



**Opinion column by François Villeroy de Galhau,
Governor of the Banque de France**

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“The euro, our strength in an uncertain world”

Twenty-five years ago to this day France signed the Maastricht Treaty. In February 2017, French citizens are rightly concerned about an uncertain world that is causing us to lose our bearings. From the signing of the Treaty to today, the euro has become more than our currency: faced with growing concerns, it is an anchor of stability and a shared asset which is our strength. The Banque de France, together with its partners in the Eurosystem, has a particular responsibility to preserve it. With complete independence, without ignoring the questions raised by the future of Europe; but confronted with euroscepticism and the extreme case of Brexit, we must show our resolve regarding what remains to be done, in the future, collectively.

Maastricht and the euro are firstly part of a broader historical momentum, unique in the world, aiming to move from war to peace. This momentum is unfortunately just as topical today. Our euro is not a self-imposed straitjacket or a technocratic utopia: it is a democratic decision and a currency still supported, with hindsight, by a clear majority of citizens.

The attachment of the 340 million citizens of the euro area to their currency remains high: 70% support the euro today, i.e. the highest level since 2008. And, in France, a large majority of French citizens also support the euro (68%). Because, beyond its political foundations, the European edifice also has sound economic foundations. Our

currency therefore embodies two key pairs: soundness hence confidence, and unity hence sovereignty.

The soundness of the euro is firstly a better protected purchasing power, because price stability is guaranteed. Since 1999, the Eurosystem has successfully strived to keep on average inflation below, but close to, 2% per year. And, with contained inflation and a trustworthy currency, French citizens' savings, pensions and the value of their assets are safeguarded. European convergence has also resulted in lower interest rates, by at least 1.5% in France. All economic players are benefiting from lower interest rates: households when they purchase a property, companies that invest, as well as governments when they borrow and hence taxpayers. Wanting to leave the euro and devalue our currency in order to be free to run up deficits is to forget that financing French debt would be much more costly: over EUR 30 billion per year in the longer run.

Unity is firstly that of a large internal market, protected from exchange rate fluctuations: for many of our companies, their domestic market expanded from within the national borders to the whole of the euro area. Unity is, even more so, what gives our currency an international role. The euro accounts for 20% of international reserves, in second place behind the dollar. Unity is, in a highly turbulent global financial arena, our greatest chance to carry influence, which none of our countries could do on its own. When the President of the ECB – previously Jean-Claude Trichet, today Mario Draghi – speaks in our collective name, the whole world listens to Europe. We should appreciate this unique asset of European sovereignty.

The euro is not the enemy of growth – in 2016 euro area growth, standing at 1.7%, was slightly higher than US growth – nor is it an all-risks insurance. Because we are focused on France's challenges, we tend to ignore the successes of our euro area partners: some are currently exhibiting growth rates that are among the highest across developed countries (Spain and Ireland), several others are enjoying full employment (including Germany and Austria), and the Nordic countries are excelling in education and innovation. If France is experiencing a relative lag in growth, this is not due to excessive fiscal discipline supposedly imposed by the single currency but rather to a lack of national reforms. The euro will never be able to replace these reforms. And this is good news since it means that there remains much room for our collective debates, and our creative efforts in France.

While the euro cannot be held responsible for everything, we have not yet come to the end of the road. Twenty-five years ago, we spoke of “Economic and Monetary Union”: we have made a success of Monetary Union, but we have not been very effective with regard to Economic Union. My aim here is not to discuss the European institutions: this is a matter for political choices. But concrete progress is nevertheless possible in two areas in order to achieve more growth and employment.

The first is the implementation of the “Financing Union for Investment and Innovation (FUII)” in order to use excess savings more effectively, over EUR 350 billion per year. The second initiative: making progress, via commitments shared by Member States, towards a collective economic strategy, which combines more reforms where they are needed, such as in France and in Italy, and greater stimulus where there is leeway, such as in Germany and the Netherlands.

In this new world that the current US administration seems to coldly envisage, which direction should we take? Less Europe would be a mistake if we want to collectively control our destiny. What we need is a Europe that talks less and acts more, that is less caught up in the detail, more focused on a few key priorities and that does “little, well, until the end”. In order to succeed we have a powerful asset, cementing and testifying to our commitment to unite, for the best, our strengths and our destinies: the euro.