

## Peter Praet: Keynote speech – “Future Europe” conference

Video address by Mr Peter Praet, Member of the Executive Board of the European Central Bank, at the conference "Future Europe", Frankfurt am Main, 10 May 2019.

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Thank you for inviting me to open this second “Future Europe” conference.

It is common today for observers to assess the future of Europe with a sense of pessimism. The long years of crisis and the rise of Euroscepticism appear, in the eyes of many, to have set the cause of integration back. Some now question whether Europe’s citizens would be best served by less integration, not more.

Partly these questions come from idealised memories of the past, in particular when countries had their own currencies. But we should be clear that things were not better before EMU – they were worse. It is easy now to forget that the single market was a response to the economic stagnation and high unemployment of the 1980s; and the euro a response to monetary disorders.

Yet doubts about the future of Europe also reflect real concerns about our monetary union. The notion that the euro provides stability and security has been weakened by the gaps in our governance framework. In this context it is not surprising that claims that countries would be better off outside the euro find a sympathetic audience.

The long run solution most likely involves deeper fiscal integration, and it is important that the debate is moving forward in this area. But ambitions in the short run are relatively limited, and actions are needed today to rebuild trust in EMU.

What we can accomplish now is to complete banking union. We know from the US that an integrated banking sector is critical for stability and risk sharing in a well-functioning monetary union. The progress made in building the SSM has moved us closer to this aim. But it is clear that, for deep cross-border integration to develop, effective institutions for public risk-sharing need also to be in place.

Without such institutions, incentives will remain for national authorities to ring-fence capital and liquidity within subsidiaries, and we will not achieve the cross-border integration and private risk-sharing that are necessary for EMU to thrive.

This is why completing the framework for bank resolution and deposit insurance cannot be delayed any longer. This will lead to greater private risk-sharing and lessen the need for fiscal risk-sharing.

Such decisive steps to strengthen the monetary union would come at an opportune moment for Europe. This is because, even as Euroscepticism rises, the external case for working together has rarely been stronger or more visible to the public.

It is now plain to see that the rules and norms which have governed international relations since the Second World War are being challenged – replaced by a new power politics where large economies try to impose their will on smaller ones. In such a world, it is undeniable that the EU amplifies the sovereignty of its members.

In parallel, Brexit has served to underline the pros of membership and the cons of being outside. It is now established that leaving the EU presents a trade-off: countries either have to follow the rules they could once set; or they have to accept a diminished level of market access, and ultimately lower welfare for their people.

This renewed visibility presents an opportunity for the EU to reconnect with the European public

and re-find its *raison d'être*. In this spirit, with the EP elections approaching, those who believe in Europe have two imperatives: to promote and defend the EU where it is working; and to fix it quickly where it is not.

I hope this conference can help carry that debate forward.