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We will probably go back to Italy, because it is a very important point. Eight minutes is very short, and I will try to be as concise as possible. First of all, we are speaking of a long-term, historic and strategic European project. The Euro area is part of the project; it is, in the economic, monetary and financial dimension, the vanguard of the project today, but the project itself is long-term, starting in 1950, and to make an assessment of such a long-term historic project, one has to take a little time. When Chou En-lai was asked what he thought of the French Revolution, he said, 'Maybe it is a little too early to judge.'

I will be positive, and I think I can prove my points. First of all, when we started the Euro, scepticism was generalised. Had we had a conversation at the time, I would have been told that merging the Escudo, the Drachma – very soon – the Peseta and the Lira with highly reliable currencies like the guilder and the deutschemark, you could not get a good currency, but an average of the credibility of the currencies merged. The expectation was that the new currency would be non-credible internationally and domestically. I do not want to stress this too much, but we have delivered stability internationally. The value of the Euro is today approximately at the same level *vis-à-vis* the Dollar as when it started. Domestic stability has been ensured; when I was President, and when my predecessor was President, the main criticism in Europe was that we would not deliver price stability, and it was a very strong belief. Still we delivered it.

Nobody is now challenging the fact that the **Euro is a credible currency** and, maybe in the eyes of some from time to time, too credible! I was accused sometimes of issuing too credible a currency with too high a value on the forex. Price stability was and is ensured. Therefore, that is already in the past, but for me, my predecessor and my successor, it was still challenging in the eyes of a large fraction of public opinion particularly in northern Europe.

Secondly, on resilience, I already said that the currency proved its resilience in the worst financial circumstances since World War Two that could even have been the worst since World War One. What happened to the currency? It remained credible. What happened to the Euro area? We were 15 countries in the Euro area on September 15th when Lehman Brothers collapsed; the 15 countries are still there. I was told by many of my friends in New York and London that the Euro area would be dismantled but clearly it was already quite a success that all countries remained. Even more, four new countries came in after Lehman Brothers, as you know, so we are 19 today and not 15; more than 25% more countries are in the Euro area. It is probable that only a few people in our audience knew that four new countries came in after Lehman Brothers, after the drama started at the global level.

Regarding popular support, we were told that there was no real popular support for the Euro, that the opposition to the euro was augmenting considerably. I am sorry to say that this is not the case at all, at least according to the surveys that are publicly available, particularly the Eurobarometer. Asked in the last published survey whether they trusted the EU, 42% of the EU responded positively, with only 34% trust for national institutions, so the frustration of our people, the frustration of the so-called populist movement which is hitting all advanced economies, is hitting the national institutions, governments and parliaments, more than the European institutions themselves. This is not usually communicated.

Regarding lack of trust, it is even more striking – 61% tend not to trust the national institutions to be compared to 48% for the EU. That is not very flattering at all for the national institutions, and not flattering for the European institutions. Still, it proves that the EU is not rejected as are, in the present period, the national institutions. By the way, it would be difficult to explain the resilience of the currency and of the EA area if there was not a strong popular support.

Regarding the Euro, popular support is also striking. The same question was asked in the Eurobarometer to all EU countries. 'Do you approve or disapprove of an EMU with one single currency, the Euro?' The response is 74% in favour. It is 80% in Germany, when a lot of my friends on the other side of the Atlantic were telling me that a lot of Germans were keen on leaving the Euro. It is a very high level in Greece, at 69%, and even in Italy, it is 61% as against 29%. Therefore, popular support is very strong, contrary to conventional wisdom.

Is it an economic success or not? Referring to the IMF data mapper, GDP per capita at current prices, since the beginning of the Euro, GDP per capita grew more or less as rapidly as in the US. It is not very flattering, since we

should have caught up the US. But it is not at all what is usually communicated. And the common general belief being that we are doing very poorly, I would like to mention that we did better than the UK as regards growth per capita since the setting up of the euro. This too is contrary to what is frequently said. Vis à vis the UK, the catch-up process is operating.

Regarding divergences inside the Euro area, I will go back to a very good analysis by the IMF which is much more nuanced than what Ashoka said, taking into account the fact that on some criteria there has been some convergence and no convergence on others. However, we also have to compare that to expectations. It is true that it was said that the Euro would permit a formidable rapprochement between the various member countries, including on the criteria of GDP per capita. It was overdone and, taking the example of the US, the Mississippi is lower than Massachusetts in terms of GDP per capita than Portugal and Greece are with respect to Germany. Therefore, it is true that even in a single market with a single-currency full-fledged federation, which the US has been for 200 years, the idea that you necessarily have equalisation of the standard of living between member states is naïve. You get equalisation if you have very good governance at national level, which was not the case, and also very good governance at the European Economic and Monetary Union level which unfortunately was also not the case.

But we are learning by doing. We were not passive in the circumstances. We engaged in major structural changes in the heat of the crisis, not before – I agree with Ashoka on that point; we created the banking union; we setup the so-called macroeconomic imbalance procedure, which was overdue; we reinforced the Stability and Growth Pact with the fiscal compact. We really did a lot more, and a lot has to be achieved in this domain and many others. I was the first to call for a finance minister for the Euro area, and we need much more democratic legitimacy in the Euro area, with the European Parliament having the last word on some very important points, including possible disagreements between one particular country and the European institutions. I take it that a Euro area budget could also play a role, also considering that what is lacking in Europe vis-à-vis the US is a full-fledged banking union and capital union, because it plays a more important role in the US in terms of countering, stability and asymmetric shocks than the fiscal channel itself.

Jean PISANI-FERRY

That is clear. We had two quite different views.