions mostly.

**LAGARDE:** Many European countries, and Europe at large, were developed on the basis of a social contract that was predicated on access to healthcare for everyone and pensions available for everyone at different ages. Again, we're back to this discrepancy between the 27 member states. You can retire at the age of 62 in one country and at the age of 67 in another, and sometimes beyond that. So there are differences, but the social contract was about that. There was a social foundation that would protect people against hardship. The real question is, can that be maintained, at what price, and at whose expense? I think it's going to be a debate that will keep a lot of politicians busy in the next few quarters and years, because pensions have to be sustainable, just like debts have to be sustainable, and you cannot just borrow your future, including for pension purposes, on a debt that would not be sustainable.

**SORKIN:** I have a question that came from a reader. I thought this was a smart question. Suppose you've got a 25-year-old niece living in Paris. She started a company you genuinely believe could be worth $100 billion. She gets an offer from an American investor, but the condition is that she move to the United States. She calls you on Sunday. What do you tell her to do?

**LAGARDE:** [inaudible] First of all, it shows that there are great, great European talents. And you said it's my niece, right? So great female talents, thank you very much. I would tell her to hang in there and go do the rounds. I would tell her to raise more funding, because she probably needs more funding. I would tell her to try, because we have a burgeoning VC sector that I would hope, if her business is promising, would invest in her development. The likelihood of that happening is probably relatively low at the moment, because we do not yet have a capital market union, and she would have to go around various member states, various VCs under different regulatory regimes, to get the money that

she needs. This is where Europe has to get its act together, to bring about that capital market union, where with a single project she could access a large, liquid and deep set of financing actors. It's not yet the case, and I think Europe is working on it, but it has to beef up its game, and fast.

**SORKIN:** We're going to run out of time, so I have a couple of quick questions about the United States and Europe, from your perspective. One of the big questions has been about the credibility of our economy, but mostly the Federal Reserve and its independence, given some of the comments we've seen the president make and efforts he's made to frankly undermine the independence of the Federal Reserve, going after people like Jay Powell and trying to jail others. What does the rest of the world think of that, and do you think it's had any impact at all on the price of our Treasuries?

**LAGARDE:** I think the independence of any central bank is critical to its mandate. We have an incredible privilege of, as you said, setting interest rates and financing terms for all economic agents in our respective jurisdictions, and it's vital that these central banks be independent. When I observe how the Fed is operating, I have faith in the successive chairs to defend the independence of the central bank. Whether it was Jay Powell or whether it is now Kevin Warsh, I'm confident that both of them value that independence and that they will fight for it. And I think it's important for the rest of the world, by the way, really.

**SORKIN:** You are going to be leaving this role soon. There's a lot of speculation that your next role could be in the events universe, as it happens, running the World Economic Forum. True?

**LAGARDE:** It's one of the options. For the moment I'm the president of the European Central Bank and will be so until the 7th of February, and I'm not going to entertain any speculation as to what I will do next. But I'm not retiring.

**SORKIN:** Let me ask you finally, you have a book coming out in January? What is it?

**LAGARDE:** A memoir. Yes. My autobiography. It's called *Lady First*. Couldn't be *First Lady*.

**SORKIN:** You once said, during the financial crisis, that if Lehman Brothers had been called Lehman Sisters, it wouldn't have happened.

**LAGARDE:** Yeah. You will note that the girls are applauding, not so many boys.

**SORKIN:** I'm curious what you think the lesson is. When I first introduced you, we said you were the first woman to do this and the first woman to do this and the first one to do this. Where do you think we are in terms of shifting the culture, and how important is that or isn't it? Because there has been all sorts of pushback, even in the last couple of years in our country at least, over so many different related issues.

**LAGARDE:** Look, I think there has been a lot of progress, and I think there has been a lot of pushback. My take, because I've been through all these ceilings and been bruised along the way, is that we should keep at it, and it's in the interest of both man and woman to bring that diversity to the head table.

**SORKIN:** You feel bruised by it, by the way?

**LAGARDE:** Of course you get bruised when you go through glass ceilings. What do you think?

**SORKIN:** Yeah. Final question. What was the most bruising story?

**LAGARDE:** The most bruising story? I have vivid memories of the financial crisis, and seeing the whole financial world, including all the banks and the deposits and all of that, held by a thread of trust that could have vanished or could have been reinforced. At that time, international cooperation, including all members of the G20 and all these great leaders at the time, was critically important to just keep this thing holding. That is why I strongly believe that international cooperation is a must in this environment, where everything moves and affects everybody else.

**SORKIN:** Christine Lagarde, everybody. Thank you.

**LAGARDE:** Thank you very, very much.