

**EUROPE: THE ROAD TOWARDS ECONOMIC
AND FINANCIAL SOVEREIGNTY**

**OMFIF
(LONDON, 1ST OCTOBER, 2026)**

**FRANÇOIS VILLEROY DE GALHAU
HONORARY GOVERNOR, BANQUE DE FRANCE**

It's my privilege to be here this morning in this vibrant city of London, thanks to David Marsh and to OMFIF, where very stimulating discussions happen and I participated many times! Let me here in UK speak about Europe, with a paradox: since the UK left the European union, it is obviously still in Europe... but more than that: it is more than ever in Europe. We face common challenges, economically (low growth, higher inflation due to the Iran war, public finances) as well as geopolitically with common threats coming from the East (Russian aggression in Ukraine) and recently – I am sorry to have to say it – also from the West and the present US administration.

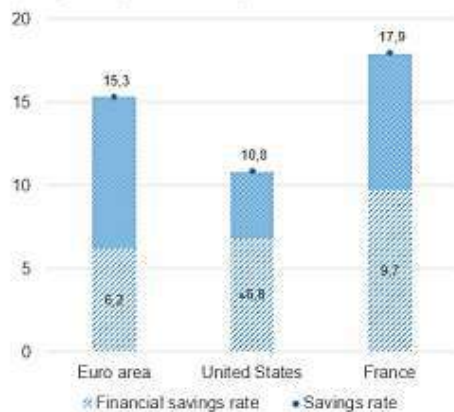
Hence the question of Europe's autonomy *or sovereignty* is at the top of the agenda. 35 years ago in Maastricht, I was there, we decided Europe's **monetary** sovereignty. Chancellor Norman Lamont can witness that it was not an easy way, but the euro is a huge success, supported by 80% of European citizens. At present, our new frontier is to build Europe's **economic and financial** sovereignty: what does it more precisely imply, and what is the road ahead? And then, coming back to monetary sovereignty, how must it adapt in an era of such political and technological change?

I. Building economic and financial sovereignty

The Letta and Draghi reports are crystal-clear on the diagnosis. Over the last 25 years, GDP per capita has increased by a cumulative 31% in the euro area, lower than the 47% in the United States. The main cause is our "Schumpeterian" innovation gap. Yet Europe does not lack savings: the euro area household saving ratio stands at more than 15% of gross disposable income, against 11% in the United States.

Europe does not lack savings, it lacks equity

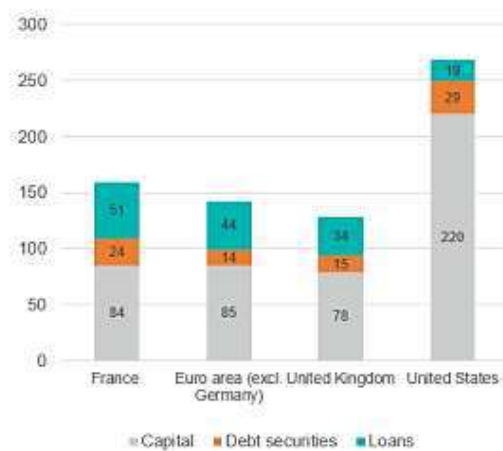
Savings rate and financial savings rate
(% of gross disposable income)



Sources: BEA, Eurostat

Note: Annual average for 2024. Percentage of household and NPISH gross disposable income.

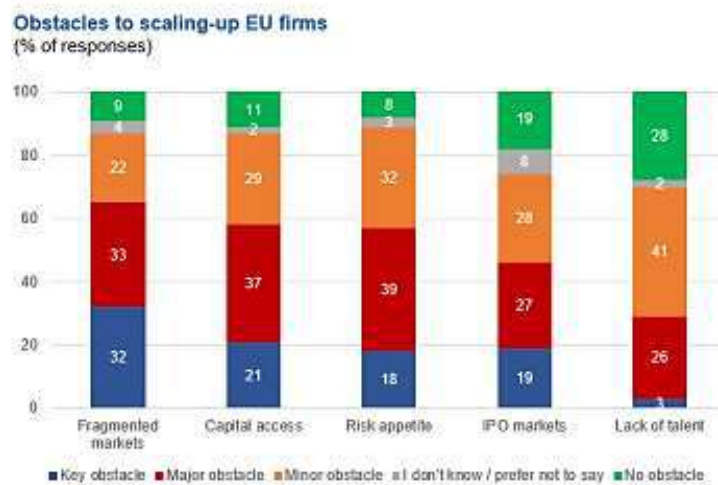
Non financial corporations liabilities
(% of GDP, Q4 2024)



Sources: Banque de France, ECB, OECD, US Fed

But it lacks equity capital, which is essential to finance breakthrough innovation and risk-taking. Equity financing of non-financial corporations amounts to only 85% of GDP in the euro area, compared with 220% in the United States. The diagnosis is all too well-known to European companies and investors: while they identify market fragmentation (32% of respondents in the annual European Investment Fund Equity Survey) and access to capital (21%) as the key obstacle to scaling up EU firms, only 3% point to a lack of talent.

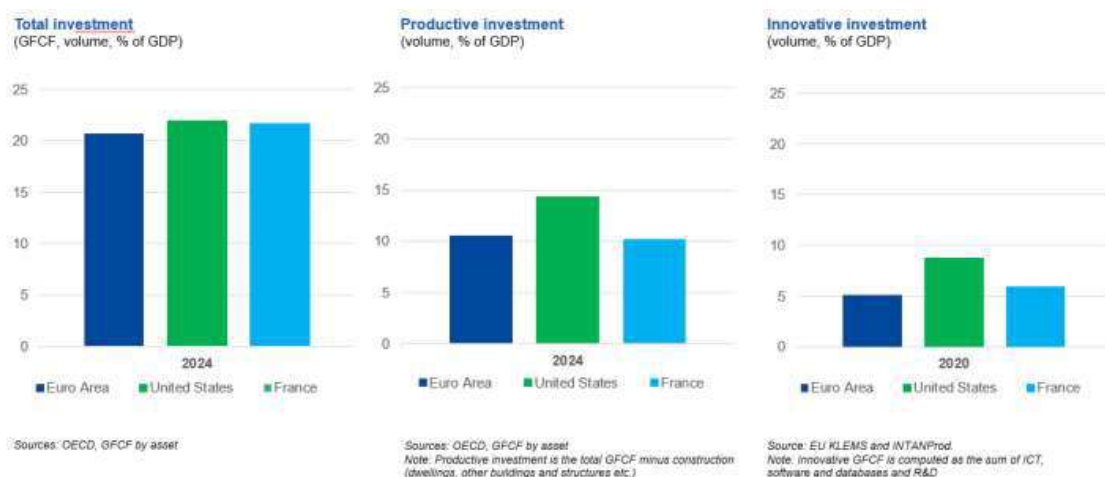
Corporate's expectations



Sources: EIB Investment Report 2025

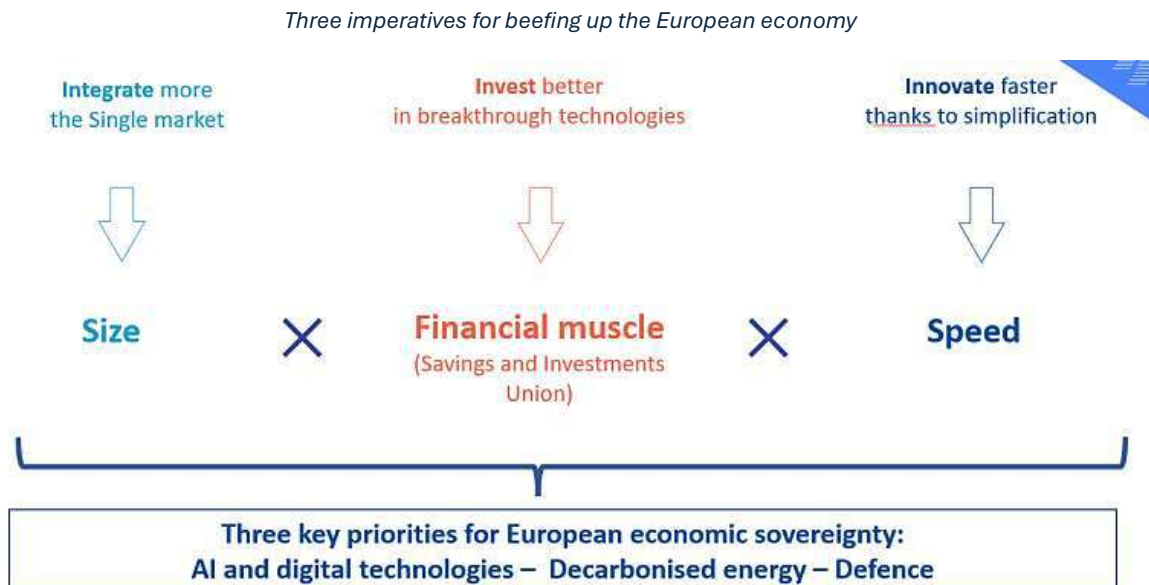
Furthermore, while total investment (as a share of GDP) in the euro area is almost the same as in the US, productive investment – without construction – is much lower (10.5% of GDP in the euro area compared with 14.3% in the US) and still more so in innovative investment.

Europe does not lack total investment, it lacks productive investment



And let me sum up the cumulated 548 pages of the Letta and Draghi reports with three imperatives, *three i's* we all agree upon. First, *integrate* more the single market, notably with the creation of an optional 28th regime by 2028.

Second, *invest* better: this is the Savings and Investments Union. Third, *innovate* faster, and, for that, dare and simplify.



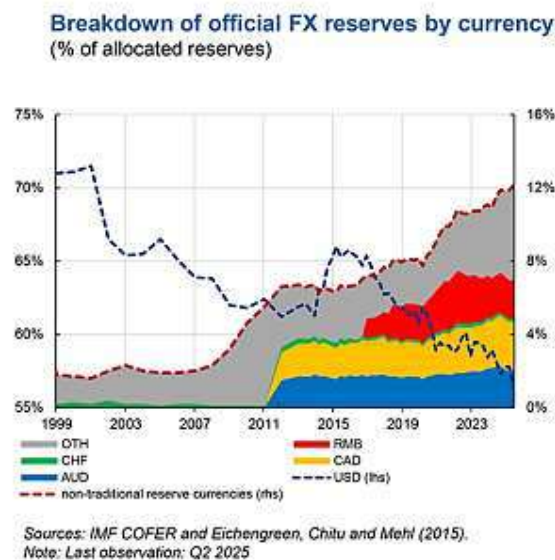
That being said, as Jacques Delors famously said almost 40 years ago: “One does not fall in love with a single market”, nor with a savings and investment union. And let me here come back to the euro and the lessons of its success. We need (a) tangible deliverables and (b) three changes in method. Such tangible deliverables as “the euro in the pocket”: at present, there are three obvious expectations of our fellow citizens to address: AI, clean energy and defence. Furthermore, there are three requisites to speed up, beyond Brussel’s usual bureaucratic processes, which had their merits but are not up to this fast-changing world.

Here again, let us take the lessons from the euro: flexible geography has a bad image, but the euro was successful developing from initially 11 members to 21, provided the door remains always open; a dedicated and powerful institution from the start (ECB); last but not least, a calendar with a mobilizing date. Why not the 1/1/2029, 30 years after the euro?

II. Back to monetary sovereignty

Europe has its currency and fortunately so (imagine the intra-European turmoil in a pre-euro framework...). We have one money, but many things changed.

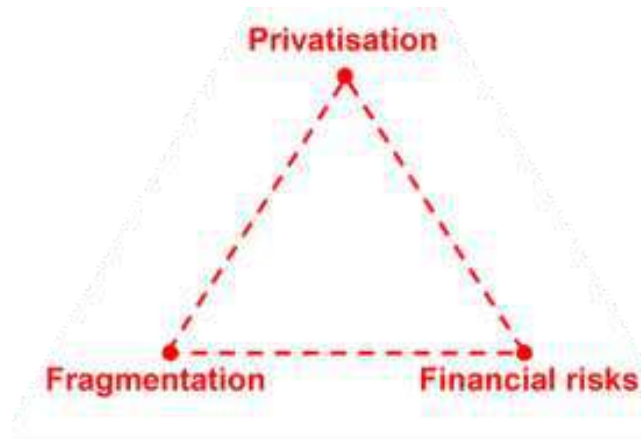
First, the US unpredictability - and fiscal profligacy - gradually erodes the dominance of the US dollars, with the rise of non-traditional reserve currencies.



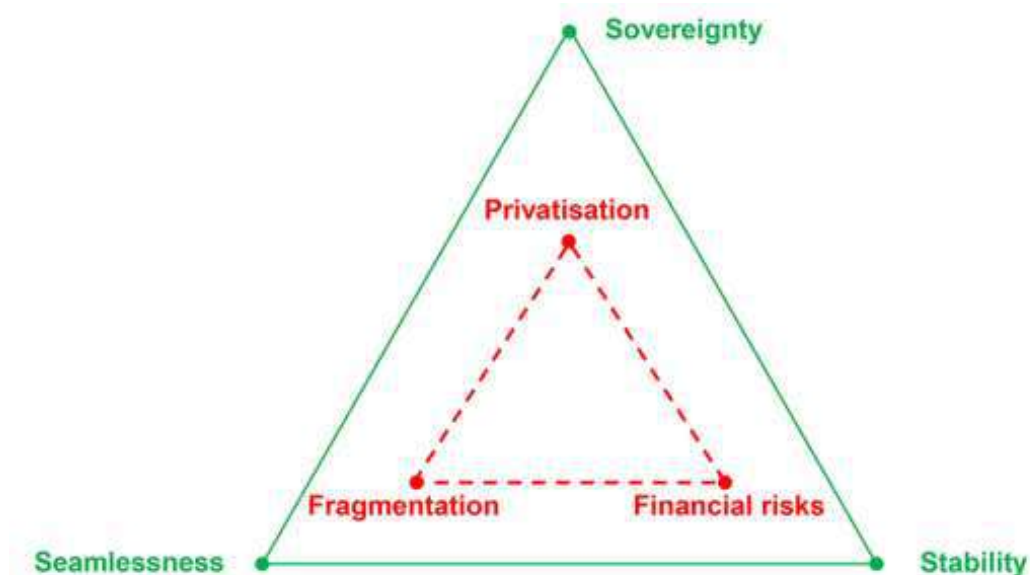
Second and still more, technological disruption could significantly change the nature of money. The media's buzz is about so-called "cryptocurrencies": This word appears for me as an oxymoron, and an irrelevant one. But there is definitely a highly promising innovation with the tokenization of payments, be it in the form of stable coins or of tokenized deposits. Thanks to the Blockchain technology and smart contracts, tokenisation combines a payment of cash with the safe exchange of information and legal rights. I believe it has a huge potential to improve complex payments, such as cross border ones, or financial transactions. Yet, it also carries potential contradictions and some threats¹:

¹ Speech by François Villeroy de Galhau "Disruptions in the international monetary landscape: threats or promises?" at the G7 IMS Conference (Paris, 6 January 2026): [Disruptions in the international monetary landscape: threats or promises? | Banque de France](#)

A privatization, and/or the increased “Americanisation” of money, as more than 99% of global stable coins are issued in \$ by private players; the fragmentation of payments; and greater financial risks.



The right answer is obviously not to stop or prohibit innovation, and the issue would deserve a full speech of its own. Let me only sum up the ECB strategy, which is an appropriate combination of several components.



First, to lead by sovereign innovation in the form of a central bank digital currency (CBDC). One week ago, the Eurosystem was pioneer in organizing the first direct access of tokenised transactions to central bank many with the PONTES project; and the retail digital euro will come in the next two years.

And in parallel, promote private innovation from European banks and in euros: they still lag behind there, but several projects are flourishing and will hopefully converge in the near future. Let me come to the two other “S” and the promotion of international cooperation to avoid “innovative fragmentation”: Through the Interlinking of fast payment systems (TIPS), and/or BIS common projects to develop shared ledgers (seamlessness); and through adequate regulation of Stablecoin issuers (Stability). MICAr was in 2023 a good European start, followed two years later by the US GENIUS. But both of them are not fully consistent, and do not fully address as the risks that could arise from a rapid adoption of stable coins issued by non-banking and low-regulated actors. Don’t forget that the first US \$ stable coins issuer globally, Tether, is still registered in... El Salvador.

Regarding money, let me add some thoughts on an issue which is at the crossroad of monetary, economic and financial sovereignty. **The international role of the euro**, as you are aware, is not mentioned as one of its objectives in the Treaty, and the ECB did not really care during its two first decades: it remains a half-cooked cake with its success and its limits.

For obvious geopolitical reasons, I think like Joachim Nagel that it is time to change gear through at least three levels:

1. Deepening of the euro financial market: there is a full convergence of the internal and external objectives²;
2. Development of invoicing in euro, associated with a reasonable level of repo facilities and swap lines by the ECB;
3. Safe asset(s), with different possible avenues. Nevertheless, a European safe asset cannot be a way to escape domestic fiscal discipline, including in my home country. But the absence of such a euro safe asset compared to the US treasury is a self-inflicted wound, still more in a world of high public debt.

² Speech by François Villeroy de Galhau, “The international role of the euro and the development of European safe assets” (ESM, Luxembourg – 2 October 2025)

Conclusion

David Marsh asks in his latest book: “*Can Europe survive?*”³. Yes, because Europe *must* survive: we have no better alternative, and an American Pope made a vibrant European plaidoyer in France three days ago. But it is not a passive yes, it is an “active” one. The present situation is more than a wakeup call; it is a wakeup imperative.

³ David Marsh, *Can Europe Survive? The Story of a Continent in a Fractured World* (Yale University Press, November 11, 2025)