Jean-Claude Trichet: Interview in *Bild*

Interview with Mr Jean-Claude Trichet, President of the European Central Bank, in *Bild*, Germany, conducted by Mr Oliver Santen and published on 15 January 2011.

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Mr Trichet, in one word, how would you describe the state of the euro today?

If you allow me two words: credible and stable.

Will the euro crisis get worse this year?

Let me be very clear: this is not a crisis of the euro. Rather, what we have is a crisis related to the public finances of a number of euro area countries. All governments have to put their finances in order, and above all those governments and countries which have lived well beyond their means in the past.

How are the euro area countries ever to reduce the debt, now totalling €7 trillion?

This year, the budget deficit in the euro area will be half as high as that in the United States or Japan. Virtually all advanced economies face acute fiscal problems. This is something that is often forgotten. That being said, this is no time for any complacency. Let me repeat: the ECB expects the governments in the euro area to make enormous efforts to bring down their debt. Some countries have to get their debt under control again.

Can you understand that many Germans are afraid of inflation?

The Germans are right to be fiercely against inflation. Inflation hurts in particular the poorest. Price stability is a precondition for growth. But the Germans and the European citizens do not need to be afraid: We have delivered and we will deliver price stability.

Inflation in Europe rose to 2.2% in December, the highest rate for two years.

We are always concerned if inflation rises and are following developments very closely. But the figures for December can be accounted for, above all, by rising energy prices.

Let me say something about the longer-term figures. In the last 12 years the average rate of inflation in the euro area has been 1.97 %, and in Germany only 1.5 %. Those are better figures than at any time in the 50 years before the euro was introduced. In Germany, inflation was 2.2 % in the 1990s, 2.8% in the 1980s and even higher in the 1970s. These figures speak for themselves.

But why does nearly everybody have the impression that the euro has made life more expensive?

That may have been the case ten years ago. I do not believe that this perception is shared today by a significant number of fellow citizens. The ECB has ensured that the euro is a credible and stable store of value.

Why then do you think that one in two Germans wants the Deutsche Mark back?

Once again: The euro has ensured stable prices. In the last 12 years the price level has been more stable in the Federal Republic than over the previous 50 years. The Germans, too, are aware of how valuable it is.

Why are you in favour of an enhancement of the rescue umbrella?

Governments need an effective mechanism, which is supportive to ensure financial stability.

Germany is the biggest contributor to the rescue of the euro. Are we Europe's paymaster?

Germany is a very important country in Europe. The measures to combat the debt crisis are borne jointly by the Member States. Germany is an important anchor for Europe, not only on account of its economic size, but also and above all owing to its own creditworthiness, its sound fiscal policy and its competitiveness.

Why does Europe not just let default countries go bankrupt?

First, I would say: debts should be repaid. It is the rule of law. Now, the International Monetary Fund has been around for many years to help marshalling adjustments in countries with difficulties, in order for them to recover their creditworthiness and honour their commitments. Europe is in line with this approach, for the sake of the financial stability of the euro area as a whole.

Many experts believe that Greece's bankruptcy is unavoidable.

The Greek government has taken measures within a strong programme negotiated with the European Commission and the International Monetary Fund. We expect Greece to implement these measures to the letter. Compliance with the announced adjustment programme is checked every three months.

After Ireland, will other countries be taken under the EU rescue umbrella?

We are asking all countries to bring their fiscal house in order. This is the best way for them to win back their creditworthiness.

Have the right lessons been learned from the financial crisis?

We are on the road to far-reaching changes in the international financial system, and it is important that these changes are made. Together with the international community we are working hard to ensure that banking rules are changed. Much has already been done, but a great deal also remains to be done.

Will the euro still exist in 20 years' time?

Of course, there is no doubt about that.

Will more than the current 17 countries then have the currency?

Today, 331 million people in 17 countries use the euro. The rules for joining the euro area must be applied strictly. That is the main thing: provided strict application of the rules, the euro area is open, as the entry of Estonia demonstrates.

Mr Trichet, your term of office ends in October. Do you already have your eye on a suitable successor?

That is not up to me. Rather, it is the responsibility of the Heads of State or Government.

A German at the head of the ECB would surely not be a bad thing for the euro.

This decision is a very important responsibility of the Heads of State and Government!

What are you particularly proud of in the seven years you have been in office so far?

The ECB has a clear primary mandate, which is to ensure price stability in the euro area. We have delivered and we will continue to deliver. And all members of the Executive Board of the ECB, all colleagues of the Governing Council of the ECB can be very proud of that. Let me add: peace and friendship between the European nations are essential for the stability and prosperity of our continent. I have devoted my life to bring the friendship between France and Germany to the benefit of Europe as a whole.