**Monti: France, Germany must take responsibility for eurozone crisis**

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**EU leaders should examine their consciences and take responsibility when it comes to dealing with Greece and enforcing budget rules, said Mario Monti in an exclusive interview with EurActiv Italy.**

Mario Monti is president of Bocconi University in Milan. A former EU commissioner responsible for the internal market and later for competition, he was tasked by European Commission President José Manuel Barroso with providing a report on the future of the Single Market, which was published last year and forms the basis of the Single Market Act.

He was speaking to EurActiv Italy's Alessandra Flora.

**Mr. Monti, the gap between the European institutions and EU member states on how to solve the puzzle of the Greek crisis has hijacked the international press. What is your view?**

You refer to the Greek knot and the gap between the European institutions and member countries. It seems important to find a specific solution to the problem of Greece, but I think what's even more important is to understand why this has occurred.

The problem is not only linked to the indiscipline in Greece, but also a serious weakness in enforcing the rules, in particular the Stability and Growth Pact. Even countries like France and Germany must take on their responsibility.

When the Commission proposed to give stronger powers to Eurostat to assess and monitor countries' public finances, France and Germany opposed it.

Similarly, in 2003, these two countries violated the Stability Pact and the Commission proposed to issue appropriate warnings, as was done for Ireland and Portugal, but the ECOFIN Council [the Council of European Economic and Finance Ministers] - under pressure from France and Germany again, and with Italy's help - opposed it and the Commission decided not to enforce the rules.

A year ago, German Chancellor Angela Merkel also recognised that the decision weakened the credibility of the Stability Pact and has contributed to subsequent violations of the Pact, including on the part of Greece.

That's why we need to comprehensively examine our consciences. We must also continue to demand rigor from Greece, while acknowledging the considerable efforts that this country is making.

And Greece must continue to fulfill its commitments, but countries 'further north' must also do their part. It is not so much a question of solidarity, as [German Chancellor Angela] Merkel has reiterated, but rather a question of the good condition of the euro zone, which  is crucially important for Germany.

German businesses and citizens were the first to take advantage of the Single Market, the euro area and European integration.

**Compared with ten years ago, except for some isolated cases, Italians are failing to play a leading role in European and international institutions. What is the reason for this retreat?**

It is a little strange to discuss this in the days when Mario Draghi faces a hearing at the European Parliament (14 June) to be elected president of the European Central Bank, which is a very important European institution. It is a personal success, but at the same time a success also for Italy.

It is true, however, that Italy is far from having put prominent Italians in important international positions in a systematic and continuous way, as France did.

I think the reasons are many, starting with the fact that many Italian politicians, especially in the past, believed that a role in European and international institutions would not match a role in the fray of Italian politics.

Do you remember the case of Franco Maria Malfatti, who many years ago resigned as president of the European Commission, not to become prime minister or even minister, but just to stand in national elections?

**A year after the publication of the Monti report on a new strategy for the single market, would you say that its guidelines have been endorsed by the European Commission? Is the single market getting stronger?**The strengthening of the single market cannot be done overnight. At the request of [European Commission] President [José Manuel] Barroso, I have made an analysis of the problems and proposed a strategy. Now it's time to move towards the implementation of the single market.

The adoption on 13 April of the Single Market Act, at the initiative of [Internal Market] Commissioner [Michel] Barnier and President Barroso, are certainly important steps going in the right direction. The Council and Parliament have 'fast tracked' the Single Market Act and significantly, the Polish Presidency - beginning on 1 July - has adopted as one of its priorities the strengthening of the single market as a fundamental condition for economic growth in Europe.

I am very pleased with the process that has been put in place and I hope we will maintain the momentum, and political tension. Strengthening the single market means enabling it to resist attacks of economic nationalism of the various countries where parties opposing European integration are gaining ground.

This crisis - first financial, then economic, social and political in some countries - has been devastating, but gave a push to European economic governance. But there is a point that worries me: there is a tendency in many countries of short-termism. This is certainly visible in the political choices increasingly oriented towards making decisions that can benefit purely electoral aims.

Only in rare cases do we see true leadership. Raising the interest of young people is done through fighting the excessive benefits of some categories and corporatism, which seeks to keep closed markets and professions that defend their privileges.

**The economic crisis, from which Europe is still struggling to emerge, has left indelible scars, changing the lives of millions of people who have lost their jobs. Do you think young people entering the Italian and European job markets today can hope for a better future?**

All these corporate barriers, which are particularly strong in Italy, and certain privileges hold back economic growth.

In the future, it will be increasingly difficult to solve the problems of youth unemployment.  That's why you need to implement policies of openness and fight against corporatism. This requires an agreement between opposing political forces, which at least in this are able to unite.

**In your view, what measures should be taken to increase the level of productivity in Italy?**For the most part you have to inject more competition and that does not mean pushing markets to run wild.

It's important to have a rigorous authority that knows how to enforce strict market rules and competition. This would increase the so-called 'total factor productivity' in the economy. That is necessary, especially in some areas of our country, where we have a lack of infrastructure and where we are too slow to act. This also means streamlining the paths of public and administrative decisions.

**Your recent assessment of the Berlusconi government's plan for growth was not entirely positive. What are your indications for boosting growth?**My evaluation was positive for the stability programme, i.e. for the part relating to public finances, but was not positive for the national programme of reforms, which were not sufficiently developed.

A policy that injects higher doses of competition to boost productivity and growth, particularly for the benefit of young people, would require first of all - as required by Italian law - the adoption of the annual law on competition.

We are in the middle of 2011 and the country has not even adopted the competition law for 2010.

This and other useful information is spelled out in the document adopted by the European Commission on 7 June for Italy, as well as all member states - a great work of examination, evaluation and recommendation. All this should be adopted by the European Council this week [23- 24 June].

**In Italy, how can we overcome resistance to the processes of liberalisation?**

There are cultural factors, factors of tradition, but also a justified concern. In Italy there is a suspicion because we have not always had a market economy.

Privatisations were often made only thinking about the interests of a few private industrial groups, without giving regulatory authorities sufficient powers and resources, and - sometimes - even the proper respect to enable them to regulate public services to protect the consumer.

Moreover, the same Competition Authority, which is supposed to watch over all the markets, does not have the appropriate resources needed for them to perform his job.

The various recommendations for a competition law submitted by the Authority to the government and parliament have found no outlet.

I believe that the results of the referendum on the question regarding water are due, in part, to not understanding the difference between water as a natural resource on one side and the distribution of it on the other side, and partly by consumers' understandable wariness about the merits of the private sector in liberalised markets.

**Everybody is loudly calling for simplification. Which are the best ways to simplify quickly into all sectors of the economy?** I think it is not appropriate to distort the debate here. For example, recently it was pointed out that we cannot simplify without amending Article 41 of the Constitution.

Some simplifications are quite apart from the constitutional context. This is a step towards finding excuses, of a constitutional nature, to things that are possible to achieve through ordinary laws and that have not been done.

In addition, we should avoid simplifications that equate to total deregulation and lack of protection for consumers. There is a need for greater transparency of the procedures followed by the public administration.

It’s important to follow carefully what is happening in other countries, through, for example, OECD analysis and initiatives.

The Italian economy has made progress from this point of view, the various governments that have followed have certainly done something, but unfortunately they have suffered from a tradition and a culture of red tape.

It's a challenge for Italy, also to attract more foreign investment, but it is not easy. **Do you think Eurobonds are the right tool for developing the European economy? What other measures do you think are necessary?** This theme lends itself to misunderstanding because it has many facets and it is difficult to deal with it in minutes.

I support Eurobonds as financial instruments for the collection of funds for investment and infrastructure, which as a matter of fact are tools that already exist.

Together with others, I have helped to spark a debate more recently, proposing a specific type of Eurobonds in my report to the president of the European Commission in May 2010.

In this case, Eurobonds are not an instrument to finance increased investment spending, but a mere instrument of 'debt management'.

I think there may be benefits to all, including Germany, if we used the single market in this instance too. This does not imply a lack of responsibility of states to respect their deficit and debt, but instead it would increase the 'disciplining' of individual states.

Among the advantages is that of freeing the ECB from the task it has generously done, but also improperly and dangerously, which is the task of holding bonds of weak countries.

This may interfere with its monetary policy function and weaken the capital structure of the ECB. And this is the last thing we should all wish for.