



Unedited Transcript

Brussels Economic Forum 2017 Comments by Adam S. Posen

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Adam Posen: Thank you Niko, I'm honored to be included with the distinguished ministers and commissioner. I think this is exactly the right jumping off point. To twist on Commissioner Moscovici's invocation of Monet's euro moves through crisis, it is a benefit that the threat has shifted from internal economic danger to external foreign policy danger.

This is an opportunity for Europe to rally around against the evils that surround it and to stand by its values, and that should be seen in the economic policy. And this is something historically for nations within Europe and throughout the world, that external threat becomes a rallying cry and a chance to build the state.

And let me be very clear, we should be in Europe doing exactly what was the British newspapers' nightmare now that the Brits are out, which is building a true European state. And I want to commend DG ECFIN, although they would never say this is their intent, I want to commend Marco Buti, the team at DG ECFIN, Commissioner Moscovici, because they were doing the smart technocratic important steps to make the Euro area work better to make the monetary and economic union work better.

And we've seen in the U.S. the kind of disaster when you don't have a permanent civil service at the center and reality gets ignored, like the farce with the U.S. health-care proposals and the U.S. budget that the Trump Administration has done, having no good technical advisors, having no serious working papers, having no vision. And so again, I commend the Commission and DG ECFIN for doing all that for Europe.

But I do want to go beyond the Reflection Paper. Because it is true that Europe is now surrounded by anti-democratic forces in Turkey, in Russia, unfortunately on the southern end of the Med in many places, in the little Englishish transformation of the UK, and of course as George Sorrow said, and I largely agree with him, in the farce of democracy while you start putting in a corrupt and bullying state.

And so this is the opportunity for Europe to say in comparison, we have much more to offer our citizens and much more to offer the world, we are succeeding economically and it's not just because of the ECB. We are succeeding economically because we have real productivity, real stuff to trade, real unification. So what does that mean going forward? This is where I differ slightly from my friend Pierre, and pick up on some of the things Peter Carlos, but as a non-official, I can be more forceful.

People want results. To the degree he populism in Europe, which thankfully has crested and all credit to the people of Europe who voted against the fascists, the degree that those people are persuadable and are not simply motivated, those people being the fascist voters, are not simply motivated by hatred and racism. It will be by results.

And frankly, the creation of a European treasury minister, a European budget, these are all forms, these are not results. And it's perfectly understandable why the people in Brussels emphasize that, and the heads of state emphasize that, but you have to have at the same time the vision of what will deliver results. And this is where I pick up on Pierre Carlos' statement about unemployment in a monetary union.

And so the things you've got to think about, in addition to doing all the right technocratic things that are in the Reflection Paper, are things like actively getting the youth unemployed of Southern Europe employed elsewhere in Europe. Don't worry about an unemployment benefit for the future, worry about a program that directly moves and utilizes those people.

When we look about the unified foreign policy, don't worry about the fact that the EU has a foreign minister or is represented unified at the IMF or whatever, no average citizen cares about that. Start building a European military capability, because frankly the NATO guarantee as Chancellor Merkel has pointed out, is sadly and stupidly being eroded.

Do things that demonstrate to the active European people that there is something positive to Europe. All the wonderful things that are in the Reflection Paper as a technocrat, as a former central banker, I commend and I'm in favor of most of them, and many of my colleagues at Peterson have written things similar or contributed. We want this to happen. But that's not going to buy you the popularity, the legitimacy, the democratic approval, the strong European sense of state that we need in the world and for Europe.

And so you need things that are more deliverable. Now that may be the white paper of the Presidents, it may be something more than the Reflection Paper, which needs to go. But you have to include that, and you have to be thinking about that. And even in banking union, to take an

example, if there could be more forceful prosecution of banking malfeasance than we had in Western Europe and in the U.S., if there can be direct challenges to the national champions, the entrenched incumbents, the three distinguished people on my right all have countries where their economies have suffered from protected national champions, and protected national banks. That's a demonstrable step, which the capabilities of the single supervisory mechanism and the banking union can make happen, so make an example. Make it tangible to the European People.

And finally, and please I will stop here, and I'm even going to check my notes on this. I said to Marco Buti and friends last night, one of the curses of the technocrat is you never get credit for preventing bad things from happening. If you're a technocrat, that's usually your main goal. And I view the Reflection Paper as a very wise way of trying to prevent the next round of bad things from happening to the Euro area. But for Europe to advance in this hostile external environment, it needs to have a positive agenda as well.

And these technocratic things are positive in substantive economic terms, but they're not as symbolically large and as individual focused as they could be, or as they should be complimented with. Thank you.

Niko Sholoras: Thank you. I would also like to ask Commissioner Moscovici if he wants to weigh in on the issues that are raised and also I would like to ask you if you have any reaction from member states so far in the Paper? And whether it was positive, negative, and yeah.

Minister Moscovici: Well we didn't have yet, any reaction from member states. The Paper was released yesterday; the press release I would say is correct. But again, we didn't want to have a provocative paper, we wanted to play our role of honest broker. And again, we wanted to have a paper, which is at the same time with an angle, we need to fight for convergence to create the tools for growth and to have a more democratic governance.

But also in a balanced manner. In the balanced manner this balance between risk sharing and risk reduction. Again, to oppose them would be absurd. The balance between solidarity and responsibility, to oppose them would also be absurd. And so I hope that it is a useful paper, open to debate.

My reaction would be to Adam, to be very much in agreement with what he said because it is a political paper, let's say it. We have our limitations as an institution. The Reflection Paper is not a white paper. If you may remember at the beginning, the Five Presidents report was supposed to give birth to a white paper on EMU. But finally after the Brexit, the president of the Commission, you know, Juncker, decided to transform it

into a white paper of a wider ambition. And that's the white paper about the future of Europe.

So we are declining the options of the white paper in this reflection note. But yes, I'm very conscious that we must not move only through creating institutions through a better democracy or through tools. We have a goal. We have an objective. We have a target. It's obviously to create more growth, more jobs, and to reduce inequalities, that's another way to call divergence. Convergence is about that, it's about fairness, it's about justice, and I'm truly convinced because the Commission is a politician, and still a politician even if it's in another function than the member of Parliament or member of Government, that the best way to fight populism, and to defeat populism, are results.

And the institutions, the tools we design, we propose, are made for that. This commission assumes that it is a political commission, that doesn't mean politicized commission. That means that yes, we are ready to take political decisions when we discuss with the Belgian Government, the Italian Government, the French Government about budgets, we have different views than our predecessors. We include flexibility in that because we think that sanction is not the best way to convince member states to have reforms or to reduce their deficits. But that we must act through dialogue and through incentives.

And here Jean-Claude Juncker would certainly agree that we are an anti-populist commission. And what is the fruit for populism. It's the fact that a lot of people perceive those who vote for who you call the fascist, the extreme right in France for example, I've been elected for twenty years as an NP in a part of France which voted forty-eight percent for Marion Le Pen in the last election, why so.

Workers from automobile industry and social, well of course some of them are extreme right, racist, fascist, not all of them. Far from that. They feel that they are losers from globalization and that Europe is not standing in their camp. I'm quite sure that if we are capable of showing them that Europe is not protectionist, but protects them, that Europe as a democratic accountability, as that Europe has the tools to create more jobs and growth, to make them move in the camp of the winners of globalization, then populism will get down.

So it is an anti-populist paper, not in a technocratic way I hope, so not too technocratic, but in a technical way. But those tools are here to serve a purpose, clearly. And this purpose is to reduce inequalities, to create jobs, and finally, to defeat populism.

Niko Sholoras:

You mentioned populism and that's a good opportunity to ask the two ministers about the threat of populism, if there is such a threat of populism

anymore, or whether populism has suffered decisive defeat. Some say, well again, the pessimist view is that you know, the biggest risk ahead as we plan this vision for the future of the Euro area, is political inertia, political resistance to reforms. And neither Belgium nor Italy nor certainly not my country, Greece, has been a stranger to political inertia or populism. So how do you see the battle between pro-European forces and populism unfolding in the next months and years?

Johan Van Overtveldt: Well I think the Dutch and French election results were certainly from a democratic point of view, a huge victory for the countries themselves, for Europe. Now we have of course, German and Italian elections coming up. But I think even, if also these elections turn out to have the good results in the democratic way, we should not go back to a kind of laid back attitude that the worst is over, and that we can continue with business as usual.

That would be a huge mistake. Because there's, of course, a kind of feeding of these populist sentiments that are real and that they do not go away with a positive election result. I mean, positive election results for the democratic forces. So we should really be very careful about becoming too enthusiastic, we should keep our hands on the job, and the job is like Commissioner Moscovici indicated, we should get results.

And we should also explain much better to our citizens what Europe is all about. And I think with respect to what we did in the past, one of the major mistakes I think, that was made certainly in my country, was that we, and I exaggerate a little bit now, that we tended to point to Europe whenever we had to do unpleasant things. Whenever we have to reduce the budget deficit, or we had to put an end to certain practices that the Commission, given its focus on competition and the treaties, oblige us to.

Very often it was said we need to do this, because Europe asks us to do it, or because Europe imposes us to do. Whereas, the real issue was of course, the fact that most of the time, these were practices that you needed to change. And of course you needed to try to get your budget under control. Sorry, Mr. Moscovici, whatever the European Commission says, that's purely an obligation, vis à vis, your own country, vis à vis, next generations.

And I think we should stop using Europe as a kind of scapegoat for the responsibility for the things that needed to be done. I think that's very important.

Niko Sholoras: Minister Padilla unless you want to make a comment on populism, I would like to turn to a question about the Italian banks and their future of the banking union. My previous question was about the importance of public finances, but some say that the risk, the real risk for weaker

countries is that potential spillover effects in their economy from the state of their banking system. And that overhand, probably back from the years of the crisis, has not been resolved yet. And not enough decisive steps have been taken to tackle the problem for non-performing loans. So what I was wondering was what's your response?

Pier Carlo Padoan: Yes, wherever I go, I get questions about public debt and banks. But I'm used to it. But before I come to that, I have a slide, if that can be put on the screen. Let me say one thing about populism. First of all, let me join those who underlined that Macron's victory on a European program, is an exceptional result for Europe, not just for France. It shows very practically, that you can win elections by arguing that things can be done in Europe, and without necessarily just saying no.

One element, one typical element of a populist approach is to say no, and nothing else. To say, I don't like this. And I promise you something I cannot delivery, but just, I don't like what you're doing. So this is extremely important. Which calls upon politicians, technocrats, intellectuals, public opinion, to be more serious about understanding what the need is and how you provide practical solutions.

This may not win the headlines sometimes. But this is where we need to go. There is a narrow path in politics, and not just in economics. Now let me come to the NPL's. One story you keep saying, you keep hearing is Italy's public debt is huge. My answer is, as I try to show, yes it is huge. But it's now adjusting, it's going down. And in other countries, it's not. But this is not my point.

The other point you hear very often is the Italian banking system is a crisis spot for the rest of Europe. And this is because it has a huge amount of non-performing loans on banks' balance sheets, and nothing is being done about them. So this is simply not the case. First of all, my first diagram there shows that NPL's both as bad loans, net of provisions, or bad loans, not just NPL's, but also bad loans, have been beginning to go down after having accumulated for a long time.

Why have they accumulated? Well because again, this has been the result of a huge recession. You see very clearly that NPL's, that net bad loans as a share of total loans, have been going inversely with GDP growth. And as the Recession has brought down GDP, this has generated an increase in bad loans because in a bank-centric economy like Italy, which relies by a large, a huge amount on credit as a form, or as an instrument of financing activity, if activity goes down, then companies stop paying their debts to banks and banks accumulate those loans.

Now the issue is, there are two issues here. One, is this being addressed? And is this being a source of fragility? The answer is it is being addressed

and you're beginning to see that, that as growth resumes first of all, and bad loans are beginning to decline as a share. This is not just a statistical fact. It is also an economic fact, because as growth resumes, banks' balance sheets are in better shape. And they can get rid of NPL's and facing up with capital requirements in a much better way. Number one.

Number two, in order to do this, you need to introduce new measures. You need to do some structure reform policy in the banking sector. And this is what Italy has been doing for a number of years. We have significantly changed our judiciary procedures to deal with litigations. And so now the speed at which trials and litigations about credit are being dealt with is beginning to accelerate, and this is one result.

Secondly, we'll introduce stay date compliance, a guarantee mechanism that allow banks to get rid of their loans at a price, which is deemed to be favorable or acceptable. As everyone knows, the problem with NPL's accumulating over time is that especially in my country, but not just in Italy, there isn't yet a well-developed secondary market for NPL's. So the market mechanisms that are needed to get rid of those loans still have to be accelerated.

Having said that, we are now working hard on that point and we are also looking with very great interest to the proposals that the Commission is putting forward in terms of having European wide NPL strategies, not just instruments that can facilitate this. I'm looking forward to the implementation of European level instruments and measures, with only one caveat.

I certainly agree that the speed at which NPL's are being displaced or disposed of by banks is too slow. We need to accelerate. But on the other hand, let's not accelerate too much. Let's not pretend that you need to have a phasing in process so that new rules and new mechanisms have time to adjust to an economy, European economy especially in some countries, which has, as I said before, just come out of the greatest recession of its peace time.

So this is a point which applies to how you deal with NPL's in Europe. But also which applies to a number of other elements in legislation, including related to banking union. We are making a great transformation in the credit markets in Europe, and we're complimenting monetary union with a full-fledged banking union. Let's do it appropriately at the right speed, and with the right common and collective approach so that we're really phasing a new set of effective rules without making mistakes down the road. Thank you.

Niko Sholoras:

[Inaudible 01:06:42] thank you for this defense of the Italian banks. And since we mentioned the Euro area banks, I would like to ask Silvie

Matherat, whether Brexit is an opportunity for Euro area banks, or whether it's a threat for the Euro area's financial system because maybe with a banking union incomplete, yet maybe you know, the continent doesn't have yet, the regulatory capacity to bring on shore a sizable part of the city. And what about banks themselves, Euro area banks themselves, which have sizable operations in the city, are you on track to, your clients, bring your business onshore?

Sylvie Matherat: Well first of all, before going to Brexit, let me say that as a European citizen, I'm very much of the same view of Commissioner Moscovici saying that the solution is growth. And with growth, I mean, clearly if people have jobs, it will be much easier for all Europe. And let me say as a banker, that our main objective is to help for that growth. And our main desire is to be able to provide loans to the industry in order to make sure that project can be fulfilled. And for that maybe, if I can, because I have the pleasure and the honor to be on the panel with a lot of very [inaudible 01:08:07] policy maker, if I can have a wish maybe to say that regulation time at what point you need to stop, and to take a step forward and say, what is the impact. And I guess that the time of regulation maybe [inaudible 01:08:21] and maybe the time for impact assessment is going.

And because of that, and I can tell you as a management board of a big, member of a big bank, we spend a lot of time looking at our balance sheets and make sure that we comply with regulation, that we are very much safe in terms of capital and liquidity. I mean, it would be good at one point to be less focused on ourselves, and much more focused on the economy. And how we can provide loans and growth to the economy. And I really think that would be a very important, and one of the solutions to populism. So that was my contribution as a banker.

But maybe if you want to come back to Brexit, I guess Adam Posen was very clear and very nicely put a challenge into an opportunity in a way. It's true that Europe has been facing a lot of challenges recently. And what you call an external threat, you tell us that we need to take it as an opportunity. And I really think it is the case. I mean, we all regret the decision that has been made by the British people, but as you said, we need to respect it.

And as a bank in fact, we don't have any choice to make, we just have to adapt to our environment. So as much as we regret it we have to look forward and to get sure that we can be ready. And in your question, there was a lot of things. In fact, I think that you have to be very clear of what needs to be done in the Brexit context. And if you look at banking operations, first of all, the main visible outcome, likely outcome, would be the loser of the best spot. Meaning, that you can't stay in London and use London as a way to enter in Europe.

But then you need to be careful because not everybody is in the same situation. If you take UK or U.S. banks for example who are in London, they are best spotting from London to Europe. If you take us or if you take all European banks, if we are in London we are best spotting from Europe to London, that's very different. And how is it different? It means that in terms of licensing, we don't need to do anything. We're already licensed in Europe. In terms of monetary approval, we don't need to do anything, some of them are already approved by the SSM.

So in fact, you need to be careful because not everybody is facing the same kind of problems. That is not to say that we don't have issues. I mean, clearly we do have issues. We understood that you need to be ready to have your EU facing client be based in Europe, and that needs some adjustment. But I think at least a European bank, Euro zone banks are really well prepared and at least we have the first step that we don't need to worry about because it's already done.

So you need to distinguish between traditional banking activity and clearing capital market activity. And if it is quite clear that traditional banking activity will have to move to Europe in order to face your client, capital market activity is something that is different, and where I understand there is a lot of discussion within Europe and with Europe and the UK, and once again as far as the banking industry is concerned, we don't have any choice to make. The only value added we can provide to the debate is to explain what will be the likely impact of each decision made. But then I mean, our role is just to adapt to the decision made. So just to explain what are the consequences and then to get ready.

That being said, we can, as a banking industry wait and keep optionality up to a certain time. But that remain a time where we will not be able to keep optionality, everything open, and where we'll have to make a decision. So my only message to the people who are in the seat to decide, is that be careful because we can adapt to everything but we need time. And two years is very short.

Niko Sholoras:

Okay, before asking also Adam, whether Brexit is an opportunity for the Euro area, I would like to, I can't resist the temptation of asking two questions that I got from Twitter to Commissioner Moscovici. The first one is like, why do we need another Reflection Paper? Why another paper? And the second one is kind of related to that, to the [inaudible 01:12:54] that the Commission has, is that whether you feel that you have a communications problem and that you have been the target of demonization by fake news and by, this is a question from Pataruk, how do you better communicate the results that you have delivered for the Euro area citizens in heavy traffic of fake news?

Minister Moscovici: This will be, I'm sorry to say my last answers in this panel because I have got to leave you before the end of it to join Paris to meet your new colleague, Pier Carlo [inaudible 01:13:32] and then to be back tomorrow morning here in Brussels. So I have to leave in ten minutes from now.

First, something, which is not one of these questions. It's about what Adam says and what Sylvie confirmed about challenges transformed into an opportunity. If you may remember, when the Brexit vote happened there were two possible reactions. The first one was to say, okay, we don't have the UK, we won't have the UK anymore in the EU, and eighty-five percent of the GDP being concentrated in the Euro zone, we must move to the integration of the Euro zone. And the other was to say, okay, we are twenty-seven there so we need to keep what unites us.

In the first move, it was about unity of the twenty-seven, and it is about concrete projects that can unify the twenty-seven member states. And this is about defense, it is about security, this is about internal market, and we need to do so. But it would have been, and it would be a mistake, to say we just stick to it and we forget about the Euro zone. We need at the same time, to unite twenty-seven and to reinforce our Euro area at nineteen.

There is no contradiction between both dimensions. Again, they move together. And this leads me to the answer to your first question. Why do we need a Reflection Paper now? Because there is a window of opportunity for debate on the integration of Euro opening now. First, it's the end of the first phase, which was projected by the Five Presidents Report. Second, we are in the midst of an electoral cycle which is unprecedented because the governments will be renewed, they are renewed in the Netherlands, in France, they will be renewed in Germany, in Italy, and these are important countries for the Euro zone obviously.

They are going to be renewed in Malta, and we will have fresh powers, was sometimes in front of them, and a capability to act decisively and rapidly. And furthermore, it is true that the French election, as Pier Carlo said, is not only good news for France, another Frenchman, yes, I'm happy that we avoided to have Madam Le Pen as the president of France, but it's also good news for Europe because we have a new pro-European president, he cannot act alone, he's not the only oyster in the stew but obviously, it's a very strong element for proposal.

And the first initiatives taken alongside with Madam Merkel, are I think, obviously positive. And in that context, I think modestly that our Reflection Paper comes at the right moment because it's food for thought. Because these are concrete, precise proposals. And I think that the ambition in the paper is high enough because well, as Pier Carlo said, we can be in agreement with this or that, in disagreement with this or that, but it is a paper which shows a way, which has a target, which has a purpose,

which has a way of reasoning. It's technical, but I hope it's not too technical. I think it's prudent, it's careful, it's logical, but still it is ambitious.

And then that leads me to the second question about fake news, demonization, I want just to tell you what my experience is. I'm, as are all of us in the Commission, a politician. I've been elected in the European Parliament, and the National Parliament for twenty years. I've been a Minister for seven years, and now I've been a Commissioner for five years, already two-and-a-half of them were at the mid-term exactly, are over. And I see what can be frustrating in being in the Commission. Sense of feeling of bureaucracy, technicalities, the fact that the decision making is quite complex, yes, that's true.

But there are also false ideas by the Commission. The first one is that the Commission is the super government of Europe. That is not true. We propose, member states decide. The second is that we are not a political body, we are highly political because we have the monopoly of initiative. And then the third false idea is that we are only worried about stability and rules. No. We are worried about growth, jobs, and we are trying to, in my field of action, lead budgets [inaudible 01:18:46] in a way that is not a style to growth on the country, we are reflecting on a positive Euro area fiscal stance, I hope the ministers finally will follow us at one moment. And we are a driving force for proposals.

And then, what about communication? My only regret, what I try to do, what we all try to do, is to say the same things in a more simple way. I think that we really need to simplify our language, to simplify our communication, because when we communicate in a way that is not understandable by simple people, by ordinary people, by everybody, then how can we expect to be appreciated. I think that we are under this Commission, trying to build a positive narrative for Europe. I know that we can do even better. That's going to be the action for the next years.

Niko Sholoras: Thank you. So before opening the floor to the audience. I would like to ask Adam to examine this idea of Brexit as an opportunity for the Euro area. Whether it will add to the momentum for further integration, and why, I keep hearing Brexit is an opportunity, but why?

Adam Posen: I appreciate Sylvie's remarks from the bankers' perspective. And so let me try to pick up on that very concretely and quickly so we can go to questions. The first point is that it is an opportunity to focus the supervision mechanism and all the progress that's been made on banking union, again, into something positive. Creating a banking system that not only is stable, not only gets the non-performing loans off its balance sheets, but as Sylvie said, is pro-actively lending to industry and growth. And this is the thing that I fought against very hard when I was on the

Bank of England Policy Committee, was that in the UK you had a total emphasis on the global markets, and a terrible lack of banking for the domestic growth and jobs. And Europe has the chance to really work on that.

The second way in which it should be seen as an opportunity, which may be less something Sylvie would agree with, is as the IMF and I, and Nicolas Véron, and many others have pointed out, there's a huge over capacity in banking in Europe. And there needs to be cross border consolidation. And that will be good for stability, that will be good for bank profitability, that will be good for growth, and that will be a good demonstration that Europe isn't about just imposing rules as Pier said, isn't just about imposing rules on workers in austerity, it's about enforcing competition policy and consolidation in the banking sector.

And third, specifically to Brexit, the UK as I've been saying since this started, in the financial area gives us all a risk that they're going to race to the bottom. That there's going to be this threat that banks like Sylvie's, but all the major banks, are going to be propositioned by Teresa May government or whoever the next government is, and say we need you to stay in London, we'll give you anything, we'll give you back the light touch regulation or subsidies or whatever. And Europe has the chance to say, we know that that kind of offshore garbage is a root to destruction, is a race to the bottom, we will have a banking system that functions well. And so for me these are major opportunities, thank you.

Niko Sholoras: Thank you. Commissioner had to leave for Paris. So now I'm going to open the floor for questions from you guys, because unfortunately the people who follow this over Twitter only ask about bad loans in Italy, I'm sorry to say, the minister left. So please identify yourselves and ask brief and thought of questions, please.

Mr. Stagopolous: Can everybody hear me? Okay. Thank you very, very much for your recognition, distinguished speakers, honorable participants, good evening. My name is Fautus Stagopolous and I' a fourth undergraduate student in the Department of International and European Status at the University of Paros in Athens, Greece. Currently being an [inaudible 01:23:29] exchange student at the University of Bremen, Germany. I want to address two short questions. The first one, how visible would you characterize the statements of French President Emmanuel Macron with regards to the establishment of a European finance minister, and a common EU budget? And the second one, how optimistic are you about the decision concerning the reduction and the measures of the Greek debt, taking into account the failure of reaching a decision in last Monday's Euro group in the next session of Euro group on the 15th of June, as well as the bilateral dispute between IMF and Germany, and the [inaudible 01:24:09] from the German Finance Minister Wolfgang Schäuble? Thank you for your time.

Niko Sholoras: That's a very difficult question. I'm going to ask the two ministers to take it since we have a short, small Euro group meeting here.

Pier Carlo Padoan: I leave you Greece, Johan.

Johan Van Overtveldt: Thank you very much.

Pier Carlo Padoan: On the finance minister, I'm not of course questioning to what extent President Macron is strong on it. But certainly I share the view that we need the Euro area finance minister. But the issue is not whether there's a new job opening, the issue is why would we need a European finance minister, what would we need it for? I have two, at least two missions I would like to assign to the Euro finance minister. One is to preside and steer and drive what I call, what is called the European Fiscal Stance.

Which is not just the exposed aggregation of national fiscal stance. It is an ex ante concept which in my view should complement the fact that in a monetary union where we have a single monetary policy, we should have some stage, a single fiscal policy. And the European fiscal stance is the first step in that direction. To see whether we can agree on a super national fiscal stance, and you need an institution to drive that and implement.

The other area, which I would assign to a European Finance Minister, is the financing and possibly managing of European public goods such as security, such as migration, such as defense. These are huge challenges which are now very much present in the policy agenda and will be more so in the near future, which require raising resources and using them. So there is a lot of work for this finance minister, he or she, would deserve a lot of money as a salary by the way.

Johan Van Overtveldt: On Greece, I think the starting point should be what we agreed upon last year. Where we tried to come to an agreement and we did come to an agreement with Greece reforms on the one hand. And then what would be the perspective beyond the third program that is running off in principle during 2018. We came to the conclusion, everybody, that Greece has been delivering a lot, a lot of the reforms have been carried out. There's still work to be done but there's certainly a substantial amount of reform work that really has been done. And so in terms of debt restructuring, the discussion now is last year it was foreseen in the agreement that if necessary, and when needed, there would be debt restructuring at the end of the third program again, during 2018.

The IMF and also Greece, are asking for debt restructuring earlier. That's basically the discussion at this point in time. We didn't come to a solution to that discussion two weeks ago, last week, early last week, and so there will be a new Euro group as you probably know, on June the 15th. I see

room for maneuver to come to an agreement with everybody including the IMF and of course Greece on board. But it would be very unwise for me to say very specific things on what that agreement might be then.

Niko Sholoras: Okay, we have time for one more quick question from the audience and it can't be about Greece or Italian bad loans.

Alma Milder: Thank you. Okay, thank you. My name is Alma Mulder and I'm a member of the Dutch Parliament. And my day started very well when my country got compliments from the French Central Bank, also Mr. Sholoras complimented us by saying that he was glad that Mr. Wilders became second in our elections, that's because my party became first. So far are the compliments. I would ask two questions to Minister Moscovici but he is gone, perhaps I understand why.

Because I would like to have a reflection of him on the current situation. We have the stability and growth pact, which is violated by some countries, and what is the Commission doing instead of doing something it says well, French is French. So I would like to ask his comment on that. Then the final is for the Euro zone. I don't know but some countries in the Euro zone are doing very well without this European finance minister. So instead of having a European finance minister, perhaps some member states need a strong finance minister, thank you.

Niko Sholoras: You want to take this or--?

Adam Posen: No, no, I defer to the ministers. I just wanted to say one fact check on the self-complimenting parliamentarian, that I'm not aware of France taking any money out of Dutch peoples' pockets. And so this tone that France has to get its act in order, it would be good if it did, but the idea that one should be indignant about France's economic state seems to me a bit of a stretch.

Niko Sholoras: Thank you, unfortunately we don't have time for any more questions. So I would like to ask you if you have any last thoughts that would, about the future of the Euro area and the way forward before letting the audience get a short break before the next panel.

Pier Carlo Padoan: One short thought. Policy changes, including and especially institutional changes usually come at time of crisis, witness the launching of a banking union after the Greek crisis. We are now on a very unique conjuncture both economically and politically. Economically in the Euro zone but also elsewhere, there is something which columnists call, the end of an adjustment from a cyclical point of view. So the cyclical effort is some way gaining strength and reaching its end. Which means that we should shift from cyclical to structural problems and address the deep sources of growth, or lack of growth and employment in Europe.

So there is one economic reason why we should accelerate the process which is implicit in the document produced by the Commission. The other point is that an international level, we like it or not, we are in a new world. To have joint transatlantic or even U.S.-European policy action, that idea to me is for the time being, put aside. This means that Europe must be more self-conscious of the fact that it is, it has a great mission to integrate better its member countries, but also a great mission to spread, what I believe to be a strong European model around the world. So let's, European's, not waste this opportunity and let's move forward.

Niko Sholoras: Sylvie Matherat.

Sylvie Matherat: Yes, thank you. I would very much agree that we are in a very interesting turning point. And going forward I think that it's not less Europe that we need, but more Europe. And what does it mean, more Europe, it's more integration, more monetization, more common rules, more consolidation, in fact I would agree with what you said, I really think we need more consolidation. And also we must trust ourselves. Because sometimes I feel that we always look abroad to find some models, we need to define our own models and trust ourselves. We always figured that Europe has provided to all European cities it's growth, stability and peace, and that's something on which we might build on. Thanks.

Niko Sholoras: Minister?

Johan Van Overtveldt: Well President, European Commission President Juncker once said that we all know what to do but we don't know how to get re-elected once we've done those things. Well, I think, we should keep life excitable, some uncertainty in political life is always good, so let's just do what we have to do and then wait what the result is.

Niko Sholoras: Adam.

Adam Posen: Let me conclude by bringing it back to the very excellent content of the Reflection Paper on completing the economic and monetary union. The Commission, DG ECFIN are right, the Euro area is out of the woods but not yet out of danger. There are fundamental structural problems that have to be addressed, these include the safe asset, the banking union, the creation of more flexibility in the rules, and something to compensate for the divergences that already exist.

Areas of political road block to further mutualization, but I agree with Commissioner Moscovici, you cannot prevent at least deposit insurance going Europe wide, otherwise you're waiting for an accident to happen. I think that it is, for all my saying about the glory and all my colleagues on the right here on my right, having to cope with the political limitations, we

should not lose sight of the fact that the technocratic fixes to the Euro area will make a meaningful difference to peoples' lives even if it will be unappreciated because it's the right thing to do.

Niko Sholoras:

Right. Thank you everyone. We touched upon several issues, some of them we leave unresolved, but I hope we leave this panel a bit wiser than we came. Thank you all for your attention. Your comments and questions are on Twitter, and your questions, you have a twenty-minute coffee break now before the next panel, which starts at 4:00. It will be about migration and we're looking forward. Thank you.

