

## Transcription of the interview with Christian Noyer (Paris, 27 September 2012)

**Caption:** Transcription of the interview with Christian Noyer, Vice-President of the European Central Bank from 1998 to 2002 and Governor of the Banque de France since 2003, carried out by the Centre Virtuel de la Connaissance sur l'Europe (CVCE) on 27 September 2012 in Paris. Conducted by François Lafond, Managing Director of EuropaNova, the interview particularly focuses on the following aspects of the life of Tommaso Padoa-Schioppa: his personality, his activities on the ECB Executive Board (1998–2005) and his work as Minister for the Economy and Finance (2006–2008).

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### Table of Contents

I. The personality of Tommaso Padoa-Schioppa.....	1
II. The operation of the Executive Board of the European Central Bank.....	2
III. Tommaso Padoa-Schioppa and his work at the Italian Ministry of the Economy and Finance.....	3
IV. Tommaso Padoa-Schioppa's work at the Executive Board of the European Central Bank.....	3

### I. The personality of Tommaso Padoa-Schioppa

**[François Lafond]** Here we are at the Banque de France in Paris on 27 September 2012 with Governor Christian Noyer. We're going to try and have a look together at the work of Tommaso Padoa-Schioppa. Do you remember your last contact with him before he passed away, which I believe was in December 2010, in Rome? Were you in contact with him just before this time?

**[Christian Noyer]** I met him during the preceding months, mainly within the scope of his governmental functions, at informal Ecofin meetings. He was always very busy, as was I. During these meetings, we had lots of people to see and things to do, but I always found the time to spend a few minutes with him, and these exchanges remained warm and friendly because we had experienced a great deal together, including a great period at the ECB, of course.

**[François Lafond]** Do you remember what came to mind when you learned of his death?

**[Christian Noyer]** Oh, my first thought was about the loss of someone who had become a friend, really. And then I thought that it was a great loss for Europe, because he was a man with a vision, and there aren't an awful lot of people in Europe who have a vision that's as profound and as long-term as his. His death marked a great loss, not only in terms of our friendship, but also in terms of the ability to convince those around us, public opinion, of the need to move forward.

**[François Lafond]** If you would be so kind, Mr Governor, let us now look back to the time when you and Tommaso first met, because in fact you had the chance to meet on various institutional occasions. If I'm not mistaken, you were Financial Attaché at the French Permanent Representation to the European Union — between 1980 and 1982 — and Tommaso Padoa-Schioppa was already in Brussels as Director of Economic Affairs. Do you have any recollection of your meetings at that time?

**[Christian Noyer]** Yes, I first met him during that period. I recall a Director-General at the Commission who was young and very able; he was very forceful in Coreper, for example. To be honest, I didn't know him well during that period because the nature of my role as Financial Attaché involved dealing with the financial aspects of the other policies, especially everything contained in economic and monetary policies. It was rather groups such as the Monetary Committee or the Economic Policy Committee which were followed by officials from national capitals. So I only had a few chances to work with him at small-scale meetings. But of course he was someone who stood out from the crowd immediately and was, as I said, very powerful and very forceful.

**[François Lafond]** Which language did you speak?

**[Christian Noyer]** I have to say that I don't remember what we spoke at that time. But one thing's for sure, we mainly spoke in English at the ECB when we were in meetings with others, but when it was just the two of us, we always spoke in French. He spoke French remarkably well.

## **II. The operation of the Executive Board of the European Central Bank**

**[François Lafond]** Let's move on to the period at the European Central Bank, because you and he were both there from the beginning. There are two aspects: there's an institutional aspect. Did you both hold different positions within the ECB? Could you explain to a novice like me how it works in practice?

**[Christian Noyer]** Well, there are two main governing bodies at the ECB: there's the Governing Council comprising all the governors of the national central banks participating in the euro zone and belonging to the Eurosystem, plus the members of the Executive Board, and there's the Executive Board itself. The latter is the body which prepares and implements the decisions of the Governing Council. As such, the members of this Board are also automatically members of the Governing Council, and in fact we were two of the six members of the first Executive Board set up under the presidency of Wim Duisenberg. It was an extraordinary period because we had to create everything, to set everything up, put together the services and various departments, and create the machinery of the ECB. It was the construction and development phase of what was once a small SME at the outset and which became ... we had to make it something of a holding, the centre of the entire Eurosystem. It was a terrific period! We set up an Executive Board organised in line with the principles of collegiality — that's what we could call the German tradition, but it was also the Dutch tradition, after all, we shouldn't forget that our first President was Dutch. What does it mean in practice? It means that all subjects — even if each member has his own sphere of activity or his priority spheres of activities — all important subjects are discussed collectively. So we take an interest in everything, we have to have an opinion on everything and we take decisions together. It was an exciting period, and I must say that I was obviously the youngest member of the team; I had less central bank experience than the others. So I had a lot to learn, and Tommaso was an excellent guide in the areas I was less familiar with. His experience and career afforded him references to almost all professions and all activities. So we worked together a lot and had many discussions.

**[François Lafond]** How does it work in practice? Is there a weekly meeting for the members of the Executive Board on the basis of an agenda determined by the President?

**[Christian Noyer]** That's right. The Executive Board meets once per week, the Governing Council twice per month. The Executive Board takes the decisions that fall under its responsibility or which are delegated to it by the Council and approves the proposals to be submitted to the Governing Council for decision. The agenda is indeed determined by the President on the basis of proposals by all Board members, so each member makes proposals in his field and presents the facts, then the President adds items to the agenda depending on whether or not they are ready. It's actually a very collective process. The President does not censor anything or seek to dominate. And that's an entirely different experience in comparison to our French tradition whereby the president plays a really preeminent role and has the last word. We play collectively, it's really the team that acts together, decides together, guides together and puts forwards proposals together.

### **III. Tommaso Padoa-Schioppa and his work at the Italian Ministry of the Economy and Finance**

**[François Lafond]** In 2006, Romano Prodi asked Tommaso to join the Italian Government as part of a rather colourful coalition. He thus left his role as banker and became a fully-fledged politician, taking on the position of Finance Minister. As a central banker, how do you view this leap ... not into the unknown, but into politics? How do you judge and evaluate his decision to pursue a different path?

**[Christian Noyer]** I see it extremely positively. We were all delighted with this development and we all admired his courage of venturing into a different field. You may wonder why. It was because within the Eurosystem we were all convinced — all of the governors, all of the central bankers — that decisive action by the states to restore balanced public finances, to achieve sound public finances and to speed up structural reforms making it possible to boost growth potential was essential. At heart, we gradually realised that the euro had given too large an impression of ease and security to the states which had used it badly. Moreover, we constantly reminded the states — although our words mostly fell on deaf ears during the first years of the euro — that it was their responsibility to carry out extensive work and that they mustn't think that life was so easy with the euro that they no longer needed to make efforts to boost long-term growth and keep public finances in a suitable state. So the fact that one of us was going to actually attempt this task within a government was extraordinarily well received.

**[François Lafond]** Why do you think he accepted?

**[Christian Noyer]** I think his reasoning was the same. He found it so important for the states to correct their policies and set themselves on the right course that he felt it was his duty to Italy and probably to the euro zone as a whole.

**[François Lafond]** You mentioned earlier the fact that he had a European vision; do you think that is what prompted him to say, 'This is a chance for me to complete things in some way, to do what I've always advocated elsewhere'?

**[Christian Noyer]** Yes, certainly. I imagine — although I didn't see it with my own eyes — that within the Council of Economic and Finance Ministers of the euro zone he also tried to inject his strategic vision of building a coherent whole.

### **IV. Tommaso Padoa-Schioppa's work at the Executive Board of the European Central Bank**

**[François Lafond]** What was Tommaso Padoa-Schioppa in charge of at the time? International relations?

**[Christian Noyer]** He was in charge of international affairs at the beginning, and then at the same time of payment systems. He evidently had quite an ambitious vision as a result of his experience in payment systems. He contributed a great deal towards our implementation of a unified wholesale

payment system — that was the prerequisite for a truly unified interbank market to work and for the financial market throughout the entire euro zone to operate as one market. At the same time, he had a rather incisive and very legitimate vision of the need to gradually extend this unique payment system to the level of the consumer. He was behind the work carried out later, the Commission's proposals, the Council's decisions, all of that was inspired by the ECB thanks to Tommaso Padoa-Schioppa. What we would finally see, his unstoppable reasoning, was to say, 'It's not right that it costs more to make a transfer from Strasbourg to Kehl than from Corsica to Brittany or Baden-Württemberg to Saxony.' It's true that our system was still very much founded on nations and on countries, whereas this didn't correspond at all to the reality that we had created with the euro.

**[François Lafond]** How would you describe Tommaso Padoa-Schioppa's work within the Executive Board of the ECB? Was he more of an interventionist? With the benefit of hindsight and taking into account recent events, how would you judge Tommaso Padoa-Schioppa's ideas and initiatives as from the beginning of his term at the ECB?

**[Christian Noyer]** I'll mention two characteristics which struck me. First of all, of course, he was the most integrationist of us all. He truly had a highly ambitious vision for Europe, and in all the initiatives and proposals we made he sought to lead us as far as possible towards the idea of integration. And in this respect I think that he succeeded perfectly in convincing our entire team, the entire Executive Board, of his highly ambitious vision. Secondly, to speed up integration he was often tempted by solutions involving fairly large-scale centralisation at the ECB. Deep down, he had a certain degree of distrust as regards the national central banks' ability to withstand a genuine integration of the Eurosystem. Personally, I was perhaps a little more reserved about this, even though I was brought on board fairly easily when I was on the Executive Board. I understood that there were indeed some governors who had trouble moving very fast and very far towards integration. I perhaps changed my mind slightly later on when I became Governor of the Banque de France, but that's another point in history.

**[François Lafond]** So in fact you changed hats, so to speak, at the European Central Bank. Did that make any difference to your relationship with Tommaso Padoa-Schioppa or simply to points of detail — which of course are more than just points of detail — as you just mentioned?

**[Christian Noyer]** Our friendly rapport remained unchanged. Actually, I benefited from the luck of the alphabet, because in the Governing Council we don't sit behind a country sign but behind a nameplate, since we are there in a personal capacity — all as Europeans — and we only have voting rights in a personal capacity as we don't represent an institution, such as the national central bank of our country. So, according to the luck of the alphabet, I was seated next to Tommaso during the first years when I returned to the Governing Council. We very frequently held private conversations at a whisper, generally in French, which showed that we had held on to the same rapport and the same ability to understand each other that we had had together on the Executive Board. My attitude changed slightly insofar as I realised that it's possible to maintain a substantial degree of decentralisation when one really wants to implement an integration policy. It's really important for the unity of command, action and impetus to be concentrated at the ECB for the preparatory tasks and especially the execution tasks. A certain degree of decentralisation does not hurt provided that the leadership in each unit, in each national central bank, is genuinely convinced of the need for integration. It was harder in the initial years; nowadays, people have become accustomed to it. Tommaso's integrationist vision triumphed without it being necessary to achieve a much greater degree of centralisation in terms of execution, which shows that it is possible to remain a very federal

institution while being largely decentralised.

**[François Lafond]** Did you also have the opportunity to discuss the Statute of the European Central Bank? Because I suppose that the press also increasingly reported on it. There were differences within the ECB regarding interventionism. Some people believed that the Statute was rather restrictive and should thus be limited to the fight against inflation, whereas others felt that a slightly broader perspective was necessary and that sometimes it was insufficient. What was Tommaso Padoa-Schioppa's position in this debate which after all led to the stepping down of a certain number of ECB members who disagreed with the line that had been taken? How would you analyse his attitude throughout his period at the ECB?

**[Christian Noyer]** His vision was obviously inspired by his very in-depth knowledge of all the work of the Delors Report and the way in which it was drawn up. It wasn't very different from that of the others but it did go a little further than what we could call the most restrictive vision. Basically, he drew attention to the fact that as the treaty is drafted, the task of ensuring price stability in the medium term is a primary task which takes precedence over all others insofar as no other objective can call this main objective into question. But he also said, 'The treaty is well drafted in that, provided we are certain of maintaining price stability in the medium term and beyond, if we don't call this priority objective into question by our actions, the ECB, and more generally the Eurosystem, will be responsible for contributing to the execution of other Community policies and of other objectives of the Community and the Union, and in particular to a high level of employment and balanced growth.' So he didn't see it as a contradiction but as a complementary aspect. He believed that the fact that we had a priority objective didn't necessarily have to lead to the denial of all the others. I think that this view raises controversy, even today. Some people feel that by obtaining price stability or aiming towards price stability we contribute *ipso facto* to other objectives, whereas others believe that it's a little more complex and that we shouldn't stop ourselves from looking at the achievement of objectives as such so long as we don't call price stability into question. But it's a very subtle balance; perhaps too subtle, I don't know.

**[François Lafond]** But this means that at any rate, during your Wednesday meetings — well, I don't know if they were on Wednesdays, let's say your weekly meetings — Tommaso Padoa-Schioppa could sometimes make speeches to the effect that you just explained.

**[Christian Noyer]** Yes, absolutely, we had those debates in the Executive Board, without any real conclusion in fact, because in debates on monetary policy everyone remains very free in their position and arguments and may change their stance during discussions at the Council; even different Board members can have visions which are slightly different when debating at the Council and which evolve differently as the discussions progress. But everyone shared this tremendous conviction that price stability was the number one objective, without any possible discussion, and that it was at any rate the most important contribution that the Central Bank could make to growth and employment. Then there were nuances which may have been significant at times.

**[François Lafond]** How do you actually perceive his achievements? He had a rather large number of strings to his bow: he was a banker, senior official, politician and also an author, because he wrote a fair number of books. How is it possible to perform such a wide range of activities?

**[Christian Noyer]** That's quite a hard question to answer. Perhaps ... I think he had conviction and a vision, this vision of a Europe to be built. He was very marked by ... I was going to say the identity of history, the community of history, of European civilisation. He sometimes said to me, 'First of all I'm

a Mediterranean man. I was born on the shores of the Mediterranean, so I have a vision, an understanding, a natural familiarity with Mediterranean countries, but above all I'm a European. This civilisation, this common history that we share is the base of a common destiny which must enable us to continue to live in the world, to refrain from bending to civilisations from elsewhere which are foreign to our genius, to our culture, but which are really representative of our identity [*sic*]. His conviction of this led him deep down to accept and research all the challenges which would enable this concept to make headway in discussions and debate. This is why he was a writer and became involved in groups which promoted this idea. He wanted to be a man of action, and he achieved this superbly as a senior official, central banker and politician, as you said, and ultimately he was tirelessly guided by this vision and this conviction. And because he did it with great empathy, and had the ability to forge friendships which were very conducive to progress and bringing about results, he was extremely successful. One of my very strong memories was when, to help form this unity of views and these friendships among the members of the Executive Board, one day he suggested to our little group that we hold a seminar in a remote location far from the ECB. So he invited us to Tuscany, as it was his country, and it was actually the first of a series of trips. We repeated the initiative each year in a different country. This was one of the strongest moments of forming a really coherent, close-knit group who shared convictions, trying to converge towards a common vision of what the euro, the euro zone and the ECB's work should be, as well as what should constitute the Executive Board's action on a whole series of subjects.

**[François Lafond]** So in the end he saw very clearly that the European Central Bank was a federal institution par excellence and that it could possibly play the role of the Court of Justice in the 1950–60s ...

**[Christian Noyer]** Absolutely!

**[François Lafond]** ... that is to say a driving force for integration which is now running up against politics, in other words there is a sort of exposure, a confrontation with politics, but he considered that it was the right instrument at the time to continue the integration process.

**[Christian Noyer]** Yes. He was absolutely convinced of it. He also thought that strong, determined and visible action from the ECB — the ECB in opposition, the federal institution being the recognised driving force, respected by public opinion, by the financial markets — would also inevitably bring about governmental action and greater cohesion. I think he was a bit frustrated during the early years to see that the Eurogroup took a long time to really become a more collegial and more decision-making body. As you recalled, he was responsible for the ECB's international activities, and he would sometimes say, 'But I don't have a Minister for Foreign Affairs, yes, for the international affairs of the euro zone, and I miss that!' When you go to represent the euro zone on another continent, be it America or Asia, you don't have any political identity or incarnation of political identity. The Eurogroup members needed a push to get themselves organised. And that took a very long time because in reality among the Finance Ministers and the governments there were two visions which were both undoubtedly a little false: one was a sort of pipe dream, believing that the setting up of what certain French colleagues referred to as an 'economic government' would be designed to put pressure on the ECB. And yet the ECB is independent in its construction, so it was nothing but a pipe dream. And the other vision was a reaction saying that the Eurogroup is intergovernmental, its role isn't really to take joint decisions. We discuss matters, exchange points of view and try to converge, but it isn't a command body. And essentially, both of these visions were wrong, as the crisis has revealed. We tried to convince the ministers, but in the end the crisis has been more efficient than the

arguments to convince them to progress towards ... to decide on a more integrated organisation. It was undoubtedly one of his regrets. I think that it was without doubt also one of the motivations or challenges which managed to convince him to accept ministerial responsibilities.

**[François Lafond]** Lastly, President Delors also appointed him as head of the think tank Notre Europe, and I believe he carried out this role for five or six years. As such, he was in Paris quite regularly. Did you have a chance to see him when he was in Paris from time to time, outside of institutional relations between central banks? Because I know that he used to phone to see friends, to draw inspiration, continue to draw inspiration despite his knowledge. Did you happen to meet each other?

**[Christian Noyer]** Yes, I met him in Paris; he came to Paris very often. It's true that he had a lot of friends and contacts. He worked a lot for the Camdessus report that they actually called the 'Royal Palace Report' as they met and worked in an annexe to the Banque de France that I made available to them. So it was really nearby and I was able to meet up with him several times. He also agreed to participate in another group led by Michel Camdessus with the objective of considering the possibility of translating budgetary rules ('golden rules'!) into French law at the level of the constitution or just below. So a topic which has since undergone developments and taken on a European dimension, but there too it was as if ... I participated in it and he was a member. We had the chance to work together on that subject. So yes, in answer to your question, I saw him several times in Paris and I must say that we retained the same friendship, the same bond that we had created between us during our ECB years.

**[François Lafond]** What do you believe motivates such a man to undertake so many things? What was his driving force? Do you think it was down to ambition, curiosity, a combination of everything, of circumstances?

**[Christian Noyer]** I'm not sure it was down to ambition. I think it was a combination of many things. He was very active by nature and was always keen to discover. He was passionate about certain topics and was intent on convincing others. Even when it came to quite technical topics, in the end, once he had achieved a high degree of conviction as a result of his thoughts and work, he tried to involve us, to convince us deep down to motivate action and ambition. He was therefore very ambitious for Europe, very demanding of himself, he was passionate and wanted to make things change, progress. He had a very active nature and was very active in the realm of thought, very ambitious for Europe in general, for his continent, and very generous in his ability to give his time and effort simply to make things progress in the right direction.

**[François Lafond]** Thank you very much.

**[Christian Noyer]** Thank you to you, too.