

Conference in memory of Tommaso Padoa-Schioppa

Banca d'Italia, Rome, 16 December 2011

Introductory Remarks by Ignazio Visco, Governor of the Bank of Italy

I am very grateful to all of you for being here today for this conference in memory of Tommaso Padoa-Schioppa. I am glad that we have been able to bring together so many of his colleagues and friends who down through the years had the fortune to appreciate his intellectual and human qualities. And I am especially glad that we are gathering here at the Bank of Italy, the institution where he spent a good part of his professional life and the environment in which he first built an international reputation. An institution that, like the others he worked in, he helped to forge and to which he always remained deeply attached.

For many of us Tommaso was more than a colleague; he was also a friend and a mentor. You could always count on his advice, his ability to anticipate and find concrete solutions to problems. Conversation with him was always enlightening; you benefited from having your ideas challenged, you sharpened your reasoning, you learned, from his example, how to deliver results. In the year since his untimely death I have often missed his wisdom and acumen, his lucid vision of the road ahead, and I have often found myself trying to guess what his advice would have been at a time when we face so many difficult challenges in Italy, his native country, and Europe, the ideal to which he devoted much of his life.

Tommaso was devoted to his country and was always conscious of its great potential. But his innate optimism did not blind him to its serious weaknesses or to the troubles that lay ahead. He considered Italy a country suffering from a grave illness: twenty-five years of healthy growth after the Second World War had been followed by two decades of growth achieved with “toxic stimuli”: “a combination of inflation and currency devaluation, deficit-financed public expenditure, accumulation of debt and impoverishment of capital”.¹ The result was a country at once heavily indebted and under-capitalized, growing too slowly, where social inequalities were bound to increase. With his writings, speeches and actions, as Minister for the Economy he sought to instil a sense of urgency in an often hostile political environment: it was vital to act immediately and simultaneously for stability, growth and social equity. A sense of urgency, I must say, much vindicated by recent events.

The underlying problem, in his view, was that Italy had lost the ambition to excel. As he put it so vividly, “Italy is like a cyclist who is capable of extraordinary sprints to catch up with the group, but

¹ T. Padoa-Schioppa (2007), “Intervento del Ministro dell’Economia e delle Finanze all’Assemblea dell’Associazione Bancaria Italiana”.

incapable of taking the lead or breaking away. It seems that only the anguish of lagging behind and the nightmare of being excluded enable us to summon up the energy and the will to do our best.”²

Well, once again we are at a point where it is imperative to demonstrate our determination to react to an emergency; but it is also time to take, as Tommaso used to say, a longer-term view of the problems of the Italian economy and to tackle the structural impediments to sustained growth.

With regard to Europe too, in his last years Tommaso saw his fears materialize, with alarm and some bitterness. Although he is rightly considered one of the architects of the euro, he sensed from the very start that the single currency was an unfinished project. He was among the first to warn of the dangers of a “currency without a State”. He was deeply dissatisfied with the political inertia that had followed the introduction of the single currency. He clearly perceived the risks posed by inadequate governance in the macroeconomic field, in financial regulation and supervision, and by a union that “failed to satisfy, even for the functions that have been attributed to it, the cardinal principles of western constitutionalism (balance of powers; the democratic vote; the majority principle)”.³ He pleaded unflinchingly for a closer political Union.

Tommaso was not an academic economist. He had a special gift for using insights from theoretical economics to challenge received ideas and established practices. At the same time, he challenged academic economists to go beyond simplistic behavioural assumptions and to take the role of institutions fully into account.

Institutions and their design indeed constituted a leitmotif in his thinking, whether in connection with central banking, market infrastructures, European integration or global monetary arrangements. He always stressed the need to clearly identify the nature and scope of the public good that needed to be provided in order to design the most suitable set of rules and institutional framework case by case. At the same time, he had a dynamic view of issues and institutions: only by looking at underlying economic trends could one predict which new demands would drive the evolution of institutions in the future.

Thus, for example, a fundamental insight of his – from early on in his career as an economist and, let me add, as a political scientist – was that growing economic and financial integration and interdependence, both in Europe and at the global level, would inevitably require a profound rethinking not only of how to allocate policy-making responsibilities but of the very concept of national sovereignty. He certainly did not underestimate the difficulty of this process or the resistance it would meet.

Like Jean Monnet, Tommaso was fond of quoting the words of the Swiss philosopher Henri-Frédéric Amiel: “Experience starts over with every individual. Only institutions become wiser, as they accumulate the collective experience.” We can only add that institutions lucky enough to have had public servants as clear-minded and far-sighted as Tommaso Padoa-Schioppa really have had a chance to become wiser.

² *Corriere della Sera*, 16 May 2005.

³ *Corriere della Sera*, 3 May 1998.

To conclude, Tommaso's example is a constant source of inspiration, a model of the kind described in one of his favourite quotes from Machiavelli:

“A wise man ought always to follow the paths beaten by great men, and to imitate those who have been supreme, so that if his ability does not equal theirs, at least it will savour of it. Let him act like the clever archers who, designing to hit the mark which yet appears too far distant, and knowing the limits to which the strength of their bow attains, take aim much higher than the mark, not to reach by their strength or arrow to so great a height, but to be able with the aid of so high an aim to hit the mark they wish to reach.” [Machiavelli, *The Prince*, translated by W. K. Marriott (1908), Chapter 6]

We have decided to commemorate Tommaso by taking his ideas as a starting point to discuss some of the burning economic issues of today's real world, an approach, I believe, he would have appreciated. We have prepared four background notes, one for each session of the conference, to summarize his thoughts and legacy on each of the four themes that were at the centre of his work: monetary policy and payment systems, financial system regulation and supervision, the process of European integration, and the reform of the international monetary system. I think that the notes give ample testimony of the depth and vitality of his contribution.

Before the panel discussions, however, we will have the pleasure of being addressed by Italy's Prime Minister, Professor Mario Monti, whom I thank warmly for confirming his acceptance of our invitation in spite of his many pressing engagements.