# Transcription of the interview with Fabrizio Saccomanni (Rome, 19 April 2016)

**Caption:** Transcription of the interview with Fabrizio Saccomanni, Head of the Foreign Department at the Bank of Italy from 1984 to 1997 and Managing Director for International Affairs at the Bank of Italy from 1997 to 2003, Vice President of the European Bank for Reconstruction and Development (EBRD) from 2003 to 2006, a Member of the Governing Board and Senior Deputy Governor of the Bank of Italy from 2006 to 2013 and Italian Minister for Economic Affairs and Finance from 2013 to 2014, carried out by the Centre Virtuel de la Connaissance sur l'Europe (CVCE) on 19 April 2016 at the Bank of Italy in Rome. The interview was conducted by Elena Danescu, a Researcher at the CVCE, and particularly focuses on the following subjects: the role of the Bank of Italy in the development of Economic and Monetary Union, the Delors Committee and the Delors Report, the introduction of the euro in Italy and the euro zone crises.

**Source:** Interview de Fabrizio Saccomanni / FABRIZIO SACCOMANNI, Elena Danescu, prise de vue : Alexandre Germain, prise de son: Nicolas Donnerup. - Rome: CVCE [Prod.], 19.04.2016. CVCE, Sanem. - VIDEO (02:59:58, Couleur, Son original).



**URL:**
http://www.cvce.eu/obj/transcription_of_the_interview_with_fabrizio_saccomanni_rome_19_april_2016-en-80118941-a6eb-4dff-96fe-0a6703672530.html

**Last updated:** 07/01/2020

## Transcription of the interview with Fabrizio Saccomanni (Rome, 19 April 2016)

**Contents**



### 1. Youth and education

**[Elena Danescu]** In the framework of the research project 'Pierre Werner and Europe' and of the 'Oral history of European integration' programme, we are particularly honoured to be welcomed in Rome by Professor Fabrizio Saccomanni, former Italian Minister of Economy and Finance, former Deputy Governor of the Bank of Italy and an Italian key player of EMU. Fabrizio Saccomanni, good day.

**[Fabrizio Saccomanni]** Good day to you.

**[Elena Danescu]** We are very grateful to you and we would like to thank you for the interview you have agreed to grant us today, 19 March. Let's start, if you permit, with a focus on your youth and education. You were born in Rome and you grew up there. Could you tell us a little about your family background?

**[Fabrizio Saccomanni]** Well, my family background was … My father was a doctor and also my aunt was a doctor and I think everybody thought that I would also become a doctor — a medical doctor. But I was very much interested in political issues when I was young, and eventually I thought that I needed to study economics and to become acquainted with the economic issues of Italy at that time, and the prospects of European integration, and also the role of Italy in the international sphere. So eventually my family supported me and actually, although I was born in Rome, I went to study in Milan, at Bocconi University, which was the top university in economic issues at that time.

**[Elena Danescu]** In which way did you choose to study economics, and especially monetary economics?

**[Fabrizio Saccomanni]** Well, I was always fascinated with international monetary issues. I always thought that I wanted to understand the relationship between different countries and I think their relations are mostly reflected in the different currencies they use, and so I always thought that at some point I wanted to become an economist at the International Monetary Fund when I still was at university, something that eventually I managed to achieve after some time.

**[Elena Danescu]** Who were your mentors and how did they influence your intellectual development?

**[Fabrizio Saccomanni]** Well, I studied, as I said, economics at the Bocconi University in Milan, and I think Milan at that time was the most European city of Italy, even more connected with the European economies than Rome itself, and so I started to follow very closely, while at the university, the activity of the Bank of Italy. And the personalities that were very important at that time were the Governor of the Bank of Italy, Guido Carli, who was a very important personality, but also the Director-General of the Bank of Italy at that time, who was Mr Rinaldo Ossola, who was very much involved in international negotiations on the monetary side and in support of the activity of the IMF. These were really … Even before I joined the Bank of Italy, I was very much impressed by their role at an international level, and they were certainly what I could consider my mentors.

**[Elena Danescu]** Before entering your active professional life, you did also studies in the United States. How did your experience in the USA contribute to your development, and how was the European project perceived in American intellectual circles at that time? Do you remember?

**[Fabrizio Saccomanni]** Yes, well, I went to study at Princeton, at Princeton University under a scholarship that was provided by the Bank of Italy. I think the Bank of Italy was very liberal from this point of view because they valued the experience that the younger professionals could [receive] in studying abroad or working in international institutions. In Princeton I studied mostly international monetary policy, international economics, with important professors like Fritz Machlup and William Baumol. Princeton was an important institution, also from the international economics point of view. They sponsored a series of research papers devoted to international economics, the famous Princeton Essays in International Economics, in which the best economists, but also international officials, were contributing. And I must say, at that time, I think the European project was seen from the United States as a very important contribution to securing lasting peace in Europe — let's not forget that European wars had twice in the previous 50 years required the intervention of the United States in Europe to resolve internal conflicts among European countries. So I would say at that time, they thought that the European Union, the European Common Market as it was called at that time, was an important project — I would say more from a political point of view than from an economic point of view. But at the same time, after the strong contribution that the US have given with the Marshall Plan to the reconstruction of Europe and to the creation of a modern monetary and financial system in Europe through the role of the European Payments Union immediately after the war, they were very much involved in the further steps of the European construction. At that time they did not see yet the possible risk that Europe could become … to create a common currency that could become a competitor to the dollar. So it was mostly the activity of reconstructing Europe and its institutions, including the economic and financial institutions, and from that point of view they were very supportive of our efforts at that time.

## II. Economist at the Banca d'Italia (1967–1970), Economist at the International Monetary Fund and Assistant to the Executive Director for Italy, Spain, Greece and Portugal (1970–1975)

**[Elena Danescu]** You mentioned that you joined the Bank of Italy; it was in 1967. What led you to choose this career path?

**[Fabrizio Saccomanni]** Well, I believe that the Bank of Italy at that time was probably the only Italian public institution that had an important role to play, both in Italy and at the international level. As a student of economics, we already started to appreciate the work that the Bank of Italy was conducting, particularly in the research department. It was one of the most important central bank research departments in Europe, and well connected with our counterparties in the United States, the Federal Reserve, the Bank of England, but also institutions like the IMF, and in Europe, the Bank for International Settlements in Basel. I think both Governor Carli and his successor, Governor Paolo Baffi, were highly respected personalities, and they had very strong connections both with their fellow central bankers but also with international economists. The Bank of Italy was holding seminars and hosting people, important economists like Robert Triffin, Franco Modigliani, Albert Ando — all the best economists were at some point or another invited to the Bank of Italy, and that of course was very important for a young economist who wanted to be at the centre of the economic policy debate of that time.

**[Elena Danescu]** A few years later, after your entry to the Banca d'Italia, you became an economist at the International Monetary Fund and assistant to the Executive Director for Italy, Spain, Greece and Portugal, and it was between 1970 and 1975. Could you describe the circumstances in which you embarked on this new stage of your career?

**[Fabrizio Saccomanni]** Well again, it was an opportunity that was offered to me by the Bank of Italy, to be seconded to the International Monetary Fund after the year I spent at Princeton studying international economics and international monetary issues. I established some contacts with the Italian representative at the IMF and I was informed that the Fund would be willing to employ, on a temporary basis, a person from the staff of the Bank of Italy, so I took advantage of that opportunity — I worked for three years within the staff of the IMF, doing missions all over the world and learning the importance of international monetary and financial cooperation. And then for the last two years I was also a member of the staff of the Italian Executive Director, I was his technical assistant, and that also allowed me to see the activity of the Fund from the Executive Board, not from the staff as I'd done before but from the Executive Board. So it was a very interesting completion of my period there.

From a substantive point of view this was a very dramatic period, because in 1970, when I was already working there, in August there was the collapse of the Bretton Woods system, with a sharp devaluation of the US dollar, and I think it was at that time that I became aware of the implications of the disruption of the international monetary system for the European economies, because with the depreciation of the dollar there were tensions within European currencies. The Deutschmark would strengthen vis-à-vis currencies like the French franc and the Italian lira or the Benelux currencies and so forth. So it was at that time that we all saw with interest the early work that had been done in Europe, particularly in the Werner Group, to establish a monetary union in ten years. The problem was that with the collapse of the Bretton Woods system the project was *de facto* postponed because the immediate tensions that there was a sudden burst of inflation and depression worldwide, there was a repercussion for the oil price, and in 1974 there was the quadrupling of the oil prices by the OPEC countries. So there were a lot of tensions that really did not allow to make further progress in European cooperation — although there was the attempt to create the famous snake, to limit the oscillation of the European currencies.

**[Elena Danescu]** You mentioned 1970 and the Werner Report. The Italian member of the Werner Committee was Gaetano Stammati, Chairman of the Budgetary Policy Committee, and his deputy was Silvano [*sic*: Simone] Palumbo. Could you describe these two personalities?

**[Fabrizio Saccomanni]** Well, both of them … Actually, Professor Stammati was the Director-General of the Italian Treasury in addition to the role he played in the Budgetary Committee, so he was the top Treasury official at the time. And Silvano [*sic*: Simone] Palumbo was the member of the various international committees operating in Europe and also at the level of the so-called Group of Ten, which was the group of the ten most industrialised countries at that time. It was in a way a precursor of the G7 that would come later on. Both of them were very much collaborating with the Bank of Italy and asking this report of the Bank of Italy for their activity. And I think the key person in addition to Governor Carli was also Dr Rinaldo Ossola who was actually the Bank of Italy representative in the Group of Ten and actually became chairman of the deputies of the Group of Ten, which was the technical group that prepared a lot of the documents for the discussions, both at the level of the G10 but also in Europe. So I think the activity of the Italian delegation — the Treasury people, Professor Stammati, Dr Palumbo, and the Bank of Italy were very close. I was not personally involved at that time, because as I said I was already moving — I was at Princeton and then at the IMF — but I was aware that the relationship was very fruitful and very positive, and by that time there was complete unanimity and consensus of views between the Italian Government and the central bank on the need to create stronger forms of monetary cooperation in Europe, precisely to limit the impact of the oscillation of the dollar, because we had moved *de facto* to a system of generalised floating exchange rates at that time. We wanted to continue to float vis-à-vis the dollar but trying to keep the oscillation between European currencies more limited, because of the disruptive impact that this would have on the Common Market, on trade flows, particularly on the common agricultural policy, because we had decided to stabilise the prices of agricultural products in Europe, and the oscillation of currencies created a lot of difficulties from that point of view.

**[Elena Danescu]** During the years you exercised at the IMF, what were the most pressing issues for Italy?

**[Fabrizio Saccomanni]** Well, the most pressing issues were two: first of all, we participated very actively in the work of the IMF to reform the international monetary system, because with the collapse of the Bretton Woods there was a long period of negotiations that lasted until 1975–76, and at that time we were involved in the Board of the IMF. The negotiations took place in the Board of the IMF, and I, as assistant of the Italian Executive Director, was very much involved in the preparation of the discussion papers at the Board, which eventually were included in a formal report that the IMF produced on the reform of the international monetary system.

The second issue was that Italy was at that time having a severe balance-of-payments problem because of the increase of the oil price, and Italy was a very important importer of oil, and so there was a very sharp increase in the balance-of-payments deficit. At that time, I think Italy requested financial assistance from the IMF, and so we negotiated what technically was called a standby arrangement in 1974, and then in the following years we also borrowed from the so-called oil facility that the IMF had set up to assist the member countries that were suffering from an increase in the balance-of-payments deficit. So the bilateral negotiations with the IMF staff on the one side and the Italian Treasury and the Bank of Italy were basically conducted in Washington, and the office of the Italian Executive Director, where I was working, was sort of the place where all these meetings took place, and although very young, I was privileged to participate in these discussions that eventually were conducted also at the highest level: the Minister of the Treasury and the Governor of the Bank of Italy. So the two things — reforming the international monetary system and negotiating financial assistance for Italy — were certainly the two top issues at the Fund for me at that time.

**[Elena Danescu]** You mentioned the collapse of the Bretton Woods system, also the difficulties of the snake and the snake in the tunnel. What were the consequences on Italy of these events?

**[Fabrizio Saccomanni]** Well, the consequences were that it was clear that with the dollar shock and the oil shock, Italy was very much affected by the implications of these external shocks. From an internal point of view, Italy was still suffering from the internal economic difficulties that had originated with the social and political turmoil of 1968. There was a strong push by the workers' union to demand very large increases in wages because of the high inflation and so forth, so there was a problem also managing an inflationary spiral, which had been perpetuated through a very strong indexation system that we had at that time, that was eventually abolished later, which propagated the inflationary impulses. So it was difficult in this kind of situation — economic, social, political — for Italy to stabilise the exchange rate. So we started … Of course the Bank of Italy intervened in the exchange market to stabilise the currency, but with the balance of payments being in deficit it was very difficult for Italy to remain within the snake. In fact, both the Italian lira, the French franc, other currencies, joined and then left the snake, which on the whole was considered to be not a very effective way of ensuring foreign exchange stability in Europe, because it didn't have any formal institutional background. It was just some sort of an informal agreement among central banks. But of course the lessons of the snake then eventually led to the creation of the European Monetary System, which was a much more structured arrangement.

**[Elena Danescu]** At the EMF [*sic*: IMF] you worked with two Managing Directors: Pierre-Paul Schweitzer from France and Johannes Witteveen from the Netherlands, the former Dutch Finance Minister. Could you describe their personalities and working methods?

**[Fabrizio Saccomanni]** Well, as I said I was a young economist and at that time I did not work personally with them, but of course … I would say that particularly Pierre-Paul Schweitzer was a very strong personality and a strong believer in international cooperation, and I think he certainly played a very important role in establishing the role of the IMF, in the years he was Managing Director, as the key institution of the international monetary system. I think he was, in a way, from a political point of view he was a champion of the European position, and at some point, I think when his term was up there was a consensus that he should step down. I think he was still perfectly healthy and capable of continuing his role, but at that time the consensus of the United States was not in favour of his reappointment, and so eventually … I remember the staff of the IMF with whom I was working at that time were very much shocked by the fact that Pierre-Paul Schweitzer was basically asked to leave the Fund.

Johannes Witteveen was a completely different personality. I think he was certainly a person that … coming from the Netherlands he was much more, I would say, committed to financial stability, internally, in each individual country, and international cooperation was less important than internal stabilisation. But I think eventually he also played an important role in setting up the oil facilities at the IMF, which were very important to smooth the impact of the oil crisis. So I think eventually … The role of Managing Director of the IMF also shapes the way in which people operate and react, and so I think eventually he became much more convinced of the need for strong international cooperation than perhaps he was at the beginning of his appointment at the Fund.

## III. Banca d'Italia: Assigned to the Research Department, Head of the Office for International Monetary and Financial Issues (1975–1984) and Head of the Foreign Department (1984–1997)

**[Elena Danescu]** After your IMF experience, you came back to Italy as Head of the Office of International Monetary and Financial Issues and then Head of the Foreign Department of the Bank of Italy. The first appointment was between 1975 and 1984, the second one between 1984 and 1997. Could you describe the circumstances in which you embarked on each of these new stages in your career?

**[Fabrizio Saccomanni]** Well, I think it was a follow-up of my experience at the IMF. The Bank of Italy appointed me head of this office which kept relationship with the most important international institutions — particularly the IMF but also the European institutions — and also I was starting to participate in the activity of the Bank for International Settlements, I was part of some of their technical groups. Also based on my experience with the IMF, I became very much involved in these technical groups on monetary policy and exchange rate policy cooperation. Throughout this period, as I progressed, I became then the Head of the Foreign Department, so responsible in fact for the conduct of the exchange rate policy of Italy, the management of the official reserves. But I was at the same time involved in the so-called Gold and Foreign Exchange Committee at the BIS, I actually at some point became chairman of this group, which involved the central banks of the so-called Group of Ten. So I established excellent working relationships with the Head of the Foreign Department of the Bundesbank, the Banque de France, but also the Federal Reserve, the Bank of Sweden, the Swiss National Bank and so forth. So it was a very congenial group, and also I started to participate in the foreign exchange policy committee. At that time it was chaired by a Dutch [*sic*: Danish] economist from the Central Bank of Denmark, Henning Dalgaard, and then eventually I became myself chairman of the foreign exchange policy committee.

During that period, basically the key issue was the creation of the European Monetary System. As I said, learning from the not very positive experience of the snake, eventually there was this strong initiative from Germany and France, from Helmut Schmidt and Valéry Giscard d'Estaing — the two finance ministers at that time — to create the European Monetary System, which was a much more structured, formal agreement involving commitments by the central bank, involving mutual assistance in the conduct of intervention policies in the European Monetary System. During that period the Bank of Italy was very much involved in discussing the implementation of the European Monetary System, because the initial project that had been prepared involved the commitment by each central bank to keep the exchange rate of their currency within narrow margins of +/- 2.25 % from the so-called central rate or the central parity that had been established in the context of the EMS. At that time there was a very big differential in the inflation rate between Italy and Germany, which was the anchor currency, the anchor country of the EMS. When Italy joined the European Monetary System, the rate of inflation in Italy was above 20 %; in Germany at that time it was 5 %. So this inflation rate differential in fully integrated financial markets then would be reflected in the forward rate of the Italian currency which was very much depreciated vis-à-vis the Deutschmark. So that would create tensions within the EMS. And so I think the Bank of Italy made a proposal that we should perhaps join the EMS as a sort of an anchor of expectations for policies of disinflation that the Bank of Italy was committed to undertake at that time — but with a wider margin. We calculated that a +/- 6 % margin would be sufficient to keep the forward exchange rate of the lira within the margins without creating expectation that there would be a devaluation of the lira, or a realignment, as it was called at that time, of the exchange rates of the EMS. Eventually this proposal was accepted, and I think it was felt at that time, both by Germany and France, that it would be important to have Italy join the EMS even with a wider band. Eventually the decision was to adopt a dual band for the oscillation of currencies — which eventually was adopted by other countries, when they gradually joined the EMS. And I think the experience of the EMS, although there were periodic realignments of the parities, proved successful, because, as I said, when we joined, the rate of inflation in Italy was above 20 %, and then it was gradually brought down very close to the average of the rate of inflation in other European countries by the time we negotiated the Maastricht Treaty.

**[Elena Danescu]** At that time, what was the Italian view, and more precisely the Bank of Italy's view, on EMU?

**[Fabrizio Saccomanni]** Well, I think, as I said, we thought that the EMS was an important step towards EMU, and we were very much convinced that the monetary and exchange rate policy aspect was one chapter of a broader project that would need to be implemented gradually. So I must say that, from the very beginning, we didn't see the EMS as the final step in the process of European monetary unification. I think the ideas of the Werner Report were very much in the back of our mind, that over time … and this was not only the position of Italy or the Bank of Italy; I think it was certainly the idea that a lot of other people in Europe were having, both in national countries, national governments, and within the European Commission, particularly when Delors became President of the European Commission.

**[Elena Danescu]** Did the central bank adapt its instruments and its management of the Italian currency in line with European and international developments?

**[Fabrizio Saccomanni]** Well yes, of course. As I said, the Bank of Italy was always fully involved in the activity of these international groupings for monetary policy and exchange rate cooperation, both at a European level and on a more global scale. Certainly one key element was the gradual removal of exchange restrictions and capital controls, which had been introduced in the 1970s in connection with the oil crisis and the balance-of-payments problem we had at that time. But also I think there was a continuous adaptation of the instruments and procedures for the conduct of monetary policy at the domestic level. So the Bank of Italy, during this period, eventually created a sort of more formal money market, and we started operating with open market operations in the government bond market. We created a short-term market for Treasury bonds, like in the United States or Germany. And the conduct of monetary policy was increasingly done in this way, with these instruments, rather than just simply setting the level of official interest rates in an administrative way. So we managed more actively monetary policy in order to keep the evolution of the money market in line with the objectives of monetary policy.

**[Elena Danescu]** Were there any analyses or reports on the efforts and strategies associated with the introduction of a common European monetary policy with respect to the dollar?

**[Fabrizio Saccomanni]** Well of course, we were always very aware of the importance of the relationship between European currencies and the other main non-European currencies, particularly the dollar but also the yen, and other emerging economies' currencies. But as I said, in this period, we were very much involved in creating the institutions for internal monetary and exchange rate policy cooperation within Europe, so I think an important role was played in this period, first of all by the Committee of Governors of the European Central Banks, which had not been envisaged in the European Union from the very beginning, but then it was set up and became increasingly important. Eventually the governors of the central banks became members of the Delors Group, when we started talking about EMU. So I think it was in this area that we discussed the problem of the relationship with the dollar. But I think also, in parallel at that time, there was increasing cooperation among the G7 Group, which was set up in 1976 and continued to be an important forum for discussing the relationship between the European currencies and the dollar, the yen and the Swiss franc and other currencies. So it was in that context that Europe and the United States continued their dialogue for monetary policy cooperation.

**[Elena Danescu]** At that time, what were the most sensitive issues and those that caused the most tension regarding all the discussions, debates, think tanks in which you were involved?

**[Fabrizio Saccomanni]** Well, I think if the period is the period before the creation of EMU, I think one of the key issues was again the relationship between the dollar and the European currencies. This was the period in which, in 1985, there was the so-called Plaza Agreement, which involved initially the G5 countries but also involved the central banks of other European countries, including the Bank of Italy in an important role. So at that time, the dollar was very much appreciating after the crisis of the 1970s, and the strong appreciation of the dollar of course created a risk of inflation in Europe, because the European currencies were all depreciating, including the Deutschmark. So eventually there was a strong commitment by the European countries and the European central banks to intervene jointly and to coordinate their monetary and fiscal policies in order to stop this exceptional appreciation of the dollar. That was complicated because the United States initially took a rather different approach: they thought that the strength of the dollar reflected the strength of the US economy and there was no need to stop this. But eventually they agreed, and I think the Plaza Agreement eventually was responsible for creating the conditions for a decline of the dollar. And eventually it required, a couple of years later, in 1987, the so-called Louvre Agreement to stop the depreciation of the dollar. So these two agreements in 1985 and 1987 were basically a first important effort at international coordination in order to limit the oscillation of exchange rates, and eventually this was successful also in orienting the expectations of market participants that the main countries in the world were not willing to accept these wide oscillations that financial markets were likely to produce, because we were already moving towards a globalisation of financial markets, so there were strong capital movements in and out of different countries. So I think this was an important effort at monetary policy cooperation that was conducted in parallel as we were moving towards greater integration in the monetary area in Europe.

**[Elena Danescu]** A last question, if you permit, at this stage: within the Banca d'Italia and on the Italian political and public stage at that time, what was the balance of power between pro-Europeans and Eurosceptics?

**[Fabrizio Saccomanni]** Well, I think Eurosceptic is a word that did not exist at that time! It became more popular many years later. At that time, I think there was even a referendum in Italy in which people were asked whether they were willing to surrender additional areas of national sovereignty to international institutions, and I think the support for this popular referendum was 83 % in favour. In fact, this is an important principle that was already existing in our constitution. Because the Republican constitution agreed in 1948 explicitly indicated that Italy would be willing to surrender sovereignty in favour of international institutions for the promotion of peace and prosperity at the international level. So I think the debate at that time was not at all divided. I think those who were hesitant at that time were not because they were against the European objectives but because they felt that Italy needed to adjust perhaps more radically than other countries in order to keep pace with countries like Germany and France — I think that was the issue. But it was not pro or against Europe; it was whether Italy needed more time to adjust its economy to move into a stronger process of integration.

## IV. The Delors Committee and the Delors Report

**[Elena Danescu]** In the same period as you were Head of the Foreign Department, a key point of European issues was the Delors Committee and the Delors Report. Could you outline your role, your area of interest and your main achievements in this context?

**[Fabrizio Saccomanni]** Well, the participation in the Delors Committee was a collective effort. The Governor of the Bank of Italy, Carlo Ciampi, was the member of the Delors Committee, and also Tommaso Padoa-Schioppa, who had been Director-General of the European Commission but then had come back to the Bank of Italy as our chief economist at that time, was also working in the group as rapporteur, together with Dr Gunter Baer of the BIS. And I think I was one of the persons that was working very closely with the Governor and Padoa-Schioppa in the preparation of our contribution to the work. What I was particularly involved [in] at that time was the preparation of a paper that was submitted by Governor Ciampi on the conduct of a monetary policy in Europe based on the ECU, the European Currency Unit. This paper was, frankly, it was discussed within the bank by a lot of people but it was mostly drafted by Francesco Papadia and myself, and of course was approved by Padoa-Schioppa and the Governor. But I think it played an important role at that time, because I must say that there was still some confusion within the Delors Group, the Delors Committee, on what exactly monetary union would imply. If you read the collection of papers presented by the governors, you see that, I don't know, the Banque de France was in favour of creating a European Monetary Fund and not a European Central Bank. The United Kingdom, the Bank of England, was in favour of creating the ECU as a parallel currency, so continuing alongside with national currencies. At the Bundesbank, the President, Karl Otto Pöhl, he wanted to have an independent central bank. So there were different views. With our paper, we tried to show that indeed it would be possible to have a single monetary policy conducted by a single institution using the ECU as a single currency. So I think that was an important contribution.

But then of course the bank was also involved at the domestic level, because the committee did not involve any government representatives, so we needed to brief the government on what we were doing, and I think that was also a very important task. And eventually that played a very crucial role when Italy had the chairmanship of the European Council in the second half of 1990, because the Delors Report was submitted and there was support at the political level, but there were still a lot of issues, to describe how you would move from stage one of the monetary union to stage two and stage three. The experience of the Werner Report was that if you didn't have a strong commitment of moving from the initial stage to the following ones, then the process might really not go anywhere. I think the role that the Italian Government and the Bank of Italy played in the Rome European Council in October–November 1990 was crucial in reaching the agreement with Germany, France, Italy, but also in deflecting the oppositions of the United Kingdom and accepting the fact that they would not participate, basically, in the monetary union. So that was a difficult diplomatic exercise that was conducted at all levels, involving the Prime Minister, the Foreign Minister, and … But it was good that at that time the Treasury Minister was Guido Carli, who had been Governor of the Bank of Italy. So he was now in a different political position but bringing forward the project that he had always supported from the years at the bank.

**[Elena Danescu]** In your view the composition of the Delors Committee — central bankers and independent experts, rather than politicians and finance ministers of the Werner Committee — was decisive in the development of monetary union?

**[Fabrizio Saccomanni]** Well, I think I can give a short reply: yes, it was crucial. At the same time, I think it possibly created a little bit of a misunderstanding, because a lot of commentators started at that time by considering that EMU was a technocratic project that was not adequately supported at the political level. But of course the history shows that this was not true. The Delors Committee prepared the report, it was then fully endorsed at the political level by the European Council, and eventually a treaty was drafted, and the treaty was approved by national parliaments, and in some cases there were national referenda, popular referenda. So I think the idea that there was some sort of a democratic deficit within the European construction because it had been drafted by a committee of central bank governors and technical experts was, I would say, not true. Basically, it was necessary to have a strong project from a technical point of view, but that of course also required a political endorsement. And in fact I remember that when we were discussing at that time with Governor Ciampi and Padoa-Schioppa, we said that what was missing on the political union project was that there was no Delors Committee or the equivalent of a Delors Committee that had done the preparations. So when the idea was launched to move in parallel with Economic and Monetary Union and political union — that was certainly between 1990 and 1992 — eventually it was clear that the project of political union had not been fully prepared, or better prepared, from a technical point of view. What would it mean, what kind of institutional changes would be required, what kind of steps had to be taken? It was just some sort of a very vague … Although of course it had important implications that would appear later on as rather crucial. So I think the answer, as I said: yes, the Delors Committee played a crucial role.

**[Elena Danescu]** You mentioned a few Italian key figures — Governor Ciampi, Tommaso Padoa-Schioppa — but you worked also very closely with Alexandre Lamfalussy, who was the first President of the European Monetary Institute. Could you describe your involvement in this institute and also the personality of Alexandre Lamfalussy?

**[Fabrizio Saccomanni]** Yes. Well, I think the creation of the European Monetary Institute was a crucial step, and it actually had been decided at the Rome European Council that a new institution would be created to prepare for monetary union. So that meant that we moved from Basel, because the Committee of Governors of Central Banks was actually hosted by the BIS in Basel, and we set up a new home in Frankfurt, the European Monetary Institute, and Alexandre Lamfalussy was chosen as the first President of the European Monetary Institute. And I think he was indeed a very important character in the process, because he was a first-class economist but he had been a commercial banker and had played an important role in the BIS — as it was called, the 'central bank of the central banks'. So he had first-class knowledge of monetary, exchange-rate policy, also broadly speaking of fiscal policies and so forth. So he was also the chairman of the institute, and the institute was also incorporating the network of technical committees that were operating already in Basel, particularly the monetary policy committee, the foreign exchange policy committee, and also other technical committees on the payments systems and so forth.

At that time I was chairman of the foreign exchange policy committee, and so I continued to chair the … And Jean-Jacques Rey from Belgium, he was the chairman of the monetary policy committee, and so we continued to work closely together on these various … But I was also one of the members of the committee of deputies of the European Monetary Institute, together with Carlo Santini, who was managing director of the bank for economic … chief economist of the bank. The two of us, together with two other representatives of all the other central banks, were basically operating in this group of deputies to elaborate the concrete procedures for the conduct of monetary policy and exchange rate policy and all the basic operational aspects of the future central bank. So this was discussed within the deputies, and then we would report to the governors, who would be the top level of the European Monetary Institute. I think Lamfalussy was both chairing the Committee of Governors but he was also, together with the Director-General, Robert Raymond, very much following the activities of the deputies and the technical groups; the technical groups would report to the governors on a monthly basis, so Jean-Jacques Rey would report on monetary policy, I would report on foreign exchange markets, and so forth. So it was a very well-integrated aspect.

Then the other task that we were eventually asked to perform was the preparation of the so-called convergence reports, which were the documents needed for the move to the third stage of monetary union, with the identification of the countries that would meet the criteria for integration.

**[Elena Danescu]** The Delors Report, then the Maastricht Treaty, provided for the independence of the ECB and set the priority of maintaining price stability. These two points have often been called into question and continue to be disputed today. What is your view of the criticism and in general of the status and role of the ECB?

**[Fabrizio Saccomanni]** Well, the mandate of the ECB was negotiated and I think it was agreed by all participating countries, and it's true that the top priority is the maintenance of price stability. But the Treaty of Maastricht says that, consistent with this priority, then the European Central Bank can also support the general policies of the European Union, as outlined in the treaty itself. So I think that the idea that the European Central Bank was not sufficiently allowed to support economic activity and full employment in Europe is a little bit of an exaggeration. But one has to consider the historical conditions: when the European monetary union was created we were living in a period of relatively high inflation. Even in Germany, with the unification, the rate of inflation was above 5 % — which is well above what one would consider as the definition of price stability.

Also the question of the independence of the central bank was really not in doubt. In fact, one of the convergence criteria that had to be met in order to join the monetary union was to make sure that the national legislation concerning the national central banks had already been moving in the direction of granting full independence. But this has been done, for example in Italy, already in the early 1980s. The Bank of Italy was not obliged to extend a credit line to the Treasury or to buy government bonds at the auctions when they were not subscribed by market participants. So I would say that the idea that the European Central Bank should be independent was never really objected at the beginning.

Then, of course, when we moved towards monetary union, particularly in the more recent years, when there was a risk of stagnation because of the global crisis — but we may discuss it perhaps later on — then there was an issue of whether the European Central Bank was doing enough or not. But again, eventually the European Central Bank, in fact, while remaining within the mandate of the treaty, was able to perform quite a lot. The problem is that the definition of price stability needs to be symmetrical. You cannot consider that if you have the rate of inflation above two percent then you have to do certain things but if the rate of inflation is zero or minus one percent you don't have to do anything because that is still consistent with price stability. No, price stability is a rate of inflation below but close to two percent, so if you are above two percent the central bank has to intervene; if you are well below two percent, the central bank has to intervene. And from this point of view I would say that the treaty provisions are not really an obstacle to the performance of the role of the central bank. So I think that was, I would say, a strong consensus. All central banks were more or less to price stability even before monetary union. Then of course you have to take into account different economic, social contexts, the role of the unions, the role of wage indexation systems, the role of fiscal policy. I mean, of course adjustments needed to be made in order to have … But I think in terms of the record of the fight against inflation, the European Central Bank has been quite successful even from the very beginning, in the sense that the expectations of markets have been effectively anchored to this idea of price stability, and I think that that has been a great achievement, considering what were the conditions at the start of the project.

## V. The introduction of the euro in Italy

**[Elena Danescu]** Later on, you became Managing Director for International Affairs of the Bank of Italy, between 1997 and 2003, and in the same period you became a member of the committee set up by the Italian Government to manage the changeover to the single currency, between 1998 and 2002, and in this capacity also chairman of the finance subcommittee between 2000 and 2002. In this role you were particularly involved in the drafting of the government's economic policy strategy for the implementation and sustainable achievement of the euro convergence criteria — the Maastricht criteria. In practical terms, how did the introduction of the euro take place in Italy?

**[Fabrizio Saccomanni]** Well, it was obviously a very important, very radical institutional change, so the preparation was a complex process that started well before the introduction of the single currency. The committee for the introduction of the euro was a committee that was chaired by the Treasury Minister, but of course the Bank of Italy played an important role, and I was the chairman of the finance committee, which involved basically the representatives of all the main actors of the financial system, so the association of commercial banks, the stock market, the insurance companies, and the payment system and so forth. So all the actors that needed to be involved in this process were actually present in this committee, and what we did, basically, was initially to inform what the project was all about, because again the degree of concrete information down to the level of the single small bank was not quite so widespread. So that was an important part. And then we started to establish concrete milestones for the introduction of the single currency. As it is well known, the initial introduction of the euro was mostly done for the financial system. There was no actual change in the banknotes. The introduction of the euro in the financial system of course was very much important in terms of banking transactions and foreign exchange policy, monetary policy and so forth, so it was already an important … So there was a strong effort to coordinate also the broad communication to the real economy — to households, enterprises — so we needed to involve representatives of the private sector companies, the consumer associations and retail people and shopkeepers and so forth. And the discussion there was mostly on how to explain the transition from one currency denomination to another and what would be the exchange rate, and it was a complicated issue because, as it is well known, the exchange rate between any national currency and the euro was not a simple number. It was a lot of numbers with digital units and so forth. So obviously there was a need to clarify to consumers what would be the new price denominated in euros and compare it with the old price denominated in national currencies — the Deutschmark, the lira, the French franc, the guilder and so forth — which was not a simple thing. Also because, until the moment of the actual introduction of the euro, we didn’t know what would be the exact exchange rate, the conversion rate of the national currencies, because this was actually to be determined on the basis of market exchange rates precisely on the day of the introduction of the new currency. So it was a complicated process also from our institutions, the central banks, to create the network of communication in order to determine at the end of December 1998 what would be the exchange rate of the euro as of the following day. But in the end, the process I think went well. There were a lot of technical problems that had to be resolved but eventually the cooperation of all participants was very good, from the banks to the post office, the various institutions. So I think the process was very smooth, and also the following step, with the introduction of the currency, of the banknotes denominated in euros. I think that had involved of course the central banks that were actually printing the banknotes. The Bank of Italy is one of those where we have a very large printing office and so there was a need to agree on the production process in order that we would get exactly the same banknote whether it was produced in Rome or in Berlin or in Frankfurt or Paris or so forth, for the same denomination, that it would not have different colours or different shades or different shapes. So it was a huge effort to create both the banknotes and the coins, and so it was a huge process, but as I said, at that time there was a lot of enthusiasm for this process, and everything went rather smoothly. I think a lot of people waited until midnight to go to a cash dispenser to get the new euro and they all found that they were adequately stocked with the new currency. People tend to take sometimes for granted all the things, but the amount of technical issues that you have to address in order to change the currency, withdrawing the old currencies and replacing them with the new ones, it’s really a monumental task, but basically it was conducted very efficiently and without any problem.

In retrospect I think we all felt at the time that we needed to create familiarity by the people, by the actual consumers, with the new currency, and to forget about the old currencies. Although I think the government produced a little machine to convert with a fixed … the exchange rate was fixed so that you just had to put in the new price to obtain what was the old price in lire and so forth. The idea was that 'This is a new currency, you have to adjust to that, you have to start thinking in euros rather than trying to make always mentally the calculation, how much this was.' So basically the objective was accomplished. We were informed, for example, that in France, when they moved from the old franc to the new franc, which was the equivalent of 100 old francs, that people started continuing making for years the *vieux franc* [to] the new, and that was something that was not recommended. At the same time, I think this eventually created, at least initially, some, perhaps, excessive increase in prices denominated in euro, particularly for certain goods that were frequently purchased. This is a technical point and needs to be stressed. If you buy a cup of coffee every morning you follow very closely whether this has been an excessive increase in the price as denominated in euro or in the legacy currency. But of course you don't monitor in the same way the price of a car or the price of a computer or the price of a … And people also tend to recall things that were not really true. We made also an analysis in Italy asking people how much was the cost for example of a movie ticket before, and a lot of people gave figures that were not correct; they gave figures that were very low in order to show the movement to the euro, that the price had increased a lot. But it's true that certain prices went up initially and that the conversion was done with a rounding up upwards that was a bit inflationary. But then this trend was absorbed, and the evidence is that consumer prices eventually moved very much in line throughout Europe. Just to give you an example of the problems that we had to be confronted with. In retrospect, perhaps it would have been better to oblige shops and so on to present the list of the dual prices in the old currency and the new currency for a longer period of time. But that would have had the disadvantage of not allowing people to adjust to the new currency. And in the case of Italy particularly, we had a currency denomination with a lot of zeros, because we were talking in millions and billions and things, so the idea of moving to a currency that all of a sudden you would not give a tip of a thousand lire but one euro, I think it was an important improvement.

**[Elena Danescu]** That's also a psychological effect.

**[Fabrizio Saccomanni]** That's right, that's right.

**[Elena Danescu]** So in this period, what were the most important tensions and difficulties you were confronted with?

**[Fabrizio Saccomanni]** Well, in that period we were confronted with, I would say, the initial period of the euro was … The euro after an initial start at a relatively high level vis-à-vis the dollar, then it started to depreciate quite considerably. We started … The exchange rate of the euro vis-à-vis the dollar on the first day was 1:1.18, and then throughout the first year, and until 2000, for reasons mostly of probably a speculative nature, the euro depreciated down to 83 cents — 82, 83 cents to the dollar. But then there was a sort of combined foreign exchange market intervention, conducted by the G7, basically on behalf of Europe it was the European Central Bank that intervened in the foreign exchange market to support the euro. And that had a very important psychological impact also on market expectations, because at that time, people … foreign exchange dealers with whom I had a long acquaintance because of my previous charges in Europe, they were convinced that the European Central Bank would not be allowed to intervene in the foreign exchange market, because in fact in the statute of the

European Central Bank there is no indication that the European Central Bank would target the exchange rate as an instrument, as an objective on monetary policy. It was only a reference to price stability. But obviously if your currency depreciates, that has an impact on price stability as well — it's economics 101, as they say! So I think it was a misunderstanding. But it was very important at that stage, when the European Central Bank intervened to support the euro by selling dollars in the foreign exchange market, and it was also important that this was done with the agreement of the United States, and that also the United States intervened by buying euros and selling dollars. Again, foreign exchange dealers thought that this was impossible to achieve — why the United States would support the euro, which is a competitor, and sell dollars, and so forth. But the idea was that these trends, of a strongly depreciating euro, were destabilising for the monetary system of the world, and I think both the United States and also Japan and Canada, they were all agreed that this would need to be stabilised. What happened was that, as everybody knows, the euro has never reached those low levels again, and actually it went up even to a top rate of 1.55 to the dollar. And now I think it has depreciated somewhat, but still above the parity with the dollar, and I think it was important that, again, central bank cooperation at that time felt that, particularly as markets were becoming more global and more influenced by, perhaps, the uniform reactions of all the market participants, there should be sometimes a clear indication by the central banks of what are the limits of this market oscillation.

**VI. The euro zone crises**

**[Elena Danescu]** In 2006, you were appointed Senior Deputy Governor of the Bank of Italy. What were the main issues that you dealt with in this role, and how did you go about developing them?

**[Fabrizio Saccomanni]** The Senior Deputy Governor is actually sort of the first collaborator of the Governor. I was asked by Mario Draghi to become Director-General, which is the title in Italian, of the Bank of Italy, and I was his deputy also in the Governing Council of the European Central Bank, and I was a member of the Board of the Bank for International Settlements, so I think those were the main functions. I also had a lot of internal responsibility, because the Director-General of the Bank of Italy is in charge of administration of the bank, which was at that time an institution with 9 000 employees, with 100 branches throughout Italy, with foreign offices in the main capitals and so forth. So it was a rather complex task, and of course I had been, for all my life, in the Bank of Italy, so I knew very well … I also had, before becoming Deputy Governor I spent a few years at the EBRD as Vice-President — the European Bank for Reconstruction and Development — so I'd acquired certain management skills there as Vice-President for Risk Management of the EBRD. So I think it was a very demanding task. From an internal point of view, obviously the main task was to basically downsize a little bit the bank, because with the creation of the monetary union, with the role of the ECB, and of course we were still obviously very much involved in the activities of the ECB; the ECB is a federal institution, so I think the Bank of Italy was present not only at the level of the Governor but also in various technical groups covering all issues from monetary policy, from payment systems, banknotes and so forth, so you can imagine there is a slate of technical groups. But obviously from a domestic point of view we needed to close a lot of our branches that were no longer needed in terms of the actual functions that they were performing, because technological innovation had really progressed very much within the bank, so the bank had *de facto* become much more centralised in its management operation than it used to be in the past, so I was involved in the closing of a lot of branches, and we also absorbed the Italian exchange office, which was an institution created to manage exchange controls, so that was no longer relevant. So again we streamlined the system.

Then of course, I became Senior Deputy Governor in 2006, and in 2007 the global crisis started. So we were also immediately involved, Governor Draghi and myself, in the management of the implications of the global crisis, which of course initially appeared to be something originated in the United States, as it was, which probably would have implications more for global financial institutions operating basically in London, and to an extent perhaps in Frankfurt or Paris but not so much in Italy, because also the banking supervision of the Bank of Italy had been quite effective in limiting the risks that the banks could take with these sort of innovative toxic instruments, like the subprime mortgages and these kind of things. But of course, as it is well known, the collapse of certain important financial institutions in the United States, particularly Lehman Brothers, had stronger repercussions worldwide. Also there was the risk of a recession, like in the 1930s, the collapse of Wall Street also at that time had global repercussions, so I think we were very much involved in steering the monetary policy of the ECB towards initially fighting also the risk of a contraction of economic activity — in fact in 2009 there was a sharp contraction — while trying to preserve financial stability in Europe. In fact the crisis eventually moved into the banking systems in Europe, we had problems with banks in many of the major countries, in the United Kingdom, in Germany, in France, in Belgium and so forth. Not so much in Italy at that time, because … But of course then the Italian banks suffered very much because of the contraction of economic activity and the recession, so then shifting the burden on also economic policies and fiscal policies and structural reforms, so this was a big development. The crisis over time evolved from a crisis that affected the banks, then became a crisis that affected the sovereign debt market, and Italy, along with other countries that had a high public debt, suffered very much. Then certain actions were taken; I don't know whether you want to go into detail on that, but eventually the crisis turned out to be a crisis of dealing with the risk of deflation, and the point I made earlier about applying the criteria of price stability in a symmetrical way, and being active in the fight against deflation as much as in the fight against inflation. So this was the top priority that we had to deal with.

Also operating within the so-called G20. So at that time — the G20 was in existence since the early 1990s and was indeed called to play an important role to deal with this global crisis, particularly in 2009, and also one of the decisions that was taken was to set up the Financial Stability Forum, that later became the Financial Stability Board, and Mr Draghi, the Governor of the Bank of Italy, was selected to be Chairman of also the Financial Stability Board, so the Bank of Italy had to support him in this very important task of reforming the regulatory system, and of course, one part of that was the so-called Basel Agreement regarding the capital requirements for the banking system. So we were very much involved, both in Europe and in Basel but also in the context of the G20, in trying to sort of back-stop the crisis in its various aspects — financial, regulatory, and all that.

**[Elena Danescu]** Could signs of the future euro zone crisis have been detected at that time?

**[Fabrizio Saccomanni]** Well, as I said, the crisis was in a way a changing monster. Initially we thought that the key issue was mostly regarding the regulatory aspect, that the banks needed to have more capital and that they needed to have more liquidity in order to cope with this financial crisis. I think at that time we certainly underestimated the risk that the crisis would morph into a sovereign-debt crisis particularly affecting Europe. Of course the trigger factor there was the Greek revelation that basically they had not complied, perhaps from the very beginning, with the Maastricht criteria. No one really knows exactly what the numbers were at that time. So that eventually acted as what people in the financial markets say is a ‘wake-up call’. Everybody, all of a sudden, all the market participants became aware that there was a sovereign risk that had not been taken into account before. If you look at any chart of the spreads in the sovereign bond market between Germany and Greece, Italy, Spain, Portugal, Ireland as well, before the crisis, let’s say between 2000 and 2007, they were almost one line that was close to zero. Which meant that market participants basically assumed that the monetary union was also a fiscal union, and that the credit risk of buying bonds denominated in euro issued by Italy or Greece or France or Germany would be the same. After the Greek revelation, people became aware that sovereign risk would be different according to the country. So they started pricing the bonds in the market in very different ways, which accounted for the widening of the spreads in the bond market — but not only the bond market, because the widening of the spreads in the bond market was then reflected in the widening of the spreads in the banking sector and in the activity of lending to the real economy and so forth. So I think you had a phenomenon of financial fragmentation that was really not envisaged at that time. We concentrated on having one interest rate in the money market in Europe, and we managed to do that even during the crisis, but then if you move from the money market, which is a short-term market between, let’s say, one day and three months; if you move to longer maturities you see that there is a very broad ventilation, a widening of spreads which then are reflected on different credit conditions also in the banking market. So a company operating in Bavaria who has the same credit rating as a country operating in Milan, they would get lower interest rates than the company in Milan because of the sovereign spread, because of the sovereign risk.

So I think that was not clearly foreseen at the very beginning, but again, and this is probably a more general issue that is not affecting Europe only, I don’t think anybody fully understood what would be the structural impact of this global crisis on the working of our economies. And the fact that we’re still, after so many years, still struggling with insufficient growth, insufficient recovery of economic activity; you see some positive signs here and there, but then they’re quickly reabsorbed, and so there have been certainly some structural changes in the working and also in the attitude of people. Consumers probably have come to the conclusion that they don’t necessarily need to have three cars or three TV sets, so I think consumption is more subdued, people are more concerned about the future, they don’t see … so they tend to save more. In many countries, the population is ageing, so there are a lot of, I would say economic but also social, sociological, psychological, demographic factors that do play an important role, and these were not clearly foreseen. Although we fully understood that monetary stability, price stability, is a pre-condition for other policies and for the economic system to perform well. We never thought that monetary policy could do everything. But unfortunately in the way economic systems work, there is a tendency to rely more on monetary policy, because that is done by an independent institution and without political influences, than operating in the political sphere, in Parliament, reducing taxes, reducing expenditure, taking measures of structural reform — that’s much more complicated, particularly in a time of crisis. If everything goes well you can reduce public expenditure because people that work in the public sector will find a job in the private sector and there will be no problem. But if there is a time of crisis and you want to reduce the number of employees in the postal service because people now use the internet and don’t send letters in the mail, you have to find other jobs for these people, and that of course creates tensions in the budget, and …

So I think the reaction of the European Central Bank has been rather flexible, in the sense that we have adapted, we have introduced new instruments, new policies and so forth. But still the area of competence of the European Central Bank is clearly defined, and fiscal policies have to play their role, structural reforms have to play their role, otherwise the system would not regain its robustness and its strength.

**[Elena Danescu]** During this period, Mario Draghi was president, Governor of the Bank of Italy, in 2011 he became President of the European Central Bank. Could you describe Mario Draghi's personality and working methods?

**[Fabrizio Saccomanni]** Well, Mario Draghi first of all is an old friend and colleague, and so I'm maybe biased! But I think he certainly performed extremely well both in his years here at the Bank of Italy — I think he was a strong supporter of the innovation that then I tried to introduce, streamlining the activity of the bank and making it more flexible and more compact, sort of reducing the importance of certain more administrative functions and creating more space for activities that were important, like monetary policy cooperation and banking supervision. There was already in the making the work to set up a single supervision in the banking system as part of this reform and so forth. I think Draghi is a person like the top leader of an institution, in my view, should [be], that would concentrate on the top objectives, on the key fundamental issues, and devote himself entirely to that — open to contribution from his associates and delegating a lot of responsibilities to others, while keeping firmly in control the key policy issues. And also with a certain propensity to take risks, as I think he has shown, particularly in the conduct of monetary policy at the ECB. I think to take certain stances that sometimes are not seen as strictly within the mandate. I think he has certainly interpreted the mandate of the ECB in a very clever way, because eventually the challenges that have been put to certain decisions that he has taken in Europe, even in the courts, the constitutional court in Germany or the European Court of Justice, have proved to be well within the mandate. But I think it needed someone with a degree of vision, with a full perception of the risks that from an economic and financial point of view were involved in the deterioration of the situation over time, to point in the direction that he took. So we certainly supported him, both when he was at the bank as Governor but also in his role as Chairman of the Financial Stability Board.

And we kept in touch very much when he was President of the ECB, and a lot of the work that we did in this period when the financial crisis in Europe started to affect the spreads in the financial markets, in the bond markets, we provided a lot of analytical support for the fact that the size of the spread was actually the result of two things: one was the creditworthiness of the country itself, and the other one was the risk of a break-up of the euro, which had been introduced because of the sovereign debt crisis and because certain countries or certain political leaders were hinting at the possibility that certain countries could be kicked out of the euro, which eventually market participants interpreted as an indication that the euro was not really a true currency but was more an old basket in which a currency could come in or out or so forth. So that was a very damaging aspect of the financial crisis. And this idea that there are two components in the spread also implies a dual responsibility: the sovereign risk of a country is for the country itself to manage by reducing its debt and deficits and so on, but the risk of a euro break-up is a risk for the Union, for the European Central Bank. And the speech that Draghi made, the famous 'Whatever it takes', in 2012, was very much an acknowledgment that the European Central Bank would be responsible for managing the risk of a euro break-up. And so that, in fact — if you look at the chart of the spreads, you see that after that speech, eventually market participants, because they had confidence in the credibility of the European Central Bank and what its President had said, basically started to reconsider the risk of euro break-up. Of course there are still differences in the euro spreads for sovereign countries, but not of the magnitude that had been reached in the peak of the crisis between 2011 and 2012. I think we gave a strong contribution, as one of the countries that was most affected by the size of the spread, provided a lot of analytical efforts, analytical work to the European Central Bank, which eventually Draghi used as a background for his initiative.

## VII. Italian Minister for Economic Affairs and Finance (2013–2014)

**[Elena Danescu]** In 2013, in the government formed by Enrico Letta, you became Minister for Economic Affairs and Finance, and it was precisely on 28 April. What are your memories of these events, particularly the negotiation for the formation of the new government? And a second question: what were the priorities of Italy's economic, financial and monetary policy at European level at that time?

**[Fabrizio Saccomanni]** Well, monetary policy was not the competence of the Italian Government! No, I think answering to your first question, I have to give you perhaps a short background. In Italy we had a general political election in February of 2013, because Parliament had reached the end of the legislature. The elections … Until then Mr Mario Monti, Professor Mario Monti had been the Prime Minister in Italy, had done quite a lot to fight the sovereign debt crisis that I said was at the peak between 2011 and 2012, after the fall of the Berlusconi Government. But then the results of these elections became quite inconclusive, in the sense that there was not a clear majority; the main party of the centre-left was the Democratic Party, but it had not sufficient votes to form a majority. There was still a significant share of the former party of Mr Berlusconi, but also the election showed that the emergence of a new group like the Five-Star Movement, so-called, that had been elected on a rather radical agenda of Euroscepticism — this is when I think the word came to be used also in the Italian political context. So eventually it was very difficult — plus there was also the so-called Northern League that again was running with an anti-European programme and so forth — so it was very difficult to create a new government. From the day of the election, end of February, it basically took two months — which may not be too long from a Belgian point of view but in Italy it was a long period — in which basically there were a lot of discussions among the political parties. Eventually the President of the Republic, who has the task to select the Prime Minister, gave the mandate to Mr Enrico Letta, who was a member of the Democratic Party, to form a broad coalition that would involve also the centre-right group, so it was a very broad coalition that eventually obtained the confidence of Parliament in April, at the end of April 2013.

So at that time the situation of the public finances, of which I was responsible as Minister of Finance — I had been chosen because it was felt that even with this broad coalition government certain key issues should be given to some sort of a technocratic personality, and I had acquired a certain reputation because of my work in the Bank of Italy but also in the IMF, in the EBRD and various institutions, the ECB. So the key issue was first of all to try to combine two very different things, to put some sort of strength in the process of economic recovery, which was visible at that time. We had a very bad year in 2011–2012, a double-dip recession after 2009, but the recovery was still very fragile, also because the European context was not very strong. At the same time, I personally was very much convinced that what we needed was to make a further effort to reduce the public sector deficit and to bring Italy out of the excessive deficit procedure which had been introduced by the European Union on Italy since 2009 — which of course had a lot of implications also for the behaviour of the spread in the market; Italy was considered to be in excessive deficit and so forth. So I think one of the key issues that the Prime Minister presented to Parliament was that we should try to revive economic activity mostly by reducing taxes and reducing expenditure, and by structural reforms, and at the same time pursuing policies that would allow Italy to benefit from the convergence of interest rates in international capital markets, which again would represent an important contribution to fiscal consolidation, because it would reduce the burden of the servicing of the public debt. I think we were quite successful from that point of view; the European Union formally approved the exit from the excessive deficit procedure for Italy in July 2013 on the basis of the measures that we had already taken, and I think that was a positive thing. We actually took also the measure within this fiscal framework to reduce the amount of commercial arrears that the state had accumulated during the period of the crisis, in which the state had accumulated debts vis-à-vis companies and private operators. The state was not paying its bills to, I don't know, pharmaceutical companies or to enterprises that were building roads and things. So we managed to inject an amount of liquidity in the economy by reducing these commercial arrears, and that was an important factor in reviving economic activity.

At the same time, unfortunately, from a political point of view it was very difficult to manage this very broad coalition, including the centre-right parties, and that was also complicated by the fact that eventually our centre-right partner split in two. The old Berlusconi group basically went into Opposition, and more moderate people, members of Parliament from the centrist group, continued to support us, but the majority in Parliament was weaker, and at the same time, there was some discussion within the Democratic Party, which was the main party that was at that time supporting the cabinet, that we should embark on a set of institutional reforms and so forth. There was the party congress of the Democratic Party, the convention at which they select the new leader eventually selected Mr Matteo Renzi as secretary-general of the party, and eventually it was in agreement within the party that our government should be replaced by … So we lasted on the whole for 10 months, which is not very long, particularly to do all the kind of structural things that we needed to do. But as I said, I take credit for having completed the excessive deficit procedure, and we managed to stay below 3 % in the public sector deficit. We started a process of a spending review for public expenditure, which I think has continued also under the new government. Unfortunately the situation then deteriorated again, particularly in Europe there was a risk of deflation materialising. But also I must say that — and this is a point that I think is quite relevant for more general terms — we had periods of political instability in Italy, which I think eventually have an impact on the sentiment of market participants and economic agents. It took several months to set up a new government, and basically Mr Monti formally resigned in December 2012, and we, with the Letta Government, took office in April. So it was five months in which there was a lack of new policy formulation. Also the replacement of Mr Renzi with Mr Letta [*sic*: Mr Letta with Mr Renzi] implied a certain loss of time, as new people came in, a new policy agenda was set up, and so forth. In Italy this traditionally has a negative impact. As I like to say, during these periods of political uncertainties, investors don't invest, banks don't lend, consumers don't consume, and so you have a situation in which that is not contributing to a revival of economic activity, and makes policy-making more difficult, also because there is a building up of expectations, people are losing confidence, there is protest and so forth. In Italy, certain very structural reforms that were introduced by our governments, let's say from Monti, Letta and also Renzi, have been difficult reforms, unpopular reforms, the pension scheme and the reform of the banking sector and so forth. These structural reforms have a payout that stretches into the future; you don't have immediate results, while the sacrifices that you ask people to make in order to introduce these reforms are felt immediately.

So that's why more political stability would be important, not only in Italy but also in Europe, because we have so many different political calendars, and I think one of the problems we had in our government while I was minister was that in 2013 there were the German elections in September. So beginning in June, everybody was saying, 'No, we cannot do anything at European level because there are the German elections.' Then the German elections took place in September, and the German Government became fully effective in December. So we have lost six months at the European level, in which no one … And everybody was afraid, was willing that economic conditions weren't deteriorating in Europe or was saying we needed to promote investment, we needed to do something against youth unemployment. I convened a meeting in Rome of the finance and social affairs ministers of the four main countries: Germany, France, Italy and Spain. We all agreed that we needed to do something to promote investment, to promote employment, particularly among young people, but there was absolutely no consequence of that until after … Then in 2014 we had a period in which the European Commission was also becoming a lame duck, because there were the elections to the European Parliament. So all of a sudden you find yourself in November 2014 — almost 18 months have been lost because of the European political calendar. And this is not good — it has to be changed, otherwise it will not be able to … And now we are approaching another dangerous area because there are elections in France and Germany in 2017. So although I am no longer involved in policy-making I already feel the wind of impasse coming through Europe.

**[Elena Danescu]** In 2012, as a central banker, you took part in the ECB's high-level working group on the establishment of the Single Supervisory Mechanism as part of the efforts to establish a banking union. In 2013 you were then involved in the negotiation within the EU Ecofin Council for the creation of the second pillar of the banking union, the Single Resolution Mechanism, to deal with banking crises. What are the main challenges and pitfalls facing banking union?

**[Fabrizio Saccomanni]** Well, again, banking union was a very ambitious project. In a way one could make a comparison between the monetary union and the banking union. The first thing that comes out is that it took almost 10 years to prepare for monetary union while the banking union was completed in one year. So I think from just looking at this aspect, one certainly would think that it will take some more time before you have a full harmonisation, a full uniformity — not only in the principles, because the principles are clear, but in the implementation of the single supervision and the crisis resolution. So I think that was … The timing of this project was basically dictated by the crisis itself. While monetary union was a long-term project that was developed over the years — certain situations of tension but never acute as it was the case for the banking union — here there was the feeling that there had been some sort of a vicious circle between tensions in the banking systems and tensions in the sovereign debt markets, that they were reinforcing each other. The only way to break this vicious circle was to — in addition to policies for fiscal consolidation and so forth — was to break this vicious circle by creating a European supervisory mechanism. So that was in fact the first — as you mentioned, the first indication that this was the objective came precisely in 2012, almost in connection with the action taken by the ECB to set up the so-called Outright Monetary Transaction mechanism to deal with the risk of a euro break-up. So the idea was that the ECB should start working immediately on creating the basis for the conduct of a single supervision. And a lot of work was done within the ECB to create the procedures for the conduct of the supervision, the need to establish the so-called single rule book in which you set up the principle for banking supervision to identify what kind of instruments you want to use for the conduct of supervision, decide which banks are going to be supervised at the centre, directly by the ECB, which other banks are going to be supervised by national authorities, but always within the same principle, within the same procedures, and also with a possibility for the European Central Bank to claw back, to regain responsibility for banks that had been supervised only at the national level in case there was a situation of crisis. So it was again highly complex work involving also a lot of, I would say logistical issues, because there was the need to create teams of people that would be experts from national supervisory authorities, that would be able to analyse the balance sheets of the banks and so forth.

Another complex issue was the idea that before the banking supervision would become single in November 2014, there should be what was called a comprehensive assessment of the situation of banks based on the so-called asset quality review, a detailed review of the soundness of the balance sheet of the banks on the asset side, to identify whether there were non-performing loans and adequate capital to cover the losses and so forth. And also to conduct the other part of this comprehensive assessment was the so-called stress test, so simulating what would be the behaviour of major banks if certain macro-economic conditions would sharply deteriorate. So you have a balance sheet and then you assume that GDP would fall by 5 % and see what happens to the performance of the bank with this new scenario, which implies different scenarios for interest rates and for all sorts of other things. So the work of setting up the institutional arrangements for the conduct of single supervision were carried forward at the same time as this comprehensive review was also conducted, and of course that was indeed a major task. But again the political considerations eventually started to play a role, in the sense that while there was strong support for setting up the procedure and instruments for the single supervision, different views started to be voiced on the actual implementation of the other pillars of the banking union, namely the Single Resolution Mechanism and the deposit guarantee scheme, single European deposit guarantee scheme.

As regards the Single Resolution Mechanism, in 2013 — and by that time I was minister and discussing within the Ecofin Council — the stumbling block was the setting up of a mechanism that would have sufficient financial resources to deal with the resolution of banking crises, because resolution is a polite word that *de facto* means liquidation. To resolve a bank means that they go out of business, and if the capital, the assets they have are not sufficient to cover the losses then of course somebody else would have to cover the losses, and of course everybody agreed that in principle the banks themselves or the banking systems of each country [should] cover the losses, and not the taxpayer. Although I quite frankly objected quite a number of times in the Ecofin that the distinction between what is a taxpayer and what is a bank client is sometimes not so clear. You protect the taxpayer but then you ask the bank customer to cover completely the losses, even if you have a large deposit above a certain amount. So I think from a political point of view this was not a simple question. But although, as I said, we all agreed on the principles of the need to create some sort of a financial back-up for the Single Supervisory Mechanism to deal with the implication of crisis management, there was no agreement. So at this time, still now, we don't have a common back-up for the activity of the Single Resolution Mechanism. The idea that was voiced at that time was that the ESM, the European Stability Mechanism, one of the institutions that had been set up for dealing with the sovereign debt crisis, which has extended loans to Spain, to Greece, to Ireland, to Portugal — and not to Italy, let me underline this because people sometimes tend to consider that we also asked for the support of these financial institutions in Europe — they still have plenty of resources, so these resources could be used as a back-up for the Single Resolution Mechanism. But on that there was the opposition of a number of countries, in particular Germany, because they thought that this would represent some sort of a fiscal back-up — the resources of the European Stability Mechanism are set up by governments, so any use of that would require an amendment of the treaty, so very complicated, and also from a political point of view there was the risk that this would transform the European Monetary Union into a transfer union in which the debts of certain countries would be covered by other countries with their own resources, and again involving the taxpayers.

So this is still pending. It is, in my view, a development that is certainly not positive, and if there is — let's hope not, but if there is a major crisis of a major financial institution in Europe, the lack of this back-stop will become immediately relevant; it may influence the credibility of the whole political exercise. You see, there is in Brussels … Now people recognise that Europe tends to adopt a so-called *ultima ratio* approach to crisis management, which means that at the beginning you don't acknowledge that there is a systemic crisis, it's mostly a country-specific issue, then when the situation deteriorates you finally adopt certain measures, but always with the qualification of 'too little, too late'. Then the situation improves and you backtrack a little bit. So certain bold measures are taken but then you realise that the implementation is not fully conducted to completion, even if that was announced. Because if you look in the documents of the European Union, European Commission, it's repeated in abundance that banking union has three pillars, and now we have in my view one and a half of these three pillars. And the deposit guarantee scheme again was not even considered. It was considered that we should continue to have national schemes. But again this was, as I was telling you before, was very much the political agenda at that time, because we needed to complete the banking supervision and also the basic principles of the Single Resolution Mechanism in time for the European Parliament to consider it under the so-called trialogue procedure — involving the European Parliament, the Commission and the Council — before the European Parliament would expire. So we rushed through an agreement at the level of the Ecofin at the end of December, with several all-night meetings, particularly in November and December and so forth, and then the dossier went to the European Parliament with subsequent meetings with representatives of the European Parliament and the European Commission, again long nights, and then this was eventually approved by all institutions before the end of the Parliament in May 2014. And also the Commission was basically … So, for those of us like myself who were asking, 'We should try to complete the other pillars,' the reply was that 'These are political issues, we don't have time to do that before … It is important to complete at least banking supervision and these first principles of the Single Resolution Mechanism, otherwise there will be a negative market reaction, we will never be able to break the link between banks and sovereigns, and this will be the fault of the countries that do not want to accept single supervision.' Which we certainly fully accepted, it was never in doubt that we would.

But again, if you look at the plans of the Commission that were eventually drafted by the new President Juncker, it says that we need to complete the banking union. And the Commission has also made proposals recently to establish a single deposit guarantee scheme. But again the political will is still lagging behind, and there is this unpleasant feeling that Europe is becoming a specialist in unfinished business. We have the monetary union but we never really fully completed the economic union, fiscal policy and so forth, and the activity of the so-called Five Presidents' Report, in which they set up quite a lot of things … Banking union is still incomplete, and now everybody's considering that also Schengen is incomplete, because there is full freedom of people to move around but there is no control at the common European borders, so there is a tendency to backtrack also on Schengen and things like that. So these are the issues that of course we were involved in during my period in government, and of course, we accomplished quite a lot with the single supervision, and I think we were fully supported. We still believe that it needs a little in-job training for people to develop a better way to operate in an integrated way. But I think it is important — but then, of course, we need to move now to capital market union. It will be a pity if we don't complete the banking union as was envisaged.

**[Elena Danescu]** What is your prospect view on these pending issues of the banking union?

**[Fabrizio Saccomanni]** Well, I think, again, it is a broadly political issue. I continue to have contacts with a lot of friends and colleagues that are involved both in Italy but also at the European level, and the feeling is that we have now more difficult issues to deal with. The security, the refugee issues, and so we are not so urgently required to act on, for example, economic governance. My feeling is that this is a bad mistake, because if you want to deal with the emergency of the refugees, of security, you will eventually need to have more resources. If you want to establish controls at the borders of Europe you will have to spend some money, and if you want to find housing or a school and medical assistance for the millions of refugees, you cannot do it with the existing resources, so you probably need to have a reform of the budget, you have to create new channels for raising own resources for the budget. So these are all issues that are within the economic governance, with completing the Economic and Monetary Union, which also has been an issue discussed since 2012. But again, last December the European Council at the highest level indicated that these issues are going to be discussed after 2017 — as if they are not urgent. And again I think the agenda, the priorities are not right. Of course the emergencies need to be dealt with, but they have also economic, financial, fiscal implications that you cannot leave outside, otherwise it would be a very inefficient way of dealing with these issues.

## VIII. Conclusions

**[Elena Danescu]** Professor Saccomanni, if you permit some questions by way of conclusions of this interview. What are the main tensions between monetary and financial integration in EMU?

**[Fabrizio Saccomanni]** Well, I think I've mentioned them. I think this question of having a federal monetary policy with a federal institution like the ECB and still different economic and fiscal policies, in principle under a set of common rules, but then the rules have to be implemented, and there are different ways in which these are respected and so forth — this is, in my view, the major shortcoming of the present arrangement in economic governance. And this is well addressed in this report by the five presidents. But if there is no action then the tension will continue.

**[Elena Danescu]** What are the limits to the enlargement of the euro zone?

**[Fabrizio Saccomanni]** Well, I think the key issue is to what extent you want to have more sovereignty transfer at the level of the Union to enable the Union to cope with these global issues. Because the European Union has not been an important actor on a global level, because we are fragmented in different countries and with different policies and so forth. So I think this is a crucial issue at present, because if you look at the mood of the electorates I don't think that there is a great disposition to transfer more sovereignty. I think that is not surprising, because the economic conditions are not good, people are not optimistic, they've lost confidence and so forth. So I think the top priority would be to revive growth, to create a better outlook for the economy, for employment, particularly for young people and so on, and then look again at whether we want to transfer more sovereignty — I don't think that it would be appropriate to do it now. But that would imply that we use all the instruments that we have at our disposal within the present framework to try to revive economic activity. I think monetary policy is doing a lot; fiscal policy is not doing a lot. The European Commission has indicated that the present stance of fiscal policy in the European Union is neutral, while I think we will need to have a more supportive expansion of fiscal policy. So I think these are the key issues. Structural reforms are also important, but you have to do, as Mario Draghi has been saying for quite some time, you have to do it simultaneously: monetary, fiscal and structural. Instead there is some sort of an implicit sequence that monetary policy of course will continue; fiscal, maybe; and structural, when possible. So I think this is not very good.

**[Elena Danescu]** Is it possible to build a political Europe between countries that are not united economically?

**[Fabrizio Saccomanni]** Well, history provides different answers to these questions. The United States became politically united but they did not wish to discuss the question of slavery, so it took then a civil war a hundred years later to solve this problem. And still the racial issue is not really fully covered. The United States established a monetary union, a central bank, in 1913. In Europe we have done a different thing. European economies are really well integrated, and people tend to forget what it was, the situation before the integration, when there was a lot of crisis in the foreign exchange markets and a lot of competitive devaluation and so forth. So I think now, the best companies are really operating in a big European market. So don't underestimate the degree of unification that has been achieved by our economic system. But certainly the step towards political union would require a different political sentiment concerning these fundamental issues like unemployment, jobs, and also security and the problem of immigration.

**[Elena Danescu]** Has the euro changed the IMS?

**[Fabrizio Saccomanni]** Not as much as people like Professor Robert Mundell thought. The dollar is still the dominant currency in the world, and there is what economists call 'past dependence', the sense that people tend to use the currency because they depend on this structure that exists. I mean, Russia exports gas and oil to the European Union and we settle it in dollars — we use neither the euro nor the rouble. Why? Because the price of oil is determined in dollars, because of the tradition. So I think that would require … Also, the European Union makes constantly reference to the fact that we do not have an objective of establishing the euro as a reserve currency. And I think that of course, from a political point of view, maybe it's a wise thing to say, but *de facto* the euro is a reserve currency, it's the second reserve currency, so the fact that you don't promote it sounds difficult to understand to a lot of people, particularly if I talk to people in Asia, who say: 'Is it a reserve currency or not? Are you in favour or against?' And I say, 'Well, we're not against, but we're not in favour' — which is a typical confusing Euro-speak that people don't understand. So I think the dollar will continue to remain the main currency, because behind the dollar there are very efficient liquid, deep financial markets and so forth. We still have to create the European capital markets union, and there are still a lot of fragmentations, not from an economic or financial point of view but fiscal, taxation, regulatory, concerning the kind of capital movement. But potentially I see that there is a demand to diversify the role of the dollar; the central bank doesn't want to put all the risk in one currency, and so eventually if we manage to stabilise our economies, I see that that may indeed lead to a more multipolar reserve system in which the dollar would coexist with the euro, maybe the renminbi, who knows what.

**[Elena Danescu]** Is European integration still synonymous with economic and social progress today?

**[Fabrizio Saccomanni]** I think it is, I think it is. People have short memories — sometimes they tend to forget what it was immediately after the war. You see that people want to migrate to Europe, but they don't want to migrate to other parts of the world. Europe is seen as an area of a good social economic system in which people are protected, taken care of. Of course, when you have a big crisis, you have sometimes slippages and so forth, but basically there is democracy, there is freedom, there is freedom of movement, of speech, and sometimes people consider there is perhaps even too much freedom, in the sense that also terrorists move easily, and they find loopholes in the control network. But I think that there is no doubt. And also, the European Union remains to me, despite its crises and shortcomings, a model for international cooperation by different countries in a peaceful context, that eventually will be recognised as the method that we have to adopt on a global scale.

**[Elena Danescu]** How would you assess Italy's role in the European integration process, and how do you see Italy's future in Europe?

**[Fabrizio Saccomanni]** Well, I think from an intellectual point of view, Italy has provided a lot of contributions to the European Union process, as we've mentioned. I think the role that we have played in crucial steps, without being immodest, was really very important. The problem is that Italy continues to have some structural problems that were not corrected fully with the entry in the monetary union. We certainly have still a very high public debt, we have not reformed fully the system, although a lot of progress has been made, so I think again, in Italy people tend to forget what it was: Italy became practically an industrial country after the war — we were a sort of backward, rural economy with a few … So I think this has been mostly due to the European integration, the Common Market and so forth. I think the Italian economy has been used to having some sort of periodic devaluation of the exchange rates before monetary union; this has disappeared. And the Italians, particularly small enterprises, resent that kind of medicine, although it was a short-term medicine that didn't bring lasting improvements. And also I think the Italian economy has been supported to a large extent by public expenditure, social expenditure and so forth, which again has now become more under the control of the European institutions. So there is some sort of, I would say, using a medical comparison, as if you have a crisis of abstinence from certain drugs that were imparted liberally in the past. But I think we see a lot of adjustments going on, also in the industrial sector, and Italy has now a stronger balance-of-payments surplus, so I think productivity will catch up. It is still very high in certain sectors; not so much in the small, very small enterprises that of course are more operating in the domestic market. But I think progress is coming up.

**[Elena Danescu]** How do you consider the role of Luxembourg in the European integration process?

**[Fabrizio Saccomanni]** Well, I think Luxembourg has been an important player because it's a small country. They have provided, I think, a good excuse for big countries like Germany and France, and to a certain extent also Italy, to play a role of … We don't have a President of the European Commission from Germany since …

**[Elena Danescu]** Hallstein.

**[Fabrizio Saccomanni]** … the very beginning. Hallstein. And I think this is bad. This is bad, frankly. So I think Luxembourg has been providing people of good quality, important leaders from Werner to more recently other people, Santer and Juncker. But they have also provided an excuse to these big countries not to show their face on the front row. So I think they have, I mean Luxembourg politicians obviously enjoy the confidence and the respect of leaders in Germany and France to an extent, and so forth, so they can perhaps be more open than … I mean, when Mr Prodi was President of the European Commission he had to control its initiatives in order to make sure that it would not be criticised by the big shareholders. So I think there are good and bad aspects, but I think Luxembourg is a champion of financial integration, because of the role that Luxembourg plays. But here again, there are positive and not so positive aspects. Sometimes Luxembourg is seen as a sort of safe haven or a tax haven and so forth, so this is … I had the experience during my period as minister that, in order to fully accept certain principles of a full exchange of information for tax purposes, still Luxembourg and Austria were the last two comers — it took some pressure from all the others that were fully in agreement. But I think that eventually would be fully accepted also there.

**[Elena Danescu]** Professor Saccomanni, we are reaching the end of our interview. I would like to thank you once again for your time, for your willingness. And I would like to leave you the end word.

**[Fabrizio Saccomanni]** Well, very briefly, I continue to be a committed European supporter; I think I've spent most of my life fighting for this project. I see realistically what are the shortcomings and the mistakes that we have made; I continue to be convinced that there is a lot that should be done in terms of communication. As I mentioned a couple of times, people don't have good memories of what it was without Europe, particularly in this moment in which people are feeling what would be the impact of Brexit — that may create a chain reaction of other departures. In my view, the next thing to do would be to recreate a European Union, perhaps on a different basis or with different basic rules, but I think the economies, economic developments change, historical, social, political and so forth, but the geography doesn't change. We are still very close to each other, we produce the same things, we share the same values by and large. We fought each other bitterly for many years; we have decided to stop that stupid civil war among ourselves, but our destiny is to stay together.

**[Elena Danescu]** Thank you very much, Professor Saccomanni.

**[Fabrizio Saccomanni]** Thank you.