2-001

EN **COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS**
MONETARY DIALOGUE WITH JEAN-CLAUDE TRICHET,
PRESIDENT OF THE ECB
(pursuant to Article 284(3) of the EC Treaty)
BRUSSELS, TUESDAY, 4 OCTOBER 2011

2-002

EN **IN THE CHAIR: SHARON BOWLES**
Chair of the Committee on Economic and Monetary Affairs

(The meeting opened at 15.05)

2-003

EN **Chair. –** Good afternoon; welcome. As I am sure you know, this is the final one of the quarterly monetary dialogues that we hold with the President of the ECB. It is nearly his last occasion in the Parliament but, because we love him so much, he is coming back again next week in his role as the Chair of the European Systematic Risk Board. This is the final monetary dialogue and therefore I think a few of us will want to mark that occasion with what we say later and at the end of the proceedings this afternoon.

Jean-Claude, welcome. You always give us good value. We are delighted to have you here again, tinged with a little bit of sadness because this is the last time. As usual I will give you the floor for you to update us on the latest proceedings and whatever else you wish to tell us.

2-004

EN **Jean-Claude Trichet,** *President of the European Central Bank***. –** Madam Chair, honourable Members, it is always a great pleasure to be here as President of the ECB, before the directly elected representatives of the European people. For me this interaction is the cornerstone of our Economic and Monetary Union.

Today, I appear before your committee with, as you might imagine, particular emotion. This is the last of my 35 immensely fruitful dialogues with you.

Members of the European Parliament, you are the heart of the living democracy in Europe. We at the ECB are the guardians of the currency of our fellow citizens. We are fully independent in our actions to protect the currency whilst you ask us to regularly report to you.

2-005

EN *(FR)* Independence and responsibility are inseparable. To retain legitimacy, an independent central bank must be accountable to Parliament and to the public.

Throughout my term in office, I have attached as much importance to the one as to the other. The European Central Bank (ECB) is fiercely independent. At the same time, it cannot do without close regular interaction with the European Parliament. That is what enables it to perform its tasks in a transparent and accountable manner.

That is why I have always accepted your invitations to come here and discuss with you, either in committee or in plenary and, more frequently than usual, if warranted by exceptional circumstances.

2-006

EN *(DE)* I would like to start by dealing with the agreed topic, namely the principles of monetary policy as practised by the ECB since its foundation. I will then look at the relations between the ECB and the European Parliament over the last eight years and the contribution made by both institutions to European integration. I will close with a number of remarks on the future of the EU and, in particular, the economic and monetary union.

2-007

EN Let me reflect on the ECB's actions since its creation. With current discussions sharply focused on how to deal with the financial and sovereign debt crisis, it is sometimes forgotten that our primary objective is to maintain price stability in the euro area. More precisely, we aim to maintain inflation rates in the euro area below, but close to, 2% over the medium term. This is what the Treaty demands from us. This is what the citizens of the euro area expect from us. And this is what we have delivered.

Price stability is a necessary condition to foster sustainable economic growth, job creation and to ensure the well-being of our citizens. One fundamental indicator is medium- and long-term inflation expectations. Inflation expectations that are in line with our definition of price stability help employers and employees in the euro area to agree fair wages. They help businesses, small and large, to make longer-term investments. They ensure, all things being equal, a more favourable financial environment because market medium- and long-term interest rates incorporate stable price expectations. They also help governments to play their role in macroeconomic stabilisation.

Preserving inflation expectations in line with price stability has been far from easy. We have had a number of shocks since 1999. The early 2000s saw the bursting of the 'dot-com' bubble. Medium- and long-term inflation expectations remained stable. Then came the terrorist attack of 9/11. Inflation expectations remained stable. We saw dramatic surges in oil prices. Once again, medium- and long-term inflation expectations remained stable.

Then, in 2007, there were the first signs of an unprecedented financial crisis, the repercussions of which continue to this day. What happened in late 2008 in particular could have resulted in an economic catastrophe not seen since 1929. Authorities across the world took action to avoid another Great Depression. We at the ECB responded by lowering interest rates and introducing our non-standard measures. We experienced a very short period of negative inflation, with some commentators expecting a period of deflation. Yet

medium- and long-term inflation expectations remained stable.

As you know, 2010 and 2011 have been extraordinary years for the economy, with parts of the euro area confronting serious problems in sovereign debt markets. But I can say once again: inflation expectations remain stable.

Dealing with these diverse shocks has required from the Governing Council constant alertness, resolute action and fierce independence.

Permanent and credible alertness on many occasions, including in 2004 when the ECB kept interest rates at 2% while governments and international institutions were calling for more cuts.

Fierce independence in 2005 when the ECB started increasing its policy rates despite the strong opposition of many governments and, again, the advice of international financial organisations. We were criticised at the time. With hindsight, that criticism turned into respect.

Alertness in August 2007, at the start of global money market turbulences, when we were the first central bank to take non-standard measures to ensure the smooth transmission of monetary policy.

As I explained to you at the time, at the very beginning of the financial crisis the ECB decided to stick to a strict separation principle between the 'standard measures' and the 'non-standard measures'. 'Standard measures' are designed to deliver price stability in the medium term: they are the interest rate decisions. 'Non-standard measures' are designed to help restore a better transmission of our 'standard' monetary policy decisions at times when the crisis is disrupting markets or segments of markets. The 'non-standard measures' include the supply of liquidity at full allotment and fixed rates and the interventions in private and public securities markets.

This separation principle permits us to preserve, including in the present deep crisis, a strong sense of our direction in the medium term – price stability – whilst taking into account the reality of the disruption of markets due to the crisis.

Like actions, numbers speak louder than words. Let me mention one number: 2.01%. This has been the average inflation rate in the euro area from 1 January 1999 until today, over a period of almost 13 years during which oil prices have soared. This number has become so deeply embedded in our society that people have almost forgotten it.

But it is the lowest annual average change in prices that any large euro area country has experienced since the beginning of the European project, over 50 years ago. Price stability is now self-evident to the citizens of Europe. Even our regular exchanges of views have sometimes dealt less with the 'M' than with the 'E' of EMU!

Achieving price stability through alertness and fierce independence sets the framework for our day-to-day actions. In this context, I will report on recent economic and monetary developments. Note that, as we have entered the Purdah period, nothing I say has any bearing on upcoming monetary policy decisions – the future decisions of next Thursday.

We expect real GDP growth in the euro area to be very moderate in the second half of this year. Growth is dampened by a slowing pace of global growth, by declines in equity prices and business confidence, and by continuing tensions in segments of financial markets as well as in some sovereign debt markets. The more moderate economic outlook is confirmed in the ECB's September projections. Risks to this economic outlook, which previously were balanced, are now on the downside.

Turning to prices, inflation was 2.5% in August and, according to the Eurostat flash estimate, rose to 3% in September, almost exclusively as a result of oil price developments. We expect inflation to stay above 2% over the coming months. Next year it should fall below that level, depending on commodity price and wage developments. This pattern is also reflected in the latest ECB projections of inflation ranging between 1.2% and 2.2% next year. The risks to this medium-term outlook were broadly balanced in the eyes of the Governing Council in its last meeting.

Our monetary analysis indicates that the underlying pace of monetary expansion remains moderate. Liquidity accumulated prior to the period of financial market tensions continues to be ample but recent data indicate that part of it may be held more for precautionary reasons than for spending.

Finally, in the context of our continuing analysis of the euro area economy, let me draw your attention to today's release of the 2011 Structural Issues Report. This deals with structural features of distributive wholesale and retail trade and their impact on prices in the euro area. The distributive trade sectors are not only economically important in their own right, but also relevant to monetary policy. I would ask you to take note of this report. It suggests ample scope for further improving effective competition and removal of unwarranted barriers to cross-border trade.

Let me turn to the relationship between the ECB and the Parliament. The ECB's fierce independence and its accountability to the Parliament are two sides of the same coin. In this endeavour, and especially throughout the turbulent times that we have recently experienced, we have interacted very constructively. The quality of our relations has been instrumental to the exercise of our tasks and, I believe, more generally to the process of European integration.

The hearings in your committee are naturally the cornerstone of the ECB's Treaty-based accountability obligations. But they are more than that: beyond monetary policy *stricto sensu*, they have allowed two very important European institutions to have a continuous dialogue on a number of issues of great relevance for the smooth functioning of the single market of the European Union and of EMU. When I am with you here, I am always struck that we have, at the level of Europe as a whole, the whole in mind and not just the part.

This holds in particular for legislative dossiers on which you decide, together with the Council, and to which we have tried to contribute. I feel reassured when I see the numerous occasions when you have used your powers to bring Europe forward rather than settling for the lowest common denominator. I am sure that this will continue.

The latest example is the economic governance package. In November 2003, three weeks into my mandate, the ECB lambasted the fateful decision of the Council that effectively watered down the Stability and Growth Pact. Let me quote what I said eight years ago during my first regular hearing before your Committee: 'The failure to respect the rules and procedures foreseen in the Stability and Growth Pact risks, in our view, undermining the credibility of the institutional framework and confidence in the sustainability of public finances across the euro area.'

In 2005, six years ago, in the name of the Governing Council, I both expressed our 'grave concerns' as regards the conclusion of the negotiations on the new text of the Stability and Growth Pact, and raised alarm bells as regards the evolution of the competitive indicators of the various member countries of the euro area.

Well before some sovereigns ran into trouble in 2008, the Parliament also – and I quote Parliament's resolution – 'requested that Member States in the euro area strengthen the effective coordination of economic and financial policy'. When the time came to transform these messages into ambitious legislation, the Parliament seized the opportunity. As you know, we fully supported the Parliament.

A second telling example of the fruitful interaction of our institutions is the new architecture of financial supervision. Throughout the 2000s, the Parliament regularly called for the reinforcement of a true level playing field at European level, while pointing out significant failures in the supervision of ever more integrated financial markets. When the Commission put forward the financial supervisory package, the Parliament did its utmost to strengthen the powers of the new supervisory authorities. Here again, we supported you as much as we could.

In the middle of the deepest financial crisis since World War II, it is important to remind ourselves that Europeans can take pride in what our continent has achieved over the past 66 years. The unprecedented level of prosperity, peace and stability that the European Union and the Economic and Monetary Union have provided for their citizens is something we need to cherish.

An important debate is underway on how to ensure that Europe continues to deliver well into the future. Important and much needed reforms have been adopted over the past few months. But this is not the end of the road. On the contrary: in the short to medium term, it is essential to implement and enhance the newly agreed legislation as far as possible. The Parliament has a pivotal role.

There is no doubt that you will make extensive use of tools such as the 'economic dialogue' to support economic integration with the required legitimacy. This will open up the process of fiscal and macroeconomic surveillance and, by enhancing transparency, it should encourage Member States to abide by the new rules.

I am also confident that, both in the financial supervisory and governance package, you will seize the opportunity of the review clause to go one step further. In 2013 and 2014, you will have a rendez-vous with the Council to take stock and explore possible improvements. This will once again be an occasion to bring forward European integration in key policy areas.

You have always pushed the frontiers of what is impossible by putting forward new ideas which have eventually become reality. As a citizen of Europe, I am convinced that the Parliament will maintain this track record.

When I received the *Karlspreis* a few months ago, I was reflecting on the future of monetary union and of the European Union 'tomorrow' and the 'day after tomorrow'. As a citizen of Europe I see the necessity of deepening the institutional framework of the European Union. In my personal view, Europe will need to make significant progress towards political unity with an executive branch and a Parliament, both with extended responsibilities as in any democracy. Part of this executive branch would be a European finance ministry which would be responsible, not necessarily for a large federal budget, but certainly for strong economic and fiscal surveillance and governance, for the handling of the financial sector and for the external representation of the Economic and Monetary Union.

Such a strengthening of the EU executive will not be possible without one absolutely necessary condition: democratic legitimacy. This Parliament is the only institution that can ensure this for Europe as a whole. Collective responsibility for the destiny of EU and EMU and strong democratic control by Parliament are two complementary and necessary dimensions. The future depends very much on this Chamber.

Madam Chair, honourable members of the Economic and Monetary Affairs Committee of the European

Parliament, I have to convey to you my sincere thanks for our very fruitful cooperation over the past eight years. It was a great privilege to enjoy working with you in such a spirit. I wish you, as well as my successor Mario Draghi and the Executive Board and the Governing Council of the ECB, great success with the challenges, as well as the opportunities, that lie ahead.

I am sure that the ECB will continue to guard our currency, the euro, and deliver price stability to European citizens.

(Applause)

2-008
EN **Chair. –** Thank you very much, Jean-Claude. I share with you the feeling that indeed we have worked well together, both during my time as Chair and during the last mandate when Pervenche Berès was the Chair.

2-009
EN **Jean-Paul Gauzès (PPE). –** *(FR)* Madam Chair, Mr President, you suspected that, today, many colleagues would want to ask you questions. That is why I have given up my speaking time for Mr Balz.

However, I wanted to keep just a few seconds to express to you, on behalf of the Group of the European People's Party (Christian Democrats), with a great deal of warmth and respect, our sincere thanks for your action and for the quality of the dialogue that has taken place between us. Please allow me to express the hope that you may continue to serve Europe in any way you may choose and that you do not disappear from the European stage. We need people like you to guide Europe towards the future.

2-010
EN **Burkhard Balz (PPE).** – *(DE)* Madam Chair, Mr Trichet, in common with most of my colleagues here in this committee, I find this a very special moment. I have been a member of this House for two-and-a-half years and I must say that our exchanges with you, Mr President, have always been a particular highlight of the work of the committee. For this reason I would like to thank you sincerely for the wonderful work you have done for Europe and the European Central Bank over the last eight years. Above all, you have proven yourself an excellent crisis manager and have always been a particular supporter of Parliament and of this committee in particular.

Of course it takes some degree of thought to decide on the right questions to ask at a moment like this. I do not wish to ask any of the questions you might expect at this point – inquiring about individual countries, the short-term prospects for particular economies, the future of the European Financial Stability Facility or how inflation rates are likely to develop after the recapitalisation of the banks. These are precisely the questions I am not going to ask today.

You have always been a friend to Parliament. That is why, as a member of this committee, I would like to ask you what advice you would offer us, the Parliamentary Committee on Economic and Monetary Affairs, for the near future. What should we watch out for, what do you regard as important, and what should we fight for on Europe's behalf in the coming months and years?

You are a great European and we in this committee will continue to work on behalf of Europe. That is why I would like to hear a few words from you on this topic. I believe that I will not be alone in finding your advice to be of interest.

2-011
EN **Udo Bullmann (S&D).** – *(DE)* Madam Chair, Mr Trichet, some of the institutions of national monetary policy are several hundred years old. In comparison, the European Central Bank is an extremely young institution. We should never take it for granted that this young institution will successfully navigate a path through the crises – the crises that your predecessor already had to cope with and the massive crisis which you yourself have encountered and which is not yet over.

The European Central Bank played an excellent role in dealing with the challenges and you, Mr Trichet, have proven to be a far-sighted and courageous President. We socialists and democrats here in Parliament have not necessarily agreed with every one of your recommendations. In some cases we are perhaps more courageous than the European Central Bank can afford to be, while in others we would perhaps have liked to see a more critical stance when imposing new rules on the critical players in the financial markets. However, at all times we – my colleagues in our group – knew that you would be found on the front line when it came to defending the euro monetary union and the euro itself. We would like to thank you for that. You have garnered much esteem in recent months in particular, when things were far from easy, when ridiculous opinions were aired in many Member States, including my own, about European Central Bank policy. You have our thanks – we wish you personal happiness, good fortune and health in your continued career, wherever that may take you.

I have one final request for the few remaining days and weeks: there is no denying that you have shown bravery and courage. This was also vital, however. If you had not shown this courage during the summer, taking a number of unusual and sensible steps, then we would now find ourselves in a situation beyond our control. However, we only have to open the newspaper to see the difficult situation in which we still find ourselves, which is why we would ask you: place the ship on a calm yet courageous course. In your last few days in office, please continue with your brave and courageous policies so that the European Central Bank can continue to guarantee the euro over the coming months. We thank you.

2-012
EN **Anni Podimata (S&D). –** *(FR)* Mr President, let me first of all thank you, very briefly, for all you have done

throughout this crisis, especially because you have acted as a true European during a period in which true Europeans risk becoming an endangered species.

That said, Mr President, and although you have just reminded us that the primary mandate of the European Central Bank (ECB) is to maintain price stability, an increasing number of experts, analysts and economists are now turning to you, the ECB, to ask for more decisive and more ambitious intervention, which will create the conditions to get us out of the crisis by filling the vacuum created by the indecision and hesitation of our political leaders.

My first question, Mr President, is therefore this: with just a few weeks to go before your departure, would you be prepared to go down that route?

My second question is related to the decisions of 21 July: in your opinion, Mr President, are those decisions, which were described as historic at the time, and which mostly concerned the so-called second 'rescue package' for Greece, still valid and satisfactory, or are they out-of-date; have they been overtaken by events and, where appropriate, should they be modified to ensure greater and stronger involvement of the private sector, which would make Greek debt sustainable?

2-013
EN **Sylvie Goulard (ALDE). –** *(FR)* Mr President, I have also done what Mr Gauzès has done; I have let the members of my group have their say. Simply, on behalf of the Group of the Alliance of Liberals and Democrats for Europe, I would like to say thank you, especially for two things.

The first is that you are one of the few to have spoken out consistently on the area you were responsible for as a whole. We appreciate that, because those who think on a broad scale instead of focusing on their own narrow interests are few and far between.

Secondly, you have had some extremely kind words to say to the Commission and to Parliament, for which we are grateful, but I would like say that, with regard to the two issues we had to deal with together – I have only been here for two and a half years, like Mr Balz – not only did you have you some kind words to say but you also had the goodness to remind other interlocutors, who had in general been somewhat less attentive, of the importance of democratic legitimacy.

Hence my recommendation: have a bit of a rest, because we owe you a great deal, we really do owe you a great deal, and we have, on occasion been rather concerned to see you looking so tired. More importantly, however, do not go too far away! Stay in European affairs, not to explain to others what Parliament is trying to be but to explain to them that it is important that the people of Europe are involved in decisions and that they feel fully involved in the shared adventure as citizens of Europe.

A huge thank you and, wherever you go, God speed! You also have the good taste, I believe, to have roots in a constituency that is dear to me and where the fresh air will very quickly do you good.

2-014
EN **Ramon Tremosa i Balcells (ALDE). –** Thank you very much, Mr Trichet, for the good job you have done these past years. Very briefly two questions: the first one is what is the maximum amount of public debt from eurozone Member States that the ECB can buy in the next months? What is the limit if there is a limit?

My second question: last week the Italian press published a letter which the ECB sent to Mr Berlusconi last August asking for reforms and fiscal disciplines as a precondition to buy Italian bonds.

In Spain Prime Minister Zapatero is saying that he has not received any letter from the ECB. Could you please tell us if the ECB has also sent a letter to Spain? Could you answer yes or no please.

2-015
EN **Ivo Strejček (ECR). –** Kay Swinburne should be sitting, speaking and listening as the coordinator from the ECR Group, but she is at the Conservative Conference in Manchester so I am speaking here on behalf of the ECR. The very first sentence is not only polite but on behalf of the ECR: we all thank you for the immense amount of work you have done in your position. No matter if we are from countries which are members of the eurozone or not, we all are well aware that the economic stability of the whole European area is in the interests of all countries which are in Europe. So again, thank you very much for your work.

My question – because I am from the Czech Republic, which is a country outside the eurozone – is obvious: taking into account the current sovereign debt crisis in the eurozone, do you think that it will be necessary to strengthen the Maastricht criteria in view of the accession of future Member States to the eurozone and, if so, which concrete criteria or specific criterion would you like to be reinforced and why?

2-016
EN **Philippe Lamberts (Verts/ALE). –** *(FR)* Madam Chair, Mr President, you have three undeniable qualities.

Your first quality is, I think, the statesmanship you have demonstrated throughout your term in office. Statesmanship is a virtue that is becoming increasingly rare, especially among many European leaders.

Your second quality is that you have a certain courage to stand up for your beliefs and to avoid waffling and taking sides – except, of course, when your role requires it of you. I appreciate that in leaders, and you have been able to demonstrate that.

The final quality we do not deny you possess is your deep conviction that Europeans have a shared destiny and that they must therefore be equal to that destiny.

Obviously, however, you know that, ideologically, we have often been, and still are, on opposite sides.

For one thing, you place great importance on the independence of the European Central Bank (ECB). You know that we too place great importance on the independence of politics. I think that, too often, you had a tendency to dictate to politicians what appeared to you to be the line to follow. However, that line embodies, rather too much for our taste, what must be called the single mindset. If there is a place – I often say it publicly and it may have got back to you – that is a temple to the single mindset in Europe, it is the headquarters of the ECB.

Two elements will illustrate my point. Firstly, in your discourse and in that of all the representatives of the ECB, when it comes to the sustainability of public finances, the focus is on expenditure cuts. We never hear you talk about revenues. Secondly, when you talk of the competitive position of the Member States, you are obsessed by one factor: salaries. It is as if the only way to balance public finances is by cutting expenditure and the only way to be competitive is by finally aligning salaries to the lowest bid.

These choices result in the weakest in society having to bear the burden of the inevitable adjustment of Europe. That is, of course, an approach we cannot go along with. We think there are several ways of looking at the economy, that there are several ways of conducting economic policy, and that social cohesion is part of European identity.

I have one very simple question. Do you think you made a mistake along the way? You brilliantly illustrated the achievements of the ECB. I think it is also possible not to be 100% perfect.

I would, however, like to give you a gift. We think, as I said earlier, that there is not just one way of looking at the economy and of acting politically to regulate it. A different way of thinking about things is illustrated in a work by Tim Jackson called 'Prosperity without Growth', which reminds us that infinite growth in a materially finite world is impossible. That is an engineer speaking, not an economist. It gives me great pleasure to offer you that book.

2-017

EN **Jürgen Klute (GUE/NGL).** – *(DE)* Madam Chair, Mr Trichet, I am speaking on behalf of the Confederal Group of the European United Left – Nordic Green Left and there is little doubt that we differ on many issues in everyday politics. Nonetheless, I would like to thank you very much for your work. Despite all our political differences, there is no disputing the quality of your work and your expertise. In the two-and-a-half years I have been a Member of this House, I have learned to appreciate the level of cooperation and debate here in this committee. I found this to be an excellent opportunity to discuss our differing positions. I certainly feel a certain amount of personal admiration for the way in which you have always followed a consistent line in your public statements. You have been subjected to a lot of public attack and have always displayed courage in such situations. I must say that this has earned my greatest respect.

As a left-wing group, we have often had different expectations with regard to the function of the ECB. However, we intend to continue to work on this issue and will certainly endeavour to remain in dialogue with your successor. Otherwise, before I come to my questions, I would like to wish you all the best, both personally and in your continued activities on behalf of the EU, after you step down as President of the ECB.

I would then like to turn to two questions. We have heard a great deal of criticism from my country, Germany, in relation to the policy of the ECB and, indirectly at least, in relation to you yourself. Mr Stark has stepped down as chief economist and Mr Weber, who was originally mooted as your successor, has also withdrawn. The reason in both cases was that the currency stability for which the European Central Bank stands, is no longer being adequately pursued by the ECB, that majority support has changed and there is an overriding fear that the Southern European countries will no longer pursue a policy of currency stability as practised in Germany in particular. I should be interested to hear your position on this. what would you say to the citizens of Germany, how would you reply?

Another related question: in view of the development that we now face, is it not about time that we started offering something like public loans at EU level? This is certainly a policy of the left in my country. In yesterday's discussion of the ECB report by Ramon, however, I saw that this issue is now also being considered by other parties. Again, I would like to hear your position on this.

I have one last question relating to Greece: I do believe that there are numerous areas where reform is necessary in Greece. I come from a country and live in a region – Germany's Ruhr – that has become familiar with major structural change over a number of decades. What I have learned there is that such change must be implemented in a socially responsible way, that it must be organised so that people can adapt to it. This means it needs time. When I read reports about the Troika, which was back in Greece again at the weekend, I get the impression that the experience of structural change in many European countries is simply not given adequate attention. My question in this regard is as follows: what is your opinion on this? Do we not need to give Greece more time to complete these major changes, many of which are demanded with some justification?

2-018

EN **Hans-Peter Martin (NI).** – *(DE)* Madam Chair, Mr Trichet, I have also gone on record several times, expressing how much I appreciate your work and how remarkable your achievements have been. Please permit me to offer two short quotes:

2-019
EN We have to succeed. At stake is not only the stability of one of the world's largest financial systems, but also the support from the over 490 million citizens in the European Union who are watching our efforts very closely. We have counted very heavily on their support for the financial system, and they would not forgive us if we had to do so a second time.'

2-020
EN *(DE)* I am sure you will recognise these words, taken as they were from your speech to the Economist's 2nd City Lecture in December 2009.

Here is a second quote:

2-021
EN This is [always] unprecedented. I am convinced that, if we do not reinforce significantly the resilience of the financial system, our democracies will not accept for a second time such a very large scale of rescue operation.'

2-022
EN *(DE)* In other words, we will not survive a second crisis. We now find ourselves in the middle of a second crisis, however, my wife told me to ask you: when was the last time you got a good night's sleep? How can you possibly sleep at night in view of the present situation? What does it take to wake you from peaceful slumber? She is a member of management at Daimler. I would like to ask you: does the solution to this dramatic situation, which sees us languishing in a second crisis, not actually lie in economic governance, although this demands mandatory referenda in all countries that wish to join or participate in the system – as you yourself outlined as a necessary factor?

2-023
EN **Jean-Claude Trichet,** *President of the European Central Bank***. –** First of all let me say that I am very moved by what has been said by honourable members of the committee. Particularly at the last meeting and at a moment when the worse crisis since World War Two is still there and hitting us, the warm messages that I have received are extremely moving.

Let me try to respond to a number of questions, which are all of course extremely important. To Mr Balz I would say: my own advice would be that the Parliament could play a decisive role in preserving the spirit of Europe and in communicating the spirit of Europe. It is true that in very difficult times there is a tendency to be more inward looking and this is understandable. It is the normal reaction in very difficult times so we have to try to balance this very important tendency to be inward looking and it seems to me that the European Parliament is absolutely decisive.

I can tell you, I can compare permanently all our interlocutors in the ECB; it is there that I see the living spirit of Europe. So if I could encourage you to communicate this spirit as forcefully as possible I think you could do a lot more than what you do, which is already considerable.

As regards the 'non-standard' measures: we are in a situation where we are experiencing the worse crisis since World War Two. It could have been the worst crisis since World War One, had a number of decisions not been taken by central banks within the limit of their responsibilities and governments. I am speaking at a global level. I am not speaking particularly of Europe. These times are very demanding. What we tried to do ourselves was to be as prudent and cautious as possible within the limit of our mandate. I already give you those figures but only for you to have an idea.

All our 'non-standard' measures are designed to help restore a better transmission of our monetary policy. One measure of the 'non-standard' measures is to compare the balance sheets of the Central Bank before the crisis and today. Just to give you two figures, which in my opinion are eloquent, we have a balance sheet which is bigger by 77% in comparison with before the crisis. The Federal Reserve has a balance sheet which is bigger by 226%; 77% compared with 226%. This is just for us to have an idea of what has happened.

I know that in some quarters we are considered to be much too unorthodox, much too dependent on the circumstances and the crisis. We really think, my colleagues and myself, that we have tried to be as cautious, prudent and measured as possible but to be in denial of the fact that we have the worst crisis since World War Two would be, in my opinion, the most terrible mistake we could make. You never gain anything by being in denial. The principle of reality has to be respected.

2-024
EN *(FR)* … simply say that we cannot replace governments. We take a certain number of decisions, 'standard' decisions, if I may call them that, 'non-standard' decisions as well, but we cannot, under any circumstances, replace governments.

We believe that what we are doing is, of course, very important, but it only makes sense if executives, the executive branches of governments themselves, fully assume their responsibilities. If they do not, of course, we cannot be credible. On our own, we are not credible.

That also answers your question, Madam, and also a question about the amount of our own interventions under 'non-standard' measures.

2-025
EN That was a very direct question. As you know, we never said what kind of amount we had in mind, but every week we publish fully and transparently our interventions. You can see what we have done since the start of the SMP programme.

Let me just say that what we decided took into account the decision of the executive branches of the governments to permit the EFSF to intervene in the secondary market. We reactivated the SMP in August with this in mind: that the governments had said themselves that they would have the capacity to intervene in the market. Of course this was absolutely decisive in our decision.

2-026
EN *(FR)* As regards the Greek private sector involvement programme, I do not want to speak for the European Central Bank (ECB), because it is a decision that was taken by governments. It is an agreement that was negotiated, or pre-negotiated, by them. I believe it is entirely their responsibility to manage the situation in line with what we said ourselves, that is to say no default, no credit event. We asked them – if you remember – to take a number of decisions so that we, the ECB, could protect ourselves. However, it is a decision of governments and so the question must be put to them.

I really appreciate the good advice of Ms Goulard. I would like to assure her that I am going to take advantage of sea salt and iodine, which I very much enjoy in our dear French Brittany.

2-027
EN As you know the similarity of denomination and regions between the UK and French Brittany is very strong. We have Cornouailles; we have many places which have the same names because Brittany was populated by the Bretons coming from Great Britain.

I had a question on the letters also. Every month in the Euro Group my colleagues and myself are required to send messages to governments and some messages from time to time are quite clear. For instance, for six years I have been waiving the evolution of unique labour costs in a number of countries. You will not be surprised to learn that it is in the countries where we had a high loss of competitiveness, that we had the most problems.

We are required to send messages as part of the very functioning of the Euro Group, by the interaction between the Commission, the ECB and the governments; so all I can say is that in very difficult circumstances, in a period of acute tension, we did not negotiate with anybody. It is not our responsibility. We sent messages which were fully in line with what we had said before and which were not surprising in any respect. They were our usual messages.

Then I come to a question which is very important: are we ourselves in the service of all the people of Europe? I would say that is not a question of the personal attitude of the President of the ECB; it is a question for the full body of the ECB Governing Council. We all belong to all sensitivities. We are guarding the currencies for all citizens whatever their sensitivity. My colleagues and myself have a very profound sense that, if our democracies have asked us to maintain price stability, it is in particular because price stability is very important for the weakest in our population, for the poorest who can least protect themselves against turbulences, inflation, the difficulty of the times.

When we look at the surveys and polls I can tell you it is the weakest and poorest segment of the population which is asking most for price stability. They are telling us that we do not do enough, even if we ourselves feel that what we are delivering is not bad because it is better than what has been done over the last 50 years.

2-028
EN *(FR)* I would like to emphasise that we are keenly aware that we are the guardians of the currency on behalf of, I stress, all our citizens. We do not feel that we are a temple to the single mindset. Once again, we reflect all the sensitivities you can imagine. Simply, we are in a special situation, which leads us to take positions, including on competitiveness, which may appear to some to be somewhat unilateral.

Look at where we are today. I do not want to commend any particular country, but those that have maintained their competitiveness are now in a situation where they have continued to reduce their unemployment since the start of the crisis. This decrease is linked to enhanced competitiveness. I just wanted to mention that in passing.

We are, however, keenly aware that social cohesion is essential and we are also keenly aware that it is based on a credible currency, whose credibility and ability to retain its value are not in question

2-029
EN To the Honourable Member of Parliament who asked what I would change in the Maastricht criteria to get in the euro area, I would say that the major problem – and of course this is addressed by the 'six pack' that you have decided – is to formidably reinforce governance and surveillance inside the euro area once you are in. One of the major problems we had was that there was a control at the time of entry into the euro area and then a kind of laxism once you were in. This seems very important to me. Of course another element –which is not a change in the Maastricht criteria, but a change in the spirit of meeting the Maastricht criteria – is that the stock of debt, and not only the annual debt, is very important.

Am I taking too long? I will be as quick as possible.

As regards some of the remarks which were made, particularly in criticising what we are doing because we were not sufficiently accommodating, as well as the criticism that we are too accommodating or too unorthodox, I have already responded in comparing what was done here and there. All the decisions that we take are designed to maintain the sense of direction – we know where we are going in the medium term – and to take into account the situation as it is in terms of the transmission of our monetary policy. This is really fundamental for the Governing Council.

We have given a benchmark since the very beginning. We gave our definition of price stability. We said that it was less than 2%, close to 2%, and we are judged on our own results: 2.01% over 13 years, better than the previous 50 years. When I look at inflation expectations and when I extract from the markets what they expect from us in the next ten years, to give you exact figures that they foresee in the second five-year period of the future ten-year period – so five years forward – they give us 1.8% inflation. This is line with our definition of price stability.

2-030
EN **José Manuel García-Margallo y Marfil (PPE).** – *(ES)* Mr Trichet, two unusual things are happening here.

Firstly, we are hearing such heartfelt praise when somebody is leaving. Normally we only hear that when people join, not when they leave.

The second unusual thing is that an abbot, in full possession of his mental faculties, should be forced to give up the cloth and be able to say what he had to keep quiet about while he was head of the monastery.

The truth is that we are now facing a catastrophic situation in the economic and monetary union. The three principles we believed in – no bail out, no default, no exit – have gone out the window, and the answer we are hearing from other sources is that we should move towards fiscal union; that is what the President of the European Council said.

He said that, but not a great deal more. Apart from the establishment of a European finance minister to which you have already made reference, now that you are leaving, Mr Trichet, how do you envisage that fiscal union?

This is a closely guarded secret: do you or do you not like Eurobonds? Would you like to see a 'Marshall Plan'? Would you like the European Investment Bank to have more power? Do you envisage other specific projects to manage growth?

In short, how would you flesh out the term 'fiscal union', which is still rather vague?

2-031
EN **Antolín Sánchez Presedo (S&D).** – *(ES)* Mr Trichet, I am also from a Celtic region – in this case, in Spain.

In my view, your Presidency can be defined by three qualities. You have been, and still are, pro-European, independent and courageous.

You have been, and still are, a Europeanist. You believe that the euro is part of our shared destiny. You are always independent: you have never seen yourself as an official from any particular institution, but rather the president of an institution that should act independently; at the same time, you have shown courage when facing those who wanted to neutralise the role of the European Central Bank (ECB).

I am therefore going to ask you three questions: firstly, when are you going to write your memoirs? I think that, coming from a Europeanist, they would make for useful reading.

Secondly, do you believe that the ECB is in a position to grow and take on new tasks?

My third question, Mr Trichet, is this: have you often felt isolated, and do you consider that the policy mix in the economic and monetary union should be shared with a fiscal authority and have increased social dialogue?

2-032
EN **Wolf Klinz (ALDE).** – *(DE)* Madam Chair, Mr Trichet, I would also have preferred it if you could have left us in less difficult times. I can imagine that it is a little unsatisfactory for you to have to give up your office at this particular point.

I would like to make two points: a lot of people have grave concerns for the euro at present. Of course there is you yourself – that is quite clear – then we have the Euro Group President. Mr Juncker, the rotating Council Presidency, the Polish Finance Minister, Commissioner Rehn, then Mr van Rompuy, our economic minder, the German and French Finance Ministers, etc. – the list goes on and on. Would it not make more sense to have one strong Commissioner, who would embody all of these functions – excepting yours, of course as the ECB must be retained – and who would chair the meetings of the finance ministers regularly every month, fulfilling all of these functions and also representing the euro monetary union on an international level?

Secondly: if the situation continues to remain critical, could you imagine that the ECB might someday become the lender of last resort – without any quantitative limit?

2-033
EN **Ivo Strejček (ECR). –** Mr President, do you think that the ECB's mandate should on a permanent basis be enlarged beyond price stability to allow it to exercise in full transparency the role of lender of last resort for the eurozone or the EU as a whole and in this context how do you see the future interaction between the European Central Bank and the EFSF?

2-034
EN **Jean-Claude Trichet,** *President of the European Central Bank***. –** First of all, I want to restate that it is extremely important that we continue to have the rules and regulations implemented for the financial sector because I did not mention previously how important it is that we consider that it is not business as usual and in the financial sector we really have to make it more resilient. This is my first point.

The second point: all advanced economies have had a very big wake-up call. We have all had a wake-up call:

the US has had a wake-up call, Japan has had a wake-up call and we in Europe have a wake-up call. Let us not be surprised that our wake-up call is concentrating on our governance because it was our weak point and we knew that from the very beginning.

The US and Japan have enormous problems in terms of medium- and long-term strategy but paradoxically we in Europe are better on the overall fundamentals than the US and Japan, but we have a very big issue of governance. We have to improve considerably but I know we are in full agreement with the Parliament on that.

On the euro: the euro as a currency is a credible and solid currency backed by very credible fundamentals. When we speak of the present crisis, it is the crisis of sovereign signature; it is the crisis of financial stability; it calls for preserving and restoring financial stability. However, the euro as a currency has kept its value over the last 13 years and is credible to keep its value over the next 10 years.

The Swiss franc has decided to have an asymmetric peg with the euro at this moment in time; these are not things that could be neglected so it is very important to make the distinction between the euro itself and the present crisis we have to cope with. That is for Mr Klinz, as well as other remarks.

Lender of last resort: I think we performed a very important function when we decided that we would supply liquidity on an unlimited balance at a fixed rate to those commercial banks that have eligible collateral. You name it as you want; this is something extremely important that we decided in the crisis. It was even the first decision taken in the crisis – as early as August 2007 – the decision to be able to engage in full allotment at a fixed rate. I do not want to insist more on that but this is something which has been a little bit underestimated because it has not been criticised at all.

The paradox is that what is not criticised is practically invisible but this is the most important by far of the 'non-standard' measures which we are taking. I would not call for any change of the ECB mandate at this stage. Of course we considered it extremely important that the Parliament decided to ask the ECB to back the ESRB but that is another story.

2-035
EN **Pascal Canfin (Verts/ALE). –** *(FR)* Mr Trichet, you have not answered the question. Have you sent a letter to the Spanish Government? I am giving you a second chance to answer.

I will add another question about the letters. You have just referred to the fact that, for three years now, many European banks have, to some extent, been drip-fed liquidity by the European Central Bank (ECB). Have you sent letters to the governors of those banks asking them to modify their practices, since you are helping them and since, when you help a State, you ask, quite rightly I stress, for counterparties? If you have not done so, why not? Why do you treat banks differently from States?

2-036
EN **Astrid Lulling (PPE). –** *(FR)* Madam Chair, Mr President, you were right to draw attention to the warnings you gave eight years ago and to the fact that you sounded the alarm five years ago regarding the risk of the credibility of the Stability and Growth Pact being undermined.

I would like to remind you of the reservations you expressed concerning the introduction of a tax on financial transactions in Europe. You repeatedly explained your opposition in terms of the risk of financial transactions going offshore. Yet the European Commission has just proposed a text calling for all financial institutions established in Europe to be taxed, irrespective of whether they carry out their transactions within the European Union or in third countries.

Before addressing the issue of the appropriateness of that process, Mr President, do you think it is technically feasible and would amendments to the directive of varying significance be likely to make you change your opinion on the merits of the issue? I think it is important that you answer that question.

I asked you a second question. In the context of the debates on the European Financial Stability Facility (EFSF), many are calling for a substantial increase in the resources placed at its disposal. Do you think this increase in resources is necessary given the latest developments? Should it be accompanied by the option to purchase national debt securities of States in difficulty?

Mr President, at a purely technical level, I should like to know the difference between a purchase made by the European Central Bank (ECB) and a purchase that would be made by the EFSF. Is it the same thing technically? Does the ECB not in fact have greater resources for those types of transactions, should they prove necessary?

2-037
EN **Elisa Ferreira (S&D).** – *(PT)* Madam Chair, in spite of its efforts, the euro area is in a vicious cycle. The banks in crisis oblige Member States to intervene, so weakening that country. Meanwhile, the sovereign debt crisis weakens the banks directly or indirectly exposed to that debt. Once weakened, however, it falls to whichever governments are able to save them.

Breaking out of this vicious cycle requires urgent measures. As far as we can see, we at least need a European framework for managing the banks crisis, avoiding doing so with national-level taxation, as far as is possible. Secondly, we need some structured means of managing sovereign debt, isolating it from the explosion in interest rates and from speculative attacks. We can call them 'Eurobonds'; we can call them 'security bonds'; we can call them whatever we want. The

absence of these initiatives leaves the European Central Bank (ECB) … The ECB risks to be trapped between banks too big to fail and countries that are also too big to fail.

2-038
EN *(FR)* Mr President, you have been a brave president. Can I ask that when it is time for you to step down, you would still demonstrate your courage by taking initiatives that can only be taken by someone with your reputation and experience and that can lead us away from this never-ending vicious circle?

2-039
EN **Diogo Feio (PPE).** – *(PT)* Madam Chair, I recently had the opportunity to hear an interview with President Cavaco Silva of Portugal, who was advocating unlimited integration of the European Central Bank (ECB), in order to support any countries with liquidity problems. He gave the example of buying whatever of Italy's public debt were necessary to reduce interest rates to a reasonable level. The President of Portugal advocated making the ECB the last resort lender. I should like to know your opinion on the possibility of the ECB being the last resort lender. Do you consider it reasonable in theory? Would it mean that the markets would come to the understanding that there is no risk of default and start buying the debt of the countries in difficulty?

Secondly, Mr Trichet, I should like to know whether you think debate in Europe has been focused excessively on the problems. Is it not also important to stress that in Portugal and Ireland, for example, the memoranda programmes are being observed, and that this means the prospects for those countries are good?

I should like to conclude, Mr Trichet, by thanking you warmly, as a Member of the European Parliament and as a European citizen.

2-040
EN **Jean-Claude Trichet,** *President of the European Central Bank***.** – *(FR)* On the question of the letters, on the one hand, and the banks, on the other, let me repeat very clearly: we consulted with governments, collectively and individually, on very many occasions.

There has been a constant stream of messages passing between us and all governments. We do not dictate anything to them. We are not in a position to impose anything on them. We give them our messages, express our opinions and our feelings. They do with them as they wish, within the framework, of course, of the functioning of their democracy. This is visible and objective.

As for the banks, we have said to them all along that there is no going back to business as usual. They must drastically change their rules of operation, because the system was much too vulnerable. If you wish, I could send you numerous quotes, speeches, texts and articles which show that we are not indulgent towards the banks. Moreover, we regularly tell them to put aside the money they earn to strengthen their capital basis and to enable them to lend. We tell them not to become involved in compensation systems that our democracies rightly no longer accept and to ensure that they can do their job.

This is work in progress not only at a national and European level but also at a global level. I should point out that the European Central Bank (ECB) has been extremely active in all its international transactions to ensure that we have a system that is much more robust and much more resilient.

As regards the tax on financial transactions, you are aware of the position of the Governing Council, which is that, if we drive the financial transactions in question out of Europe – Sweden's experience in this regard has been particularly unfortunate – we will not be moving in the right direction. We are therefore asking for the tax to be negotiated at a global level to ensure that it does not create a particular handicap for Europe. We give advice: we do not, of course, replace anyone.

2-041
EN As regards the eurobonds and the EFSF more generally, all that is in the hands of governments to manage the situation. For us it is their responsibility to be able to face up to the worse crisis since World War Two and they have to realise where we stand.

Again I think the worst thing would be absence of lucidity; we must be lucid. We are coping with the worse crisis since World War Two; a crisis which is hitting both the private sector and the public sector and we are the epicentre of this global crisis so we have to accept that. All authorities must own up to their responsibilities; that being said, a number of decisions were taken on 21 July; they have to go through all democracies in Europe; that process is not over and it seems to be that it is extremely important that it goes through all Parliament's decision-making processes which are, of course, all democratic decision-making processes.

On the concept of lender of last resort, I have already mentioned as regards the banks what we have done in terms of this 'non-standard' measure which is not challenged at all, which is fully accepted. It is the most important 'non-standard' measure that we take and it is very clear.

As regards the governments, we consider that it is their responsibility individually and collectively to ensure financial stability. It is the way Europe has been constructed, it is the way it seems to all of us that we must proceed and if it is not done by governments it will not be credible in any case. All that we are doing ourselves is, when we have a problem of monetary policy transmission, we do not intervene for financial stability reasons. We consider that this is the responsibility of governments but, when we have a problem of transmission of our monetary policy, we might intervene. We are doing that at the moment on the basis of the fact that governments are committed to do

the job and they are committed to do the job as in the decision of 21 July.

2-042
EN **Chair. –** I think we need the ECB there as an *éminence grise* all of the time.

2-043
EN **Pervenche Berès (S&D).** – *(FR)* Madam Chair, you have talked about the years of cooperation with President Trichet. I am also glad to see that Ms Christa Randzio-Plath, who was the first President whom you got to know, is here with us today.

The Central Bank's mandate, such as you have interpreted it, such as it is written, in its strict definition, is price stability. I believe that, from this point of view, you are satisfied with your mandate's track record. Yet when we look at the situation regarding employment, when we look at the situation from the point of view of our banks' ability to finance the real economy, there is evidently something that has not worked.

Does that mean that everyone was wrong except the Central Bank? Or does it mean that the Central Bank's mandate needs to be changed? How can and should the Central Bank help achieve a situation whereby complying with price stability results in a more satisfactory macroeconomic situation than the current one?

You have said how much recent developments have led us to think about steps forward for the future. You have mentioned potential support for the proposal that we drew up within the Crisis Committee, namely that of introducing a 'Mr Euro' who, in our view, should be rooted in the Commission. You call him or her 'Finance Minister', whereas I would prefer 'Minister for Economic Affairs', but that is not that we are here to discuss.

Behind this, there is a challenge regarding the euro area, which is an area of 'joint and several liability'. To carry out this duty, the Central Bank has within it an Executive Board made up of members from the euro area countries. Would you contemplate members of the Executive Board being nationals of countries outside the euro area?

Within the Council, the Euro Group, whose powers have been increased by the Treaty of Lisbon, only includes countries that are member of the euro area. Going forward, how do you see these different layers of governance working together? In response, what can the European Parliament do to ensure that economic governance is based on parliamentary legitimacy?

2-044
EN **Rodi Kratsa-Tsagaropoulou (PPE).** – *(EL)* Mr President, allow me first of all to thank you for your cooperation with our committee, for your support for the stability of the euro and, most of all, for your support in connection with the problem faced by certain countries, such as my country, Greece, and then to say how proud I felt as a European in Washington that your work is so widely recognised and that you are so highly regarded in the international financial community, as I had the opportunity of finding out at the farewell dinner.

I come now to my question, which has to do with your job of maintaining price stability and last month's increase in inflation. According to Eurostat figures, inflation rose from 2.5% to 3%, with Germany recording the biggest increase. I point this out, because oil prices dropped last month. Bearing in mind this increase in inflation and the need for liquidity and recovery, are you considering the possibility of reducing interest rates? Would you propose a reduction in interest rates?

2-045
EN **Werner Langen (PPE).** – *(DE)* Madam Chair, Mr President, you have enjoyed a truly successful period in office. The career path from *Directeur du Trésor* with authority to issue directives, to Governor of the Banque de France and then to the independent President of the European Central Bank is a splendid example of the positive development of economic and monetary policy in Europe. Now, at the end of your successful period in office, you still have a few problems of varying importance on your desk.

My questions relate to what advice you have for us and for your successors – Ms Berès has already touched on this. Unlike Ms Berès, I would not seek to change the mandate, but would like to ask if there are any instruments that the European Central Bank would need in future that you would recommend – I am thinking, for example of the debate on buying up government bonds?

Secondly: do you believe that the rescue fund requires a bank license to be able to refinance itself with support from the European Central Bank? Perhaps other credit levers are required?

Thirdly: do you believe that we might succeed in reducing the bloated financial market in a healthy way, so that the relationship between internationally active banks and national liability and responsibility is once again more aligned and so that the banking sector comes to see itself once again as a service provider to real economic development? The Irish example demonstrates this need dramatically. What advice would you give?

Finally, once again I would like to thank you for holding a steady course despite massive resistance.

2-046
EN **Jean-Claude Trichet,** *President of the European Central Bank. – (FR)* To Ms Berès, I would say that price stability is a necessary condition for the economic success of sustainable growth in the medium term and for creating employment. In itself, it is not sufficient. Admittedly, if there had not been price stability, in our analysis, we would have been worse off. However, just because there is price stability does not guarantee total success, because there are other requirements, such as budgetary wisdom, wisdom regarding competitiveness and also, of course, the necessary structural reforms.

Nevertheless, let us not be ashamed of Europe! We have created roughly 14 million jobs in the euro area since the euro was introduced. The United States created around 8 million. We must bear that in mind when comparing what is comparable, that is to say two economies of approximately equivalent size.

With respect to the Executive Board of the European Central Bank, it is of course up to the governments to decide who the members are. According to the Treaty, this is their responsibility. I would point out that the European Central Bank is an institution comprising the 27, an institution of the EU as a whole. The Governing Council of the Bank comprises its Vice-President, its President and all the governors of the 27 central banks. I would also point out that our staff is made up of all 27 nationalities. There is no discrimination between nationalities when it comes to those working for the European Central Bank.

Concerning the question on price stability and on who is responsible for the recent price rises that we have seen, I do not think we can say that Germany is the country that saw the highest increases. Other countries have recorded large increases. This phenomenon is explained by the repercussions of the rise in oil and energy prices.

With regard to the questions on the central banks generally and on the future of the European Central Bank, I believe it is very important that the latter retains its stability mandate within the context of being independent and of a medium-term vision, which is that of the central banks. This anchoring in stability, independence and medium to long-term perspective has been considered important in helping to prevent systemic risk. As you know, on both sides of the Atlantic, the Federal Reserve and the European Central Bank were considered useful in supporting the new entities that were created to prevent systemic risk.

This architecture is the one you wanted. It is, if I may say so, a product of Parliament. We are trying to prove equal to what you are asking us to do. I think it is very important that we carry on working towards this. This does not mean that the Central Bank becomes responsible for something new. This is about a new entity which is supported, as it were, by the Central Bank.

I am not in favour of bail-out funds being refinanced by the European Central Bank. It seems to me that in this case, there is a confusion of responsibilities.

Finally, I believe that we are exactly in the middle of the ford.

2-047
EN **President. –** Jean-Claude, thank you very much. If colleagues will bear with me for a few moments I have just got a few words to say and a small gift. As I said, this is almost your last occasion in the Parliament. You have, as you have said, done 35 monetary dialogues; you have also joined us on several other specific occasions for particular debates.

The monetary dialogue is very important as it is where we have the opportunity to hold you, the President of the ECB, to account in public. You have always treated this dialogue with great respect, to the benefit of both our institutions. We have asked you many questions; sometimes not directly on your remit and we and the public have benefited from hearing your views. You have not shrunk from difficult questions and this includes in the context of the financial crisis, now the sovereign debt crisis.

During this mandate, as you mentioned yourself, you have also discussed with us the two big legislative packages on supervisory architecture and economic governance and in both instances we have had common ground with you of high ambition for European integration. You and I have also shared many conference panels and informal Ecofin exchanges, I think I can say without falling out and quite often sharing some hard truths and common ideas, which includes the importance of a Europe beyond the eurozone: a Europe of the 27.

I am told that one of your favourite authors is La Rochefoucauld and he said that great minds have the faculty of saying a great deal in a few words and you have displayed that talent I think very well just now, also in the knowledge that your remarks will be scrutinised, which makes the task even more formidable.

So to mark the occasion of this final monetary dialogue with you and to remind you of the fruitful discussions that we have had, I am going to present you with this Chair's gavel or hammer, which is engraved with some details, including the date of this meeting. I hope it gives you good memories and not the feeling of having been too much under the hammer.

(Applause)

2-048
EN **Jean-Claude Trichet,** *President of the European Central Bank***. –** Madam Chair, I am very moved. I can see the heart of Europe beating here in your committee. When I reflect on past years, I sometimes had the feeling that we were both a little isolated – the Commission and the Parliament on the one hand and us on the other hand – at a very difficult time when the spirit of Europe needed to be revived a little.

I am extraordinarily grateful to you personally, Ms Bowles, for this gift, which is very moving. I must also say that I am very moved that we have here Pervenche Berès and Christa Randzio-Plath because I have a lot of memories of this continuity. I also note that these three ladies been at the heart of the spirit of Europe.

(Applause)

I would like to thank the Chair, Ms Bowles, for her kindness and her nice words and also honourable Members of Parliament for their kindness. I am leaving you with a great deal of gratitude for your kind words. Thank you very much.

(Applause)

2-049
EN *(The meeting closed at 16.50)*