

## Gary Cohn

### Speakers

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**Gary D. Cohn**

The Goldman Sachs Group, Inc. , President and Chief Operating Officer

Gary Cohn outlined three major topics driving discussions around the world today: commodity prices, China, and the effectiveness of monetary policy.

#### Commodity Prices

One area of focus at the beginning of the year was the decrease in the price of oil, Cohn said. The decline in oil prices was driven by excess supply and was unrelated to global growth concerns or weak demand. Cohn observed that the production/consumption balance had started to improve, however, the rebalancing would likely continue for several months due to ongoing disruptions and the timing of oil maintenance cycles.

#### China

Cohn said that China has historically been successful in delivering its long-term plans of modernization and urbanization. The focus now is on turning Chinese citizens into avid consumers. Cohn said that he expects that fully developing a consumer-driven market will be a challenging path, but he believes that China will transition into a consumer-led economy over time. In the meantime, China will face a bumpy road of stimulating the economy with increased government spending, thereby fueling leverage and inflation concerns.

#### Monetary Policy

Cohn noted that negative interest rates and other unconventional monetary policy tools pursued by central banks are a consequence of solving a global growth problem with local solutions. Lowering interest rates to stimulate one's economy and to create more wage inflation is not effective in a world where the labor force can move freely across borders. The solution, Cohn suggested, is greater coordination across central banks supplemented by government spending.

## Conclusion

Taken together, a decline in the commodity prices, concerns over growth in China and effectiveness of monetary policy have caused recent volatility and trepidation in the markets, Cohn said. Unfortunately, these themes coincided with reduced market liquidity.

Reflecting briefly on post-crisis financial regulation, Cohn noted that regulation has improved the safety and soundness of the financial system. But it has also created unintended consequences, such as constraints on market liquidity. Little work has been done to date to understand how various regulatory requirements interact with each other, particularly in periods of market stress. Cohn emphasized the importance of evaluating the impact of regulation on end-users and broader economic growth. Cohn welcomed the European Commission's Call for Evidence and forums such as Eurofi as a means of advancing the discussion between industry and policymakers to create the best possible regulatory framework for the future.