Lecture by Jean-Claude Juncker (Luxembourg, 27 January 2011)

Caption: Transcription of the lecture entitled ‘From the Werner Plan to the euro: 40 years of success and crisis’, given on 27 January 2011 by Jean-Claude Juncker, Luxembourg Prime Minister and President of the Eurogroup, during the official presentation of the research project on ‘Pierre Werner and Europe’ being conducted by the Centre Virtuel de la Connaissance sur l’Europe (CVCE).

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Address by Jean-Claude Juncker at a conference on the Werner Plan organised by the Centre virtuel de la connaissance sur l'Europe (CVCE) (Luxembourg, 27 January 2011)

Director,
Honorary Minister of State,
Mr Speaker of the House,
Honourable Members,
Ministers,
Your Excellency, ladies and gentlemen,
Dear Werner family,

Pierre Werner was a great history-lover and a politician who very early on became interested in currency. For those of us in his party who were young, he was the one who taught us history. And what he taught me, who am not so young now as I appear in the film you saw a few moments ago — which is why I don't like this kind of ceremony — and who was to become Prime Minister of Luxembourg, what he taught me was that among the portfolios a Prime Minister of Luxembourg must hold is responsibility for the currency. That is what he did, that is what my predecessor did, and that is what I have done up to now.

As a young man, Werner, who was a firm believer in the need to build Europe through the medium of currency, a conviction in which he followed a recommendation he was given late in the day by Jacques Rueff but which he had already taken on board, was fully conversant with monetary history. The monetary history of his country — and a tumultuous history it was — but also the monetary history of his continent, which was not a cut-and-dried affair. He knew, he understood the reasons why the monetary unions which had existed in the course of history, particularly in the 19th century, were doomed to failure. The Latin monetary union, the Scandinavian monetary union, the German *Zollverein*, which towards the end had turned into a monetary union when the *Reichsbank* was set up in 1875, had failed because these schemes, these concepts, had focused too much on the monetary aspect of things and failed to ponder or give any thought to the policies which needed to underlie them to give them the necessary cohesion, these monetary edifices which aspired to be unitary.

The young Werner, who was a banker and was the first man in charge of the financial sector in Luxembourg who knew his business, knew the international monetary system through and through. So, at a very early age, he perceived that the Bretton Woods system which had organised the international monetary system after the Second World War was one day going to run out of steam. As it was, only part of the world was organised on Bretton Woods lines, that was how the world was in those days. Bretton Woods set the rules for currency trading between Europe, North America and Japan. That was the how the post-war world was. How different from the way the world looks today! But the politicians and technicians of his day and of his age rather liked that clarity and simplicity of the Bretton Woods system, because it guaranteed financial stability, since the only monetary reference point and standard of measurement they were familiar with was gold and, to a certain extent, the dollar.

That monetary stability, that certainty that there could never be any currency disruptions — even though between 1945 and 1967, in Europe alone, there were 20 monetary alignments and realignments, some of which involved the six founder members of Europe. This certainty that monetary stability, in the broad sense, would be guaranteed is in fact the reason why the authors of the Treaty of Rome hardly concerned themselves at all with currency questions.

You often see it written that Europe's founding fathers had already thought over the currency question. But you won't found any trace of a reference to currency in the Treaty of Rome. That is because, in the certainty, as I have just said, that monetary stability was guaranteed for the foreseeable future, the great fathers of Europe focused their attention on establishing the four freedoms: goods, services, people and capital. Their way of looking at Europe was, I would not say mercantile, but it did take its inspiration from the needs of the market which it was their job to set up.

Towards the end of the 1960s, though, the Bretton Woods system was starting to sag, to run out of steam, to lose momentum, because worldwide imbalances, or imbalances less marked than what could be called worldwide, were starting to appear and to bring in their wake a train of disruption and misgivings to which the world could find no answer, since the Bretton Woods system did not provide the people organising international currency with the tools they would have needed to do the job. And also because in 1971 Nixon decided, from one day to the next, to put an end to the Bretton Woods system. And no one at that time, anywhere in the world, had any ready-made answer to put up as a way of taking over from the Bretton Woods system.

Plus the fact that between 1968 and 1969 monetary chaos had hit the then six-member Community, and in 1969 the French franc was to devalue quite appreciably while the Deutschmark went up quite appreciably. In 1969, not 1968, because in 1968 the decision to devalue the French franc was taken one day, but when General de Gaulle's Finance Minister came back to Paris, de Gaulle said: 'I see in the papers that the franc has been devalued, well of course it hasn't,' so the Europeans had to do the work all over again from the start. But in 1969, when de Gaulle finally realised how wide the competitiveness gap was between France and Germany, he had to come over to the right (though wrong) side.

Werner, who, as Finance Minister and Minister for the Treasury, was in charge of the currency and in close touch with the world of international finance, saw openings in all those areas for pushing further ahead with an idea he had cherished since his earliest years, which was to give Europe a power, a sort of 'monetary firepower'. Werner had given a great deal of thought to that idea before he was appointed by his counterparts to chair the group which was eventually named after him and which give its name to the plan which was the collective achievement of that group. As early as 1962, in 1963, in 1968 at international conferences and in speeches to the Chamber of Deputies and elsewhere, Werner was insisting on the need to extend the internal market which did not yet exist but which was beginning to be visible on the horizon, to extend the internal market, the Common Market, by means of a single currency.

Madame Danescu, whose outstanding work I would like to pay tribute to here, has reminded you that Werner, for example, gave a lecture in Saarbrücken in January 1969 at the invitation of the *Wirtschaftsrat* of the CDU in which he expounded, in detail, a number of ideas which were a forerunner of what was to become the Werner Plan. His thinking was that from 1969 onwards monetary union should be established over a period of time of roughly seven to ten years, and he proposed, even at that early date, that the single currency, which he called the Euror — there was one letter too many, but otherwise he was on the right track — he wanted the Euror to be set up, to be introduced, by stages. He had already proposed three stages in his speech in Saarbrücken and in a speech he gave in Florence later.

It was not surprising that at The Hague in 1969 the Heads of State or Government appointed him as chairman of the group which was to draw up the Werner Report. It was to some extent by chance and yet no accident. When the group was set up before the Hague Summit, the chairman of the Monetary Committee, which is nowadays called the Economic and Financial Committee, the chairman of the Economic Policy Committee, which at the time was called the Conjunctural Policy Committee, and a number of central bank governors and directors-general from the Commission were brought together in a single room, and looking at this impressive assembly it was noticed that 'there are no ministers and there are no Luxembourgers'. As result, since Werner satisfied both requirements, he was asked to take on the chairmanship of the group, not because he was a Luxembourger and there was no one from the Grand Duchy in the group, but because he was the one in Europe who had given his name to a preliminary plan which he had so often presented. He was Prime Minister and Finance Minister in charge of the currency, he had taken part in all the economic and monetary discussions, he had been involved in the setting up of the Common Market, he had been present and had his say on the rolling out of the various stages in the establishment of the Common Market, so that in a sense the chairmanship of the group naturally fell to him, and he set about the work with a great deal of enthusiasm and energy, borne along by a strong conviction which he had fuelled and sustained over the preceding decades. The outcome was that his report came out in October 1970 and contained the guiding features which were to influence monetary thinking in Europe.

I don't propose to go into the details of the Werner Plan, I had an opportunity of doing that a few months ago, and Madame Danescu has given you a summary of the main points of substance in the Werner Report, which was adopted in 1971 a few days before Nixon put a stop to the Bretton Woods system.

It has been said, here and elsewhere, that the Werner Plan was not the success it deserved to be in the sense of being translated into reality, not because of its weaknesses, since it had no weaknesses, but because of developments in the outside world, if I may put it that way. There was the decision by Nixon, whether well thought out or not, there was the emergence of the first oil crisis which brought all attempts at economic convergence in Europe to a complete standstill. The economic convergence which Werner, under the heading of economic policy coordination, had said was vital if the single currency was to be able to rely for support on economic and social bases that were already consolidated. The coordination of economic policies, enhanced coordination of economic policies, economic government, economic governance, these were not invented by the people who nowadays give the impression that they have just invented the need there was at the time to coordinate economic policy in Europe more effectively. They usually speak in French or in German. It was Werner, in his report, who stressed the absolute necessity of coordinating the economic policies of the Member States and the currency area and of drawing the divergences closer together in order to even them out, particularly as regards any competitiveness there might be between the sub-economies of the overall economy of what was to become the eurozone.

As there were not even the rudiments of an organised monetary system, the Europeans invented what became the currency snake — meaning a system designed to keep exchange-rate fluctuations between the European currencies within a narrow margin in relation to the dollar, which is why it was called the snake in the tunnel. It is a system which stood the test of time, but as it was demanding, as it took hard work in terms of adjusting the national economies taking part in it, it was not the success people nowadays would like to claim it was, as the currency snake lost its head and its tail in the sense that, at the end of the day, only Germany, Denmark and, of course, the three exemplary Benelux countries were still part of it. The others were afraid of it, because the snake used to bite if exemplary policies were not followed.

Faced with the relative success or relative lack of success of the currency snake, in 1979 the Europeans set up the European monetary system. It was already an idea of Werner's, since the Werner Report foreshadowed the European Monetary System. There is a letter in the Pierre Werner archives which Helmut Schmidt sent him for his 65th birthday in 1979 and in which he speaks in commendatory terms of the establishment of the European Monetary System, recalling that the idea was the basis of the Werner Report in 1970. The actual, genuine drive behind the setting up of the European Monetary System came from Giscard d'Estaing and Helmut Schmidt, who can lay claim to being the fathers of the European Monetary System foreshadowed by Pierre Werner. In the interests of truth I have to say that Gaston Thorn, who was Prime Minister at the time — and you can read it in Helmut Schmidt's memoirs — made a substantial contribution in the end to the European agreement which was put together in a German city whose name I can't remember, though I think it was Hamburg. 'Paul, you were Thorn's chef de cabinet at the time, but you used to travel too much, you can't remember every stage …' though I think it was Hamburg.

The system set up was designed to establish stable, but adjustable, exchange rates. So, there was no more this idea of irrevocable exchange rates, but a system which gave the Member States room to breathe, but of which the distinguishing feature was the stability of the concept and the ability to make adjustments in the fine tuning. The exchange rate mechanism, the ERM as people used to say at the time, left a 2.25 % margin round the central rate which, as for the rest, gave Italy a margin of 6 %, which in those early days showed that there was a willingness on the part of those who governed us then to allow for the fact that the economies were not exactly at the same level of adjustment. But we couldn't, just like that, because the idea had suddenly lodged itself in the mind of a European leader, align, realign, evaluate, re-evaluate, revalue, devalue the national currencies, because it needed agreement from all the governments — and, which is often forgotten, the agreement of the Commission. There are several of us in this room, particularly my good friend Jacques Santer and myself, who were at countless sessions of alignment and realignment. As a general rule, they used to start on Friday evenings over the telephone and they would happen in Brussels on Sunday evenings, and they would have to be over by one o'clock in the morning because the Hong Kong stock exchange opens at one in the morning, on Monday mornings.

There were some 30 or so alignments and realignments between the setting up of the European monetary system and the introduction of the euro. So it was actually a time of great volatility within Europe itself, which caused the various economies concerned enormous problems. Not just the Luxembourg economy, when our Belgian friends — Charles-Ferdinand, you were in that government … Shame on you!' — devalued the Belgian and Luxembourg franc without consulting us — which, luckily, considering what is happening in Belgium, isn't ours any more. We're lucky to have the euro, the euro which also protects us from the irresponsible behaviour of certain Belgian politicians for the moment. These alignments and realignments used to bring Europe sometimes almost to the edge of the abyss, they could very well have sabotaged the whole business of building a united Europe because overnight an economy would find itself richer, in terms of competitiveness, because currency realignments had been carried out. I will always remember how in 1992 Bavarian farmers — because Italy had devalued, the Deutschmark had revalued — couldn't, from the Monday morning, sell their cheese products in Italy any longer, and so agriculture in Bavaria was moving back into an economically hazardous area, because at the time we still had the agricultural compensatory amounts which used to poison every discussion of European questions, not only when the currency realignments were going on but when farm prices in Europe were being fixed.

Anyway, be that as it may, one merit of the European Monetary System was that it protected the European currencies and Europe's national economies from the totally irresponsible behaviour of those who sometimes run countries in Europe, because at the same time a consensus had been reached that combating inflation and maintaining price stability were vital. Remember that towards the end of the last century and towards the end of the 1980s we in Europe had inflation rates of 10, 12, 13, 14 % , we had interest rates of 8, 9, 10 %. If we compare the disorder there was then with the huge stability we have now, we can more easily grasp what kind of situation we would have been in now if there had not been that strength and that discipline the euro gave us and which forces us — with only comparative success, I admit, and even that unevenly distributed across Europe — to follow exemplary policies.

I am actually supposed to be talking about successes and crises, and I would like to talk to you about crises because very often no one knows about them or they have been forgotten about.

In 1991, on 1 January, we embarked on the Presidency of the European Union, that is to say of the European Communities, because the European Union only came into being with the Maastricht Treaty, the text of which we were starting to work on at intergovernmental conferences. My boss at the time, Jacques Santer, the Prime Minister, had instructed me, as I was his Finance Minister, to chair the intergovernmental conference on currency. It was, incidentally, the only part of the Maastricht Treaty which was really a success, given that the part about political union … well … we're still waiting for it to happen to this day. The single currency would be in a better state if a political union were already in place. I must confess — and it hasn't changed much, I hear you say — I knew nothing about international currency. I asked Jacques Santer: 'How can you ask me to chair an intergovernmental conference on the single currency when we haven't got a national currency? I've never had anything to do with those questions.' He said: '*Sprang an d'Waasser*!' So I jumped in. On my desk I found a British plan which no one talks about any more. It was a plan drawn up by the Chancellor of the Exchequer, John Major, on the common currency, the hard currency, a kind of currency running in parallel with the national currencies, a British idea the point of which was to do everything possible to stop a single currency in the real sense of the term having any chance of succeeding. It was vital that we move fast, not to kill this British idea off but to replace it with another one. And we drew a great deal of inspiration, of course, from the excellent work done by the no less excellent Jacques Delors which was actually — the Delors proposal was very heavily inspired by the one from Werner — the basis for the discussions between the 12 governments which constituted the European Communities at the time. So it was exit the hard currency proposed by John Major, who had meanwhile become Prime Minister and lost interest in these petty currency matters, and on came his Chancellor of the Exchequer, Norman Lamont, who, after one ten-minute sitting, finally dropped that idea, which I had refused to table for discussion. It's always a good approach in Europe: if you don't like an idea, do your best to make sure it doesn't get discussed, and that's what I did.

But the problem with the British still wasn't solved. Having dropped the hard currency idea, we had to try to tie the British down to the consensus in mainland Europe which was already starting to emerge. Up to that moment, the British had been, as they are and will go on being for quite a time, fiercely opposed to the single currency. So we had to find something else, and the debates were going nowhere. And that was the first crisis at the intergovernmental conference, because we couldn't find a way of accommodating the British.

That was when I decided to put the idea of opting out to the British. I did it in May 1991, at the Hôtel Intercontinental in *Dummeldang* — I mean Dommeldange, sorry — where the informal Council of Finance Ministers was meeting. But I'd taken precautions — I'd already submitted the idea to Jacques Delors, who didn't like it. I had submitted it to Bérégovoy, who was the French Finance Minister, and to Theo Waigel, the German Finance Minister, who didn't say Yes and didn't say No. And then I went to see my Prime Minister, Jacques Santer, the day before the informal Council of Finance Ministers, because a young minister at the time, a minister who was going to propose something serious, who was going to put forward any proposal at all, used to ask the Prime Minister for his opinion first. That was the rule, and it was fairly widely followed at the time. Less so today. And I will always remember [...], well, perhaps my boss doesn't remember what he said in reply. He said to me: 'It's a bad idea, so it stands a very good chance of being accepted.' And true enough, it wasn't a very European idea. It was short on ambition, but it was the only idea which would make it possible for Europe to move forward, and in the end the British opt-out was agreed to for several months. The Chancellor of the Exchequer, Norman Lamont, came to see me in the middle of the meeting and said to me: 'Listen, it's very good, but you mustn't say anything about it, it's too early. We need the opt-out in November. We can't have the opt-out in May. We need a success in the House of Commons in the autumn, not the spring.' It was already happening then — and have things changed all that much? All other considerations had to give way to the domestic political agenda. And then he said to me: 'Don't say anything about it outside.' Which is what I did, and I gave a press conference with our friend Jacques Delors, having said to him: 'We mustn't say anything!' — so he said it. So for two or three months this idea of opting out enjoyed a certain amount of success under the name of the Delors Plan. But Jacques Delors, who is a decent sort, told the true story in his memoirs. Which means that I can tell it here in the form of an anecdote.

The idea was making headway up until the time when our Dutch friends took over the Presidency of Europe in July. The first thing they did, by taking it to pieces, was to shatter the consensus which Jacques Santer, President of the European Council, together with Jacques Poos, had so painstakingly put together on the political dimension of things. It was a Friday when the Dutch Government did its destructive work. It's known in the Netherlands *als de zwaarte vrijdag* and in Europe as the black Friday. Because there was no chance that the Dutch would succeed in unravelling this Luxembourg proposal.

But on monetary union, I'd read it all, the political union was going out the window but my monetary union was still intact. Hold on! I looked at the first Dutch text and I saw that they'd changed everything! We had drawn up texts based on the criteria, on the opt-out, and the Dutch, who are ingenious people, almost as ingenious as we are when it comes to their national interest, had turned the opt-out into the opposite and had put forward Wim Kok, my friend the Finance Minister at the time and later the Prime Minister, they'd turned the opt-out into an opt-in! The Dutch were in fact proposing that the others opt in, not that the British opt out any more, they were in fact saying: 'The single currency isn't the rule, the single currency is the exception.' If you want a single currency: 'You have to opt in!' But those who did not opt in were following the base rule which was that there was no single currency. That was the third crisis during this intergovernmental conference, because the others came out loud and clear against this simplifying approach by the Dutch Government which scaled down our ambitions, and so the opt-out was re-established because Jacques Santer was right, it was a bad idea so it would always end up winning the day.

Then we had to settle the question of the independence of the Central Bank. Alongside all this, there was a huge face-off between the French and German Governments over the independence of the Central Bank. I often walked over to the Prime Minister's office to say to him: 'Couldn't you telephone Mitterrand or talk to Kohl so we can get a solution to this business?' Which he did, of course, but we didn't break the logjam as we needed to on this question which, at the end of the day, was a vital one. To the French way of thinking, you see, giving a monetary authority independence came into the category of the completely unthinkable.

Whereas for Germany, it was one of those things that were absolutely essential. Germany, as regards price stability, had a long tradition which was the outcome of seeing the whole of the German national heritage destroyed twice running, after the First World War and after the Second World War. And the Deutschmark had become more than a symbol for the young post-war German democracy, but had really become the visible, tangible sign of German well-being, which was not on the German authorities' agenda as the country emerged from the war but which the Deutschmark had helped to establish.

I will always remember — although I never say it when journalists are present, which seems to me to be the case this evening; a journalist never says he's a journalist, they're like secret agents, they keep their identities hidden — the person who fought with all his might against the independence of the Central Bank had a name. He was the director of the Treasury, in the rue de Rivoli, because the French Finance Ministry was in the rue de Rivoli at that time and not yet at Bercy. He was called Jean-Claude Trichet. I will say of him in a friendly spirit, never in my life have I seen a man so quick to learn a lesson he always rejected when he was young. Explaining to him that the Central Bank had to be independent was truly an insult to the image France had of the democratic rule of the state and the role of the public authorities. Today, though, in a language which is no longer that of Voltaire, he easily manages to explain to the whole planet that the independence of the Central Bank is absolutely vital — in which he is right, Werner was right in 1970 and we were right when we were proposing it.

The monetary union nearly failed one Sunday in 1992. It was the day after King Baudouin died. The Finance Ministers, under Belgian chairmanship in the person of Philippe Maystadt, were summoned to Brussels for another realignment. There was wholesale monetary chaos. We were under pressure from all sides. All the currencies, in fact, were under pressure. What did the Germans and our friends the Dutch propose we do? The proposal they made to us was that Germany and the Netherlands should leave the European Monetary System which France, meanwhile, had joined. Faced with this prospect, the others began to get agitated because that would mean the strong currencies exiting from the European Monetary System, leaving the weak currencies plus other strong currencies, those of Denmark and Luxembourg, where the fundamentals from the economic point of view were better than in France or Belgium, and others who would have been shut into the slimmed-down monetary system. Two things then happened. Firstly, I telephoned Jacques Santer and said to him: 'Listen, this is the situation. Is Luxembourg going to remain a member of the European Monetary System or it is going to leave it?' With France, I was under French command, in fact, and Italian. That was the choice. And Jacques Santer said: 'No, we're staying in.' I said: 'That'll be difficult; we haven't got a currency.' And Jacques Santer, it needs saying now, had taken the precaution of preparing the country for such a possibility, of being faced with such a deadline, because he had not only thought of printing banknotes — because you need banknotes when you start with a new currency from one day to the next — but had seen to everything needed for the day when we would have to leave the monetary association with Belgium. So the threat I publicly uttered at the Council of Finance Ministers made a strong impression. Because if Luxembourg had actually stayed — something the Belgians thought we couldn't do until the moment I revealed a state secret to them, which was that we had got everything ready — if Luxembourg had left the system and Belgium had stayed in the system, the Belgian franc would have fallen to who knows what depths. Because then the weak currencies would have stayed; only the strong currencies from the countries where the fundamentals were sound would have left the European monetary system. So matters were starting to get very complicated. And then the UK Finance Minister, Kenneth Clarke, a great Chancellor of the Exchequer, the man who hadn't wanted to join the single currency, spoke. He said: 'If you go ahead and do that, if Germany and the Netherlands leave the European Monetary System, with or without Luxembourg, you will be putting a stop to any kind of monetary ambition for Europe. You will never have the single currency. You will never have the single currency if you, the Germans and the Dutch, do that. And I am British and my country is against the single currency. But I for one am a European, and I would like the continent of Europe, at least the continent of Europe, to have a currency of its own. I would warn you strongly against the blunder you are stumbling into.' You could say nowadays that it was the British Finance Minister who made the most persuasive plea for the euro, at a time when the work of setting it up was at risk of coming to a halt. And finally we widened the margin for intervention from 2.25 % to 15 %, which made the European monetary system into a target which the financial markets were to miss, because it is possible to blow up a system with a 2.25 % margin of intervention. Soros had brought the pound sterling out a few months before. Blowing up a system with a 15 % margin turned out to be impossible. Except that the entire press, the English-speaking press to begin with, and not just the Luxembourg press after that, said that the euro would never see the light of day because its intervention margins were so wide that there would no longer be any need for a convergence of economic practices at all.

Another crisis was over who would satisfy the criteria and who wouldn't. Several governments fell because they did all they could to meet the criteria — including the Dehaene Government in Belgium, among others. Jean-Luc Dehaene did not fall because of dioxin but because of the budgetary consolidation policies. There was Helmut Kohl, who in the last year of his term was to impose an extremely brutal budgetary consolidation programme. We still didn't know who was going to be in that group. But we had our convergence criteria, the 3 % and the 60 %, you know the tune. But as the southern countries, which some northern countries never stopped calling the 'Club Med' — which was insulting to peoples who were on the margins and who were making great efforts to adjust and get into form and into condition to be able to join the single currency — as those countries were starting to make a go of it, some countries in the north did their best to stop them being allowed in as members of the monetary union.

I had two Dutchmen who are no longer in office, which means I can say they were Mr Zaab and Mr Bolkestein, come to see me in my office in September 1997, when we held the Presidency of the European Union, to tell us that Spain, Italy, Portugal and Greece must never become members of the monetary union, otherwise the Tweede Kamer, the Dutch Parliament, would vote against the single currency, at the point at which they would have had to give up their national currency — a question which, as far as I was concerned, had already been answered in any case, since the Dutch Parliament had agreed to the Maastricht Treaty and ratified it. At Helmut Kohl's request, I saw Minister-President Stoiber of the Bavarian CSU, who was absolutely opposed to the single currency. I saw a bright young hope of the German SPD at Helmut Kohl's request, a man called Gerhard Schröder, to explain to him that things were finally moving. At Helmut Kohl's request, I had to have a long meeting with Oscar Lafontaine, who was against the single currency. Those are the small crises you don't see and the small problems you have to deal with if you are to be able to move ahead smoothly.

I lost hope on 2 May 1998. That was the day when we were coming to an agreement on which of the Member States of the European Union could join the monetary union, and we were choosing the first president of the European Central Bank. The Jacques Santer Commission had prepared the ground properly for the final transition from the national currencies to the euro and the move from stage two to stage three. All that was left was to appoint a president for the Central Bank. We met on 2 May at midday and parted company on 3 May at three in the morning, the decision was so difficult to take. The treaty says that the Central Bank is independent and the treaty says that the person elected to be the President of the Central Bank shall be the one with the best professional knowledge and so on and so forth. Well, Mr Chirac said: 'Yes, that's right, it's in the treaty, but it has to be a Frenchman,' and the Dutch said: 'It mustn't be a Dutchman, we have to abide by the treaty, but we propose Wim Duisenberg,' who, as it happened, was Dutch, and who actually had everyone's backing and was an excellent first President of the Central Bank and had been President of the European Monetary Institute. It was Mr Blair who chaired the meeting. So, under British chairmanship, we gave the euro its final launch, and we appointed the first President of the Central Bank. But that didn't bother the British, because they had suggested London as the seat of the European Central Bank. It wasn't meant to be a joke. Even though, according to the treaties, the seats should have been established in Luxembourg. But Jacques Santer felt at the time that there were good reasons for giving up that seat and establishing it in Frankfurt instead, for obviously German reasons: as the Germans were giving up the Deutschmark, they needed to be the setting for the monetary authority, which is why it was set up in Frankfurt.

I had to listen to two rounds of jokes which didn't make me laugh. It was the day when the British asked for the seat of the Central Bank to be established in London and the day when the Swedes, who didn't want to be part of the monetary zone, went on and on about the quality of the gold which had to go into the coins, the euro coins, because the Swedish Finance Minister, Göran Persson, who later became Prime Minister, kept on saying: 'It must be Nordic gold, which is only produced in Sweden.' So the British wanted the seat and the Swedish wanted the material the coins were to be struck from, and neither of them wanted to be in the single currency zone. As I said to myself at the time: 'This is going to work! Because why is one of them asking for the material and the other for the seat, if neither of them thinks it's going to work?'

After that we had to make the stability pact, having shortly before had to negotiate it, because there was fierce debate in Germany over the fragility of the convergence criteria which had been aligned by the treaty and the implementing texts. So what the Germans insisted on was that we round off the work of the treaty with a stability pact, which we concluded in Dublin, where I once again managed to steer a course between France and Germany to sort the matter out, with the help of the President of the Commission, who was Jacques Santer at the time. We amended, overhauled this stability pact in March 2005, under another Luxembourg Presidency, to make it readable from a more economic perspective, which would give it more breathing space if there were a deep economic recession, which was what happened to us in 2009. If we hadn't overhauled the stability pact in 2005 we would be nowhere, because there are just two of us in the eurozone, from 1 January to 31 December Luxembourg was the only country in the eurozone which respected the criteria in the Maastricht Treaty, just as we were the first to abide by it in the 1990s. Luxembourg was the first to abide by the convergence criteria and we are the last to still abide by them. All the others have defaulted, particularly France and Germany, which violated the stability pact in 2003. That is why currency, in the fantasies of nations and in the cast of thought of those who lead nations, still plays a part that is too bound up with the sense of national identity.

Europeans have not learned how to manage the single currency collectively and in a spirit of solidarity, and still fall into the old knee-jerk national reactions whenever difficulties start accumulating on the horizon, as we see all too easily now, when it seems almost impossible for the President of the Eurogroup to reconcile these two expectations — that there should be solidity, and that there should be solidarity. We need both of them in Europe if we are to be able to build honest and proper intersecting points on which Europe can rely for its future expansion.

I will spare you an account of the euro's successes as my time is running out. You know about them anyway, the features which have made the euro the second international reserve currency, far ahead of Japan. It won't become the first international reserve currency any time soon, and it isn't desirable that it should, since that involves taking on heavy obligations which you can see every day that the United States discharges fairly easily, since they let all kinds of deficits mount up which mean that the fundamentals in Europe are far better than the fundamentals in Japan or the United States.

The euro is the most stable currency and this evening at 5 o'clock we were at 1.3616. We are less affected by exchange rate volatility than other currencies and we are stronger, as far as future prospects go too, than the United States of America, their public finances, and their economy in general. But financial markets all over the world are pouncing on the eurozone, ignoring how poor the fundamentals are in Japan and the United States.

We have had monetary stability since the single currency was introduced. Our internal purchasing power has been very little affected, given that inflation over the 12 years the single currency has existed has been at 1.97 %, less than 2 %, the target set by the European Central Bank, twice as low as the historical average for the Deutschmark. But everyone thinks: 'Yes, the euro has made the cost of living go up.' The opposite is the truth. In purchasing powers terms, we have achieved better performances than the Deutschmark at its historical average.

Over the first ten years of the single currency we have created 15 million jobs, whereas the situation on the labour markets before the single currency entered into force was exactly the other way round. We no longer have any monetary realignments among ourselves, which means that economic policies can be based on predictability factors which are far more advanced than what we once had. In terms of GDP we have gone up 0.5 % in a year, because the cost of financial transactions, exchange-rate transactions, has disappeared, so to sum up we can say that the euro can pride itself on a long catalogue of successes.

Yet we politicians, central bankers and other friends of the euro — and there are more of those now than there were then — we are incapable of explaining to our fellow citizens the virtues and qualities of the euro, because we cannot get them to understand the situation we would be in if the euro did not exist. If we had 16 or 17 national currencies with which to stand up to the tigers of international finance and try to overcome the difficulties, with the persisting lack of adequate economic adjustment, we would be a prey to the financial markets for many years. We are to some extent at the moment, but we have the means, I think we will have them, I hope, to arm ourselves more effectively against the attacks directed against us — attacks due to speculation, but which are also due to the fact that a great many governments have not done their homework — their *Hausaufgaben*, as they put it in a more evolved language.

But the fact that the Member States of the eurozone have got themselves hugely into debt is mainly down to the financial and economic crisis. In 2008 and 2009, *Lehman Brothers und die Folgen*, every guru on earth, including me, and I'm not a guru, told us that we ought to be replacing private demand, with all its weaknesses, by public demand reinvigorated by using budgetary resources, meaning state, and therefore public, resources. Well, what happened was a spiral of deficit and debt. Everybody was telling us we should do it and, when we did it, everybody said: 'Ah, well, now you need to reconsolidate your public finances!' The fact is that in the space of two years we lost the results of 10 or 15 years of budgetary consolidation. When we started withdrawing tax stimuli from the economic circuit, the same gurus said to us: 'No, you can't do that, you're stifling the economic recovery!' That's where we are now, facing in several different directions at once. To me the answer seems obvious, we need to go for budgetary consolidation. There will be no growth in Europe unless we succeed in reconsolidating our public finances — everywhere. We will not succeed in making Europe into a continent of growth unless, by supporting them, we help the so-called weak countries, which have enormous problems for which they are largely to blame, but which are also the outcome and the consequence of the economic and financial crisis.

Ah, if Pierre Werner had seen all this he would have liked the difficulties we are now in because he would have known that the difficulties would have been far greater and less easy to overcome if we hadn't set up the euro! For me it was an enormous privilege, together with Jacques Santer, to have been able to be at Pierre Werner's side for a good stretch of his European and Luxembourg career. Thank you.