Central banking

Ignazio Visco on Italian banks and why the ECB should not be made a 'scapegoat' for EMU fatigue

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Christopher Jeffery

The Bank of Italy governor speaks to Chris Jeffery about resolving Italy's NPLs, Europe's bail-in framework, the importance of QE and why the ECB needs to stop being made a 'scapegoat' for EMU fatigue.

You have just returned from the International Monetary Fund/World Bank annual meetings in Washington, DC. What were some of the key findings from your meetings? What were the big issues that central banks need to address?

The major takeaway was the climate of uncertainty at the world level. This is not just a case of economic and financial uncertainty – there is also concern at political, geopolitical, demographic and technological levels. Although we have seen some improvement in the assessment for emerging economies, with capital inflows coming back and improving rates of growth – even if overall lower than in the past – the global scenario is one of low growth, low investment and low inflation. Dealing with these lows is the biggest challenge that we face, and this was an important point of discussion. As far as monetary policy is concerned, it cannot guarantee a recovery in productivity and growth on its own. This is something we at the European Central Bank (ECB) governing council have been saying for some time, as indicated in our most recent statement.

There are problems on the real side of the economy, related to weak trade and slow productivity growth that need to be dealt with decisively. The IMF discussions also centred on the difficulties at the political level related to Brexit [the UK's referendum vote to leave the European Union], as well as on problems in the Middle East and the refugee crisis in Europe. At the World Bank, there was a lot of concern about the trend in world trade and the risks of adverse developments in advanced economies. This is important, as growth from an 'open world' has been critical to reduce the number of people in extreme poverty by one billion or so during the past 25 years and to prevent two more billion from ever entering this condition. But almost one billion people still live in extreme poverty, and there is an urgent need to help them in the years ahead.

As asset purchases by central banks once more hit levels not seen since the height of the financial crisis, was there political awareness that ultra-loose monetary policies, particularly from a longer-term perspective, are not the solution to the world's economic travails? What concrete action is being lined up to address structural imbalances?

We have long been emphasising that structural reform is required to complement monetary policy in placing our economies on a path of sustained growth, and there was discussion about the need for infrastructure investment to revive growth. But it was also underlined that the quest for faster growth has to include important social issues related to inclusiveness and income distribution. The widening of income distribution was highlighted as an issue against the background of the achievements of the last 30 years in terms of the opening of the economies and technological progress. In this sense, there is growing awareness that structural issues have to be dealt with via policies other than monetary policy. The problem is to turn this into action.

Did you get a sense that any firm plans are emerging?

Discussions put the emphasis on political uncertainty. It is well known that there are a number of issues that stem from Brexit, including the timing of negotiations, the future European Union-UK relations and the possible fallout for other EU member states. There are also political elections in the US and Europe in the next 12 months that will have a major bearing on the way these things will be approached.

The central banking community was saddened by the recent passing of Carlo Azeglio Ciampi, a former governor of Bank of Italy, who recruited you as his head of research. Were there any life lessons or leadership approaches you learned from Ciampi that you can share?

Ciampi was a great person. He not only set an example to those who worked for him at the Bank of Italy, where he spent 47 years, but also from his time leading the Treasury, as prime minister and as president of the Italian republic. He made two strong impressions on me. The first was his style of work. Ciampi was someone that encouraged people to work together. While it was important for him to identify tasks and responsibilities, he also insisted in having a co-ordinated vision so that people could work together and draw on different competencies to meet objectives. This attitude fundamentally benefited the organisation of the Bank of Italy and fostered co-operation between departments. The second thing was the values that he was able to communicate. Values were very important to him. He had a sense of duty and responsibility, and valued very much the principle to have respect for others. His vision for the central bank was also for it to have a moral objective. There were many lessons to draw from working with him. Overall, he was an optimistic person who highly valued the capabilities of the Italian people and their potential.

How have you tried to develop human capital at the Bank of Italy?

Human capital, the knowledge incorporated in our human capital, is the fundamental driver of growth and success for economies and organisations alike – and, indeed, for each one of us. The Bank of Italy has a history of investing in skills and valuing merit. It is not just a case of hiring highly skilled professionals, but also of investing heavily in continuously enhancing the skills and knowledge of all employees – most recently with a focus on the managerial skills our personnel needs in the current context of increasing engagement at European and international levels.

You seem to believe that central banks should act pre-emptively to diffuse risks to financial stability even when there is not an immediate threat to price stability. What are the parameters you would use when making such an assessment? Where would such a trigger have been relevant in recent years?

While monetary policy looks primarily at the inflation rate, there is clearly a need to understand whether there are risks of financial imbalances, eg in asset prices, credit creation and so on. There are also discussions about changing the inflation-targeting framework. I think that we should also have a focus on asset prices. Some say the impact of asset prices is already included in the variables that are embedded in an inflation-targeting framework. This is true, but only up to a point. Non-linearities are not captured, the consequences of which you then have to address.

Some say: "Well, how can you identify a bubble?" My answer is: if you look for it, you will see a bubble. Current efforts at developing macro-prudential policies and instruments are useful, as we can be more precise regarding what tool should be used – in terms of capital buffers, loan-to-value ratios, and so on – to complement monetary policy and preserve financial stability. These instruments allow for responses to imbalances developing in specific sectors, in situations where the primary instrument of monetary policy – interest rates – may not be the first best option. But we need to have a unified vision of price stability and financial stability because the two are interconnected.

What are the risks now?

Right now the main risks stem from a very low-inflation, if not deflationary, environment and they are being tackled with quantitative easing (QE) and other monetary policy instruments. As these may have undesired side effects, as I said before, macro-prudential instruments can be deployed to address particular sectoral or area imbalances. For example, in a few euro area countries, limits to credit to the real estate sector or caps on mortgages have been adopted

Are these macro-prudential tools really new or have some of those instruments been around for a while, and it is more a case of putting up an operational framework around them?

When I started working at the Bank of Italy in the 1970s, there was widespread use of so-called administrative measures. These included constraints on the composition of banks' portfolios, restrictions on the purchase of certain types of financial instruments, caps on credit at both the aggregate and the sectoral levels, and capital controls. In the emerging economies, these are now considered macro-prudential instruments.

There is a range of other instruments that we can consider, such as debt-to-income and loan-to-value ratios, and these are indeed being used. So at times, these instruments are not really very different from those used in the past. The difference with the past is that they are used with a macro rather than a micro orientation. The goal is to avoid macro-financial risks in particular sectors or countries affecting other sectors or countries because of their interconnectedness.

Given that these tools specifically target certain sectors, does this raise independence issues for central banks?

If you refer to independence between monetary policy and macro-prudential policy in principle, there might be issues. But independence is also important in the conduct of financial supervision and regulation. You really need to shield the workings of the financial sector from interference by particular vested interests – for example, big business or big government. Most importantly, a central bank has to be accountable. Accountability and transparency are fundamental. So there are important limitations of independence. Independence does not mean you can do what you like – rather, you do what is needed and you have to explain your actions.

Italy demonstrates that risks to financial stability can build up even when there is no obvious credit or asset boom (as occurred in Spain and Ireland). What caused Italy's problems? Was it doubts about the sustainability of public finance, a lack of competitiveness? How can such problems be addressed pre-emptively?

There are two main factors. The first is the low growth of the past 20 years, which is a result of competitiveness problems in certain sectors, and a delay and lack of adjustment with respect to opening the economy to globalisation and technological change. As Italy has a high proportion of small and medium-sized enterprises (SMEs), there is a difficulty in them keeping up with the changes that are needed. The other issue is the high public debt. The two things together explain why the government debt-to-GDP ratio has increased during the past seven to eight years in spite of a rather prudent fiscal policy. The recession was deeper than elsewhere due to the weaknesses in the productive system (GDP has fallen by about 9% and industrial production by almost one-quarter), while high public debt placed a limit on the government's ability to use fiscal policy in a countercyclical way.

Differently from other countries, there is no concentration of credit expansion in specific sectors such as real estate. The difficulties of Italian banks mainly stem from loans to businesses and households that were hit by the double-dip recession that we experienced in Italy. The effect of the recession is now visible on their balance sheets, notably in the increase in non-performing loans (NPLs). On the positive side, we are also seeing increased demand for credit from businesses that are internationally competitive and operate in growing sectors. So we have a good part of the economy that is improving fast and parts of the economy where reforms are delayed and habits are not adjusting.

Does this fully explain why the percentage of NPLs at 18% is so high?

Analytical work at the Bank of Italy shows that had Italy grown at the pace seen before the financial crisis – so, positive nominal growth – the level of NPLs would have been one-third of the level we see now, close to pre-crisis levels. This is particularly the case for 'bad' debt to non-financial corporations. A reason for the sharp increase in NPLs during the crisis is that the period of time it takes to have complete resolution of bank credit is much longer in Italy when compared with other countries. The judicial process is responsible for much of the increase in the ratio of bad loans. Had we had the same time response that we observed for the average of the euro area, the stock of NPLs would have been half the current level.

Has the banking sector been put at risk? And why didn't you act before to avoid it?

The banking sector has been resilient overall in the face of the crisis. Given the size of the fall in Italy's GDP and the slow speed at which banks can recover their collateral, we have not seen a major crisis as one might have expected. Banks have strengthened their capital ratios to around 12%, while increasing their provisions for NPLs. In fact, although gross NPLs are close to 18% of total loans, provisions have been made for a good part of them, which reduces the net figure dramatically, to about 10%.

Besides, one has to consider that in this large pool of NPLs, there are different types of loans. There are 'bad' debts, for which banks are trying to recover collateral through the judicial process. This is a required step, but it means that recovery of assets takes time. Then there are 'past due' loans. Having many small and medium-sized firms raises the risk of delays in payments, but many of these loans end up in good conditions. Also, the definition of 'past due' is stricter now than it used to be. In the past, 180-day delays were still considered as the credit being in good condition. Now this has been reduced to 90 days.

When you have a crisis in the industrial sector of the real economy, the restructuring of credit is very important, but it is complex. Often, corporations have loans from several banks at the same time, so all the banks have to come together and agree to restructure, and this adds to the problem.

And then there are the loans that are 'unlikely to pay', which have a higher probability of becoming bad.

That said, if we consider bad loans proper, we end up with an amount close to €90 billion ($98.2 billion), which is certainly relevant. But these loans are distributed across a number of banks in different conditions. Some of these banks are doing very well, and they can address NPLs in a gradual way. Other banks are in need of selling them. So one has to be granular in the way the NPL issue is analysed and addressed.

Given the modest rate that Italy is projected to grow, are you concerned that the NPL problems could continue, notwithstanding the 'time-lag' effect exaggerating the current levels?

We have recently seen a fall both in the stock of old NPLs as well as in the amount of new loans that have suffered credit deterioration. There has also been more activity in the NPL market. We have pushed banks to be more proactive in addressing NPLs and not just leave the matter to be addressed by their lawyers. Banks need to manage NPLs more effectively and maintain better information on NPL portfolios. We have seen from our inspections that banks were struggling to collect information in an orderly manner. We asked the banks to provide detailed information about each individual position – in terms of reference entity names, collateral, how to collect value, the locations, which stage of the resolution process they are at and so on – by the end of last September. This has produced millions of data points that we are evaluating, which will speed up the efforts by banks to deal with their NPLs. Accurate information is vital when banks want to go to the market and dispose of NPLs or when they deal with asset management companies.

Finally, we are supporting the government in its efforts to try to speed up recovery procedures in the judicial system and to facilitate through the provision of guarantees at market prices the securitisation of bad loans and their removal from banks' balance sheets, fostering the development of a well-functioning market for NPLs.

Has this had a positive impact?

Yes, it has. These measures are not just relevant for particular instances of banks where they may be used. They are also accounted for in prices, which are now much closer to reflecting genuine supply and demand conditions. Addressing NPLs is a gradual process. There are calls to address all NPLs fast. But that would be a mistake. NPLs come from a long period of problems with the real economy. A number of large, well-capitalised and profitable banks with diversified portfolios across the business and household segments do not have any problems and are thriving. Let me also point out that loan-to-value ratios in Italy are low by international standards, and we have not seen large NPL increases in the household sector, like we have seen in the SME sector.

What is the rationale behind your calls for the provision of state aid to Italian banks without the need for the banks to be resolved? And why did Italy ratify the rules if it was concerned about the bail-in of retail bondholders?

First of all, I'm not against the principle of bail-in and I'm not in favour of state aid in general. It is a problem of design and implementation of bail-in rules. If banks pose a systemic risk, there are externalities that have to be dealt with – so, in general, we should have the possibility of intervening in these cases. In a way, this is already considered in the Bank Recovery and Resolution Directive that we have in the EU, but its implementation is something that has to be discussed more at the policy level.

The discussion of bail-in and burden-sharing in Europe has taken place in the context of a process aimed at strengthening European economic and monetary union. The euro area sovereign debt crisis of 2010–11 triggered a number of responses, including the decision to progressively establish a banking union.

Before that crisis, there were a number of banks that suffered as a result of the global financial crisis, in particular due to their substantial portfolios of structured financial instruments. They experienced substantial losses. It was not the case for Italian banks, but it was the case for many banks in other large European countries. This led to strong state intervention to inject capital into their banks. In turn, this massive use of taxpayers' money prompted efforts to impose severe limitations on state aid. This was done in the belief that bank capital issues had been addressed and a banking crisis was not imminent. Then we had the sovereign debt crisis. Again, this in the end did not hit Italian banks too much, as the government bonds held on their balance sheets were a source of capital gains once the crisis was resolved. But there were significant negative effects on the real economy.

The credit crunch that accompanied the sovereign debt crisis was compounded by Italy's high public debt and structurally low growth. Fiscal restraint was necessary, but had contractionary consequences while structural adjustments needed time to take place. This further aggravated the deterioration of the real economy and difficulties for the banks. It was at this point that the new set-up was introduced: no aid for banks.

So the timing has been unfortunate because of the after-effects of the sovereign crisis?

It is now not possible to intervene, despite the problems being caused by an external shock that was not originated by the banks. They had suffered a credit crunch and a rise in bad loans as a result of the sovereign debt crisis. Despite that, the consensus judgement was that Italian banks did not have systemic difficulties. In 2013, for instance, the Financial Sector Assessment Programme conducted by the IMF found that the banking system in Italy was resilient overall – perhaps surprisingly so, as we had already observed NPLs going up. At that stage, there was no perception of a need to intervene, particularly against the background of a forecast of incoming economic recovery.

However, when the recovery failed to materialise, the NPL problem increased. Early in 2014, I asked to intervene by creating an asset management company that would take care of the legacy of the sovereign debt crisis. But by then, new regulations had made it much more difficult to intervene.

What room is there for amendments to the scheme? For example, specifying a 'contractual' or 'targeted' bail-in model that would only apply to newly issued securities with a specific writedown clause, given that the scheme is due for a review in 2018?

We discussed burden-sharing, bail-in and the use of other instruments with the European Commission (EC) through the Italian Ministry of Economy and Finance, and circulated a paper to all our partners highlighting how we thought that the issue of bail-in should be implemented.

Three issues were important to us. One was that bail-in was not based on targeted instruments, issued in such a way that the resolution risk was clearly priced. Secondly, it was applied retroactively – not limited to the new debt issued, but also extended to debt that was five, six or seven years old. Finally, the bail-in was introduced very rapidly – not in what we thought would have been a timeframe where it would be possible to substitute existing bonds with bonds that were clearly designed to be called on in the event of resolution.

These issues were important to Italy, as a relevant part of banks' funding had moved from savings accounts to bonds due to fiscal incentives, ie a 12.5% tax rate for bonds as opposed to (currently) a 27% tax rate for deposits. Many Italian savers moved their savings into bonds, including subordinated debt, which had specific risks linked to the liquidation of a bank, but not to its resolution. These instruments were not sold based on cases of resolution. In the past, banks that had difficulties ultimately ended up being liquidated by selling the assets and liabilities, with losses covered through the deposit insurance fund. While it was clear that that risk existed, it was priced at a different level at which resolution risk should be priced.

Eventually, it is the implementation that raises problems, as the crisis with four small Italian banks at the end of last year has also shown.

Why were these rules passed? Couldn't you have objected more strongly?

The effort to build a new framework for a future financial system is important. But this has taken place while the crisis was still happening. At the same time, many countries have pumped a lot of state money into their banks, and they wanted to be sure that they themselves would not have to do it again once there are common rules for everybody. The Italian parliament passed the EU directive, so now we have to follow the rules. Bail-in, in principle, is appropriate. But, as I have said, it has to be properly designed. I went public on this issue a number of times, but it has not been enough. As a result, some banks may have to engage in a fire sale of their NPLs, and some may have a tough time.

Why couldn't a few banks be put forward for resolution, the institutional bondholders penalised and the retail investors reimbursed – thereby not breaking EC rules?

These options formed part of the discussion on how to address the difficulties of some Italian banks. Bank resolution is very dependent on institutional set-ups.

Besides the issues I touched upon before, concerning the retroactive nature of the regulation and the fair treatment of retail bondholders, it is important to understand that institutional investors may also have claims, so it is not a trivial matter.

There are also issues related to mis-selling – sometimes correct and sometimes not. There have been instances in which this debt has been sold to retail investors that did not really understand the combination of risk and return, especially the nature of risk. Not so much the resolution risk – because that was not there when they bought the instruments – but the risk that a bank may fail.

Second, many of these instruments were sold at a retail level – not only in the hands of institutional investors, where there is a presumption that they know what they're doing. These retail investors were pretty diffused throughout the country. So there have been actions related to mis-selling – and if you can prove you were not aware of the risk, you have a case.

But there is a deeper issue here: how to resolve a bank without creating contagion. This has not been fully discussed.

What is your vision for the Bank of Italy's role as a part of the Eurosystem? What are the big roles the bank must fulfil in the years ahead?

The Bank of Italy is a very complex institution that has many tasks. The objective in all tasks is to be efficient and bring the highest possible quality to our efforts to support the euro area.

The bank has responsibilities for monetary policy, its governor is a member of the governing council of the ECB and our staff participate in various committees responsible for monetary policy. These are important tasks that require distinct capabilities, and we have invested a lot in them. Our staff conduct research and analysis that make a significant contribution to the understanding of the euro area economy and the needs that monetary policy has to address.

We are also heavily engaged in supervision of both financial institutions and financial markets. This is increasingly shared with the single supervisory mechanism (SSM), but we are also directly responsible for 460 less significant banks, most of them co-operative banks. Bank of Italy staff are part of the SSM's joint supervisory teams, and our inspectors participate in SSM inspections at the euro area level. We have a very important role in the payment systems, running the pan-European Target2 system with Germany's Deutsche Bundesbank. And since June 2015, we have also been running the Target2Securities platform, put in place with the Bundesbank, the Banque de France and the Bank of Spain – a new framework that requires not just sound administration and payments skills, but also communication and IT skills.

We have also other tasks for example, we print banknotes and we are the treasurer of the Italian state. Within our umbrella, there is the anti-money laundering and anti-terrorist financing unit. There is also the supervision of insurance companies.

Couldn't the ECB have just communicated that inflation may be under target for a while, rather than flooding its balance sheet with QE assets? Why are you so worried about the second-round effects of low inflation on, for example, labour market dynamics?

In the euro area, prolonged low inflation poses the risk of debt deflation. This mean that as inflation goes down and as nominal interest rates reach their lower limits, real rates may go up. Coupled with high levels of private and public debt – there are a number of countries in Europe that have high levels of private debt – this could have non-linear effects (eg sudden disruption in financial markets) that are very difficult to deal with. Secondly, we have been a long way from our definition of price stability for some time, and this entails the risk that inflation expectations become less stable ('de-anchored') as they adjust to the actual rate of price changes and move away from the ECB target.

For a while, there has been much belief in rational expectations. But what is more rational than to adjust your inflation expectations downwards when you see inflation being so low? If inflation expectations go down, real rates go up. So the ECB governing council intervened to stop a downward adjustment of both prices and expectations, and we succeeded. Although the counterfactual scenario is difficult to prove, simulations have been conducted at both the ECB and national central banks. My take from the research done on this is: without QE, we would have had much slower growth and much lower inflation – possibly negative inflation for a long period – and this would have been unsustainable.

What does this imply for the QE programme beyond early next year?

We have made it very clear that changes in the Asset Purchase Programme depend on the data and our reading of this data. The programme is defined until March, but we have repeatedly communicated we will decide before then about any future developments. Certainly, interest rates are going to be low. Whether negative is a question mark - but really low, for some time, is a necessity. Also, this is a result of the real economy because we have observed downward trends in productivity growth and real interest rates for some time. These variables seem to be stabilising, but at low levels. They will go up only when there is a consistent pick-up in potential growth.

You appear to believe *The five presidents' report: completing Europe's economic and monetary union*, published in 2015, did not go far enough when it comes to political union. Yet there is a clear divide in Europe when it comes to fiscal burden-sharing that prevents progress in this area, making life very difficult for the ECB. What is your view?

A single monetary policy needs a single fiscal policy. The idea that you can have a currency without a state may be viable for a certain period of time, but sooner or later you need to have some parts of a state – if not the whole political architecture – in place. One of the defining elements of a state is a fiscal capacity. In the euro area, this would have two main objectives: it could be used for countercyclical responses to country-specific shocks or to address imbalances when they occur for the area as a whole. There have been a lot of pleas for a euro area minister of finance. That is fine, as long as the minister has a fiscal capacity at her/his disposal, and is not simply another referee for the implementation of fiscal rules. A common fiscal capacity eventually also means a single public debt. This, in turn, requires that public debts of individual member countries in excess of a common level have to be dealt with without envisaging transfers from one state to another – and there have been a number of proposals in this regard.

Is there more to your proposals than that?

You also need country-specific or area-specific structural changes. There is not a single structural reform that works for everybody. But even this is not enough.

I've been observing some fatigue from the process of building up the EU/European Economic and Monetary Union (EMU) one step after another. First we had the monetary union, and we postponed addressing the fiscal side of the economic union until the sovereign debt crisis (and we are far from a stable solution). In response to the crisis, we also launched the banking union, which remains incomplete. Of its three pillars – the SSM, Single Resolution Mechanism (and Fund) and a common deposit insurance scheme – only the first one is fully in place. Moreover, the SSM was established rather quickly, but lacks a common set of legislation. Efforts to create a capital markets union are confronting the difficulties of creating unified corporate and bankruptcy laws. So there are many steps to be taken, but each one seems more difficult than the previous one. This is because there are lots of other things happening in the world at the same time – the refugee crisis, terrorist threats and so on. So what I'm saying is that it may not be possible to have political union in our lifetime, but some of its components need to be in place soon.

In November last year – the very day before the terrible terrorist attacks in Paris – I gave a speech referring to Altiero Spinelli, one of the fathers of European federalism, where I said there are areas in which we quickly can pull our act together in a political manner – on migration, defence and security. If we could agree a single policy in these areas, progress could be made easier towards what *The Five presidents' report* calls a genuine economic and monetary union. Otherwise, it would be more and more difficult. In the end, you need political cohesion from our political leaders.

Absent a fiscal union, don't you need a credible fiscal compact?

We have it, the reformed Stability and Growth Pact. There is a lot of fuss about fiscal flexibility, which is misplaced because flexibility is embedded in the current rules. It has to be used rationally and according to the way it has been designed. But it is absolutely insufficient. We need a common fiscal policy – otherwise, people will continue to view the ECB as the culprit for the euro area's problems, the scapegoat for everything that goes wrong. Central banks cannot deliver an increase in productivity and improve the structure of the economy in the same way that we cannot take care of the refugee crisis and defend our nations from terrorist attacks. A bit as a joke, at times I have added that it would have been easier to defend the single currency had we had a single army.

Is it harder to maintain a supranational perspective at the ECB, given its expansion into supervision, national bond purchases and resolution, collateral, etc? Can the ECB remain independent?

Frankly, this is not an issue. We have discussed the merits of risk-sharing when the governing council extended the Asset Purchase Programme to government securities. I was in favour of a full sharing of risks, but the governing council decided for partial risk-sharing. If the objective is to create money supply – now it is called 'unconventional policy', but the creation of monetary base has been one of the defining activities of a central bank since inception – how can you do it? You can drop money from the sky or you can buy assets in the economy. If you buy assets, you buy what is available. We do it according to the ECB capital key. There is no particular privilege given to the bonds of any particular country. Our objective is to push interest rates down along the curve. This has had costs and benefits for all, with the benefits being higher than the costs. The interest payments on debt have fallen dramatically for all countries, with benefits for taxpayers.

It may have had some effects on the revenues of bank deposit holders – but in exchange for the stability of the banking system and an increase in activity. I don't think this has any particular national direction. It has an impact that is area-wide, and it is in the interests of everyone that all of us are back on track. This is why we all contributed to the European Stability Mechanism, to help overcome the difficulties in other member states, even though some of our countries had their own debt issues.

Indeed, the differences in debt levels across euro area members are a problem. It was a problem that was not so evident when we started the EMU. And, as I said, we need to deal with the excesses of public debt with respect to some common figure. But the real problem now is the lack of trust in others. This is why we miss Ciampi so much. The lack of trust can be summed up this way: 'we win, you lose', 'you win, we lose' – rather than the understanding that we all win together or all lose together. This is why political leadership is so important. It's very difficult, but this is the only path we have to move our monetary union closer to a political union.