

**“Europe has the means to respond strategically to the currency revolution”, a conversation with François Villeroy de Galhau, Governor of the Bank of France**

**You have just returned from a trip to Ukraine and Moldova. What did you take away from it?**

This “journey to the end of Europe” is clearly not a trip like any other.

Visiting Kyiv today is to visit a magnificent and ancient city, and it is above all a lesson in quiet courage: the country is strongly defending itself, but also working hard and moving forward.

Every night, the residents of Kyiv live under the threat of air raid sirens — even if the situation there is safer than we may think in Paris — and every morning, they return to their businesses and their essential public services.

The country is holding on with impressive resilience.

I saw this at the National Bank of Ukraine. My friend and colleague, Andriy Pyshnyy, who had invited me, is working to maintain banks that lend and keep inflation at a tolerable level. But clearly the war has been weighing heavily on people, the budget, and growth for far too long.

**The process of enlargement is under way. In your opinion, what role should the ECB play?**

Ukraine, like Moldova, is both geographically and culturally part of Europe. The desire to be a part of Europe is perhaps taken for granted in the Western countries, but is only gaining momentum there. Both countries are actively preparing for it in their legislation as well as their reforms. The Moldovan president, [Maia Sandu](#), who I met with, is a model of courage in her fight against corruption and Russian interference.

Getting to understand what these Europeans are experiencing firsthand, going to tell them personally and in person that we are their friends, really means a lot to them.

But solidarity must also be shown through action. Just like the ECB, the Banque de France is highly committed to cooperating with both central banks.

> 83% of Europeans and 79% of French citizens support the euro, and this percentage has increased even after several crises, including a recent period of inflation.

**The question of using frozen Russian assets continues to figure prominently in discussions, given that the cost of the war for Ukraine now stands at \$170 million per day. What is your position on this matter?**

The G7 managed to put in place a new ERA loan to Ukraine last year of \$50 billion, backed by revenue from Russian assets. Today there is talk of building on that success. I don't want to

speculate, but we clearly need to continue supporting Ukraine for as long as necessary in this fight, which is unfortunately dragging on due to Russia's relentlessness.

**Among the paradoxes in European construction these last few years we see that, while the far right has never been so strong, the forces calling to abandon the euro have never been so weak. How do you explain this?**

The euro is an incredible success. I am part of the generation that, starting in the 1990s, worked on creating a single currency. I was at Maastricht, where there was a certain amount of skepticism. We have forgotten, but a number of economists, most notably the Americans, said that it could never work.

In France in 1992, the euro was approved by the slimmest of majorities at 51% of votes. Today, it enjoys a true majority: 83% of Europeans and 79% of French citizens support the euro, and this percentage has increased even after several crises, including a recent period of inflation. The euro has been tested, and each time it has come out stronger.

If we did not have the euro in the current global turbulence, we would be in an extremely difficult situation. In France, as elsewhere, interest rates would be higher, and intra-European tensions would also be more acute.

**What lessons have you drawn from this “conversion” to the euro?**

A lesson of confidence and determination in a context where we can have the impression that European initiatives are destined to fail. When a European policy is explained, consistently pursued, and implemented, it becomes popular. I must emphasize implemented: the euro is tangible in the lives of Europeans. Just as tomorrow the shared initiatives on defense, decarbonated energy, or artificial intelligence.

Europe is a wonderful idea, but must be embodied in concrete initiatives.

**There are still member states of the Union that have not joined the euro zone – notably Poland and Czechia – is this a source of concern for you?**

There were eleven of us when we adopted the euro. Today, there are twenty of us with Croatia joining in 2023; there will be twenty-one of us with Bulgaria in 2026. No country has ever left the euro zone – and we know this wasn't easy for Greece. At the same time, I don't think they regret it today.

However, it is still wise to let each country adopt the euro at its own pace and when it is ready.

**What should be done with this trust? Do you feel that the euro reflects an energy that the current institutional framework does not really know how to harness?**

The limitation today is that this monetary sovereignty has not yet sufficiently led to two other decisive areas: economic sovereignty and financial sovereignty.

For example, we have much more savings in Europe than the Americans, but we don't use it as well for our investments. Yet we know what must be done: taken together, the Draghi and Letta reports are extremely clear.

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**It has been more than a year since [the Draghi report](#) was presented and nearly a year and a half since [the Letta report](#). What are the primary obstacles to implementing them?**

Why did Jaques Delors succeed thirty years ago in putting in place the single market, followed by the single currency? Because he put a comprehensive proposal on the table and set a timeline. Without a timeline the euro probably would have never seen the light of day.

We need a comprehensive vision and a motivating deadline; I believe that no government in the major European countries will block such an initiative.

**2028 has been suggested as a potential deadline for implementing the Draghi report's recommendations, however, this deadline seems unrealistic as it is not very far off. Nevertheless, when we observe the accelerating pace of change on an international scale, it seems like an extremely distant date. How can this temporal paradox be explained?**

These two opposing criticisms demonstrate that the choice of such a date, in around two to three years, is undoubtedly a good compromise. We have at least two symbolic dates: 2027, which is thirty-five years after Maastricht and seventy years after the Treaty of Rome; or 2028, which is thirty-five years after the single market. It's not a huge difference, but it must happen during "the Trump years"; the European reaction to the American shift. If things happen within that timeframe, it will be a true leap forward.

There are, of course, some of the Commission's proposals on the table, but they are still dealt with in an isolated manner and are not enough to achieve the "alignment" of ambitions that Delors' mobilizing date had made possible.

**What does that mean?**

It means aligning three aims: political ambition; administrative work, which is not insignificant; and business investment initiatives. This worked remarkably well before January 1, 1993 and the single market.

Paradoxically, the new American economic policy may create an opportunity for Europe. This policy is likely to have a long-term negative impact on growth and innovation on the other side of the Atlantic. Some European companies will continue to invest in the United States, though no doubt less than a year ago, regardless of any grand announcements.

Now is the time to offer a European counter-initiative. But it must be done quickly, much more quickly, otherwise the window of opportunity will close.

> The European response must happen during "the Trump years".

**The Commission is currently especially strong, and the presidency has been able to harness a number of levers. How do you explain this deadlock?**

The Commission has been able to respond quickly in crisis situations, such as during the Covid-19 pandemic and the joint purchasing of vaccines, or during the invasion of Ukraine and the sanctions against Russia. Since this past January, it has also been able to respond quickly in the realm of defense.

But the Commission must now move faster and more decisively on the economy, overcoming the relative dispersal of the different portfolios.

[According to our most recent poll](#), a majority of Europeans are critical of the tariff agreement with the United States. Do you think it's possible to turn this feeling of humiliation that the majority have expressed into a constructive emotion?

The agreement is what it is. It doesn't inspire enthusiasm, but perhaps it was inevitable.

On the other hand, the main European response must now focus on something else, something internal: boosting our economy, and a general mobilization around our strengths. We have the largest market in the world, on par with the United States, and we have more savings than them. We obviously have human talent.

If I may dare to say this, it is the time to be more American, or at least to adopt one of their virtues: self confidence.

At the risk of being repetitive, it is also the time to apply the maxim attributed to Walt Disney: "The difference between a dream and a plan is a completion date."

**With Donald Trump, it feels like we're moving from "it's the economy, stupid" to "it's geopolitics, stupid". Do central banks need to adapt to this new motto?**

Of course. Central banks are well aware of the context in which they operate. Envisioning various scenarios — like we did for example following the invasion of Ukraine — can be a part of our economic analysis. But we are not geopolitical actors.

Nevertheless, if we look at what is happening around currency today, we must be ready for a number of developments.

> The new American economic policy may create an opportunity for Europe.

Currency is both our core mission and an essential element of sovereignty.

It can seem like an "invisible asset": under normal circumstances, we don't notice it, it's like the air we breathe. However, its value becomes apparent when we lose it, or in times of tension or crisis.

Today, it is crucial to preserve the value of what the Europeans have built with the euro.

**The dollar occupies a central place in the image of power held by part of the MAGA movement, particularly among those close to the U.S. president. Is it really possible to imagine a world in which the dollar is used as a solely political and geopolitical instrument, without a profound transformation of the traditional drivers of monetary policy?**

Allow me to elaborate on that answer. Today we are facing three major disruptions: a technological disruption, an economic or ideological disruption — a potential privatization of currency — and a political disruption — the American stance.

First and foremost, the technological disruption concerns tokenization. Thanks to blockchain, it is now possible to carry out decentralized exchanges not only of financial flows, but also of information, dematerialized assets, and legal contracts. This greatly simplifies transactions. This technology was initially linked to Bitcoins, which are highly speculative instruments and whose potential to transform the economy is questionable.

What we are now seeing emerge is a less exciting, though potentially much more disruptive instrument: [stablecoins](#), whose value is tied to existing sovereign currency. These are tokenized assets which much more closely resemble traditional currency.

The second disruption is economic or ideological. We have already seen this with Bitcoin; issuers of crypto are obviously decentralized and all private. This means not only that central banks no longer perform their usual issuing function, but also that the role of commercial banks, which represent the second stage of currency generation, may be called into question. To date, the largest issuers of tokenized stablecoins are not banks and are relatively unregulated, such as Circle and Tether.

It is within this context that the third disruption appears, which is political in nature. The Trump administration is now pushing the first two changes while also maintaining a continuity with the American policy concerning the dollar's role.

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### **How do you explain this?**

Clearly this administration — even more than preceding ones — is very attached to the dollar's central role in the international monetary system, especially because this assures demand for American federal debt.

But the administration adds a political sensibility which is very favorable to the movement to privatize and decentralize currency. One of Donald Trump's first executive orders, issued on January 23, prohibits the use of central bank digital currency (CBDC) in the United States. In contrast, the U.S. president has been promoting stablecoins issued by private entities.

The clear goal is to make the United States the country of tokenized finance. From a technological standpoint, this move makes sense: today, most tech players are American, and 99% of the stablecoin market is currently backed by the dollar.

**There are contradictions, however...**

Absolutely! At the same time it's affirming its attachment to the dollar's central role, the Trump administration is taking risks with its value and solidity by [attacking the Fed's independence](#), adopting a budget characterized by considerable deficits, and imposing tariffs that are likely to increase inflation and slow growth.

### **Are we witnessing a loss in the dollar's centrality?**

Today, the dollar naturally remains at the center of the system, but these economic policies create an expectation of diversification among international investors because they can erode confidence in American assets. Conversely, technological disruption could increase the dollar's role<sup>1</sup>.

Moving toward a more multipolar monetary system, diversified across several currencies, would be a good thing. However, I have one serious reservation: this must not lead to fragmentation.

The current international monetary system, even with its imperfections, at least has the merit of being relatively unified. If it were to mirror the fragmentation currently seen in geopolitics and trade in cross-border transactions, it would be a real step backwards.

### **Beyond fragmentation, does the stablecoin disruption pose a risk to sovereignty or the euro?**

Potentially, but we have responses.

The risk for Europe is that in the near future it is confronted with a quasi-currency, the dollar-backed stablecoin, which is private and issued by non-European actors. This is still a nascent debate, but it is essential for the future of European sovereignty.

We can draw a distant historical parallel, albeit an imperfect one.

A previous major technological breakthrough in currency was the invention of banknotes, which replaced gold and silver. This was in itself a form of dematerialization.

England took this step in 1694 with the creation of the Bank of England. France took another century, with the creation of the Banque de France in 1800, our country having been held back by the breakdown of Law's system in 1720, among other reasons.

This century-long lag in monetary policy is not entirely unrelated to France's delayed economic and industrial development compared to England. Obviously, this is not the only explanation. The fact is, however, that sound currency and the role of the central bank are not just topics for specialists; they are absolutely central to economic development.

### **What is the ECB's response to these disruptions?**

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<sup>1</sup> See the publication by Agnès Bénassy-Quéré, Deputy Governor of the Banque de France, "[Is tokenization a game changer for the international monetary system?](#)," September 25, 2025.

We are actively building it, together with Christine Lagarde and the Governing Council.

Our response is based on three components: regulation, central bank digital currency, and the possibility of a European private tokenized currency.

In terms of regulation, Europe has a head start with the MiCA regulation, which has been regulating tokenized assets since 2024. The United States has only just adopted its Genius regulation. It is welcome, even if we believe there is room for improvement.

Next is the central bank digital currency. While this has been banned in the United States, it is our responsibility as the European Central Bank to work towards its development in order to preserve our monetary sovereignty, especially since our continent now has fewer private innovators. This is the aim of the digital euro project for retail payments, in addition to the lesser-known project for “wholesale” digital currency.

The most pressing issue concerns wholesale payments — interbank exchanges and financial markets — with an initial solution coming in 2026 as part of the Pontes project. In a few years' time, the Appia project, featuring a unified blockchain registry, will enable the exchange of all tokenized assets. Europe wants to be a global pioneer in this area.

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The digital euro for the general public is currently being debated in the European Parliament, but the process remains too slow, mainly due to resistance from certain private banks. This is short-sighted; they risk being the first to lose out if there is not a solution that is European and in euros.

On the technological front, work is already underway. It is, of course, a major project.

### **What is the third component?**

It specifically concerns private issuers. In the United States, banks are becoming aware of the opportunities they offer; the stablecoin market, currently worth around \$250 billion, could reach several trillion dollars in the coming years.

If this large-scale development of dollar-backed stablecoins continues, Europe and its banks won't be able to avoid the issue of a private tier of tokenized currency. Technically, there are two instruments available: euro-backed stablecoins and/or “tokenized deposits.”

My intention here is not to choose between them, but to highlight the potential risk if neither of these two solutions is developed in Europe.

Currency has always been a public-private partnership. Despite technological breakthroughs and tokenization, these principles remain unchanged: a solid anchor, the public central currency, as the foundation of a well-regulated commercial bank currency.

Europe has the means to respond strategically to the currency revolution. It is ahead of the United States in terms of regulation and public digital currency, but it is lagging behind in terms of private currency.

**It is understandable that, from the perspective of part of the Trump administration, it makes sense to remove one of the Fed's major levers in the American institutional game by strengthening the monetary capacity of private actors, especially since these can be controlled and even become a source of private revenue.**

There are two different issues here. In addition to the potential “privatization” we discussed, there have also been attacks on the Fed’s independence. On the surface, these attacks do not question the Fed’s role, but they aim to make it subject to political power.

This is serious. The independence of central banks was conferred by democracy because experience shows that an independent central bank serves citizens by enabling better control of inflation. Furthermore, a less independent central bank inspires less confidence among lenders, which will cause long-term interest rates to rise rather than fall. Attacking the Fed in this way therefore runs counter to American democratic law and, ultimately, to American economic interests.

> Europe has the means to respond strategically to the currency revolution.

**You don’t think there is a more strictly ideological explanation?**

Some people perhaps have a libertarian vision in which it’s not necessary to have a public institution to anchor currency. With a network of private issuers, it is decentralization that would create confidence.

Originally, Bitcoin relied on a vast network of miners. Taking this line of reasoning to its logical conclusion would mean that we have more confidence in this anonymous network — whether it be in China or Russia — than in a public institution.

My obvious belief is that this would be a complete illusion. Ultimately, private actors are always guided by their own interests — and we can't blame them for that. Private actors cannot guarantee the public interest any better than a democratically elected institution. That said, democratic institutions can always be improved: they must, of course, listen to citizens and their criticisms, and be accountable to them for their results.

**What would a Fed led by a Trump loyalist mean for the ECB, given that investors and markets favor a coordinated monetary policy — which was key during the pandemic?**

Cooperation between central banks is — and I hope will remain — an absolutely key element.

I am Chairman of the Board of the Bank for International Settlements. Little is said about the dialogue we engage in, but it is essential for sharing information and questions we have in confidence. Each member then decides freely and reports according to its national rules — or European rules in the case of our Governing Council.



### **How do you see the euro's international role in this context?**

You may be surprised to learn that this issue was not included in the Maastricht Treaty.

The aim was to create a strong currency internally, which was successfully achieved. The idea was that the international use of the euro would depend entirely on private choices.

In reality, the role of the euro gradually increased until the financial crisis, and has since declined somewhat. It has now become a much more important issue. On the one hand, there is an expectation on the part of a number of international investors, and on the other hand, it is an advantage for us.

For example, if a larger share of trade with the rest of the world were conducted in euros, it would reduce a factor of volatility linked to exchange rates.

**The ECB appears very cautious, even conservative, in extending its currency swap lines, even though this is an instrument that China uses to increase the use of the yuan abroad.**

I don't agree.

The ECB has several swap lines with counterparties it considers sufficiently secure, and refinancing lines ("repos") with a number of Central European countries. Other central banks could perhaps use the instrument in a more "political" way, but that would involve taking real financial risks. That said, there are real opportunities to expand our mechanisms.

### **What concrete initiatives could then be taken to strengthen the euro's geopolitical weight?**

Everything we do to mobilize savings, create a savings and investment union, or increase financial integration will strengthen external attractiveness. The deeper the European financial market becomes, the more investors will gravitate towards it.

Another long-standing issue will certainly resurface: that of a safe asset in euros, beyond existing national debts. This is not easy to achieve, and there are two types of solutions: the issuance of Community debt in euros – which could begin with the consolidation of the debts of the Commission, the European Stability Mechanism, and even the EIB – or the consolidation of part of European sovereign debt.

Neither option is easy to implement, but I believe that further consideration is needed.

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**With high expectations for integration in the defense sector, do you see the possibility of a new common debt enabling a step forward?**

This would indeed correspond more closely to the first option. It would mean that, following the model of the NextGenerationEU plan in response to Covid, joint debt would be replicated for defense.

Several proposals have been made, such as creating such debt not for existing weapons, but for new ones such as drones.

If we want European funding, there must be a more integrated European offer in return, and undoubtedly a new one, because that is one of the current limitations: there is more defense in Europe, but not yet more European defense.

**Do you see any willingness to undertake such a project in the current political context?**

What I can say is that France will be much more credible in defending this type of initiative once it has resolved its debt problem. Any time France advocates for a common European debt, it provokes a certain amount of skepticism around the table. The suspicion is that we want to transfer our national budgetary problems to Europe.

This cannot be the case; it is very important to dispel this suspicion.