

**Conference in Memory of Tommaso Padoa-Schioppa (Rome, 16 December 2011)**

*Address by Mario Monti*

Mr Governor, Mr President of the European Central Bank, distinguished guests of the Bank of Italy, members of the Padoa Schioppa family, ladies and gentlemen,

On behalf of the Italian Government, I wish to congratulate and thank the Bank of Italy and its Governor for having taken this highly significant initiative today of commemorating Tommaso Padoa Schioppa and of leading us once more to reflect on his unique contribution to economics, to the forging of institutions, to European integration, and to a civil and administrative life centred on integrity and a sense of the common good.

I will recall very briefly a few aspects of Tommaso's personality in a way that partly reflects the opportunities I had of meeting with him, being influenced by him, and working with him. I first met Tommaso Padoa Schioppa in 1962 when we were both students at Bocconi University in Milan. I saw him for the last time on 13 November 2010 in Paris at the Comité d'orientation of Notre Europe. I will make a brief reference to that below. Between those two dates I had the privilege of frequent contacts with Tommaso, sometimes in the form of close cooperation, often in the pursuit of common battles in the name of a vision – for Italy, for Europe, for Italy's role in Europe – which was usually shared, but on many occasions definitely tended to be a minority view.

I would like to talk briefly about the very first experience of working together that Tommaso Padoa Schioppa and I had, along with a few other people I can see in this room, around the mid-70s, when Guido Carli, having left his position as Governor of the Bank of Italy, had become President of the Ente Einaudi and decided, with the agreement of his successor Governor Paolo Baffi, to set up a group to investigate the structural aspects of the Italian banking and credit system. That group was co-chaired by Tommaso Padoa Schioppa and myself and was composed of a number of young, very young economists from the Bank of Italy and Bocconi

University. I recall that for me and for my young colleagues from Bocconi University this was, I hope you realise, the very first opportunity to physically see this institution, the Bank of Italy, where we used to come for those meetings and I believe were unwittingly inspired by the climate there.

Many of those young economists have since had opportunities to work within the Bank of Italy. I never had such an opportunity, although I applied for a scholarship just after my graduation, which I simply did not get. Even those who were not members of the Bank of Italy but worked closely with them and within these rooms really absorbed a climate, an integrity, a sense of public service that was, still is, and always will be the strength of this institution and of its outstanding contribution to Italian public, and I would say moral, life. It was an opportunity that marked me and my colleagues for a very long time after. At the time it was extremely interesting to follow, sometimes agreeing, sometimes not agreeing, the line taken by Tommaso Padoa Schioppa in his work, for he had, as we all know and as many of us directly experienced, this unique combination of extremely close attention to technical and institutional aspects – which most of us sometimes found very boring but which were not boring to him – with a long-term philosophical, political and cultural vision that enabled him to be normally one step ahead of his interlocutors. Especially in this last year since he left us I had – before I was temporarily caught up in Italian public life, that is, when I was a free man – many opportunities to take part in events in Europe, in very different circles, where Tommaso has been commemorated. And it was really incredible, not only to me but to every other person present on those occasions, to see how deep an influence on monetary, financial, economic, institutional thinking he had had over the years. We knew, of course, when he left us that he was leaving behind a very powerful legacy, which also became apparent, at least to me, afterwards. Of course, that legacy was not confined to Europe alone, as was made clear at a commemoration ceremony that we held at Bocconi University in Milan by the immediate acceptance and very warm participation of Paul Volcker, who came expressly from the US to commemorate

Tommaso. We have discovered, too, as the economic and financial situation of Europe deteriorated in the recent period, how much Tommaso had said that was not noticed at the time but would have had a very strong impact; if even closer attention had been paid to what he wrote or said then, much of the current crisis in Europe, not to say Italy, would have been less severe and would have been tackled more promptly. He has become legendary after he left us for his insistence on the long view as opposed to the short view, and we can say that in the conduct of individual firms, of individual financial institutions, of individual countries, but also of integrated systems of countries, the excessive attention given to the short-term horizon is basically at the root of major policy mistakes. One could say, and this is also my view, that even in the exercise of discipline, which is a fundamental prerequisite for sound economic policy, one can be subject to an excessively short-termist approach, as we have seen already in a first round of calls for discipline in 1997-1998, at the beginning of the extraordinary experience of forging the euro. This was repeated just a few years later, when a small catastrophe, with a complete loss of credibility for the Stability and Growth Pact, was caused by those very countries that had insisted so much on discipline but were wrapped up in a too short-termist approach. This is why I believe that all the discussions in which we are engaged in Europe at this time and which are meant – an objective totally shared by Italy – to enhance the framework of discipline of the fiscal compact should, as President Draghi rightly says, be embodied in a long-term sustainable approach, and not just be designed to please the short-term hunger for discipline in some countries which could then lead to a lack of discipline in those very countries and others. Therefore, there is a series of messages from Tommaso's work which I think still have a lot to say today.

Equally, and this will be my last reference, I was very impressed by my last conversation with Tommaso less than one month before his departure, and that was in Paris in November 2010 at the Notre Europe meeting which I have mentioned already. Several of you were present there too, and he concluded the session by chairing a panel on the growth dimension of the European economy. It was very

inspiring to see him go back to the notion that he had developed in the last few years about the need for Europe to strengthen the policy apparatus surrounding sound monetary and fiscal policy, but also the need to go beyond mere coordination of policies towards common policies and even unitary policies in the area of growth. I can say that we all see now that there, too greater attention to his messages would have prevented Europe from making some mistakes. However, what I would like to conclude with in this very sketchy and unsystematic and perhaps a bit too emotional little speech about my friend Tommaso Padoa Schioppa is that in my present work, which I conduct with a number of people who also had the opportunity to be influenced by Tommaso's work and friendship, there are two elements that strike me as permanent legacies: one is that working for Italy and working for Europe are not really two different things, particularly at a time when Italy has shown some weaknesses both structural but also in policy conduct in the recent past, which have undoubtedly contributed to a crisis not of the euro, which is not a currency in crisis, but to a fiscal and financial crisis within the eurozone; the other, however, is that Italy has a message to give to Europe and it needs – this is my commitment – to convey it more strongly, to be more intelligently assertive than has been the case in the past in order to ensure that the European construction evolves in a way which unites, which does not divide.

We cannot and will not allow the crisis within the eurozone to bring us to what Martin Feldstein described in 1997 in an article — which I considered unrealistic at the time but which risks becoming a prophecy in the light of subsequent circumstances — namely, that the European currency might under certain conditions bring us to conflict more than to deeper integration. This risk of conflict between a virtuous north of Europe and an allegedly vicious south of Europe, of divisions between social classes and between countries, would be a very detrimental side effect of a powerful and magnificent construction, the single currency, which was meant to unite Europeans, as I am sure it will do in the end, not to divide them. A disciplined Italy has a message to give and a policy contribution to make to Europe. But, of

course, a disciplined Italy means an Italy which is more able than in the past to take the long view, as Tommaso would have said. In the present difficult, complicated, political and social circumstances this is our engagement and Tommaso's legacy, from Tommaso the intellectual, to Tommaso the Minister for Economy and Finance, a very powerful legacy which we treasure.

Thank you very much.