

François Villeroy de Galhau: Ensuring confidence in the currency

Introduction by Mr François Villeroy de Galhau, Governor of the Bank of France, at the conference on "Recent monetary policy developments", Paris, 4 May 2017.

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Our currency, the euro, is at the centre of debates that are particularly important to French citizens. The Banque de France is independent from politics, but in keeping with our mandate within the French Republic to ensure confidence in the currency, it is my role to provide certain clarifications. I hear proposals for a dual currency with the return of a national currency in parallel to a European currency. I must say that such suggestions would put confidence in the currency in danger.

No advanced economy has this type of parallel circulation. Where two currencies exist (or have existed) and can be used to make payments, one always inspires less confidence than the other. Generally, it is the "national" currency that suffers – the only one accessible to households, particularly poorer households, and to SMEs. The currency therefore quickly loses its value, leading to excessive price increases and a negative impact on purchasing power.

If we were to consider returning to the ECU, it is important to remember that it has not existed for 18 years and was not a real currency: the ECU was a unit of account that could not be used by either individuals or companies to make payments. Even if it were possible, going back to the ECU would present major disadvantages compared to today's euro: until the euro was introduced, France did not actually participate in decisions on interest rate levels and had to follow German monetary policy; the franc was at the mercy of speculative attacks from the financial markets that drained our currency reserves as we saw in the 1992-1993 period. The euro was introduced to solve these problems.

Today, the euro is alive and well. It is the currency of 340 million Europeans, is recognised worldwide and is trusted by the people of France. Almost 70% of French citizens are in favour of the euro because it protects their purchasing power, with prices that increase three times less rapidly than previously; because it makes borrowing easier, with interest rates that are 1.5% to 3% lower; and because it safeguards the value of their savings.

Finally, I would like to add that the Eurosystem has not modified its sovereign debt purchase programme in relation to France's presidential elections. The distribution of monthly purchases between the various countries is based on the ECB's capital allocation principle.