Ladies and gentlemen,
Distinguished guests,
Dear fellow panellists [T. Mastrobuoni, S. Rossi, D. Gros, L. Zingales],

It is my great pleasure to join you today for this discussion on the Economic and Monetary Union (EMU). Allow me to warmly thank eunews and the Commission's Representation in Rome for this stimulating conference programme. Europe is not a topic that traditionally attracts large crowds, but this may change. The need for more Europe has certainly been keenly felt in Italy for the past few months. This is especially true for the refugee crisis and it is also true for EMU.

I would like to focus on two points only today. 1/ What went wrong with Greece? 2/ How to move forward with the report of the 5 presidents on deepening Europe's economic and monetary Union?

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1. The first question I would like to submit to the panel is: what went wrong with the Eurogroup's handling of the Greek crisis?

There is a clear understanding today that the Greek crisis revealed serious failures in our decision-making process; more importantly, this understanding is now shared. It is shared across the political spectrum; and it is shared by Heads of State and Government. We have been experiencing these failures for years now; but it took the Greek crisis for our leaders to come to the realisation that change was needed. And I am not talking about cosmetic change, or change in ten years' time.

In my opinion, our decision-making process failed on three fronts:

- First, democratic oversight. No role has been foreseen for the European Parliament in the European Stability Mechanism. We will partly remedy this shortcoming in the implementation stage, but the Parliament feels that the Eurogroup too often works as a "black box" and that they take major decisions without proper involvement of European representatives.

- Second, conflicting sources of legitimacy. From January to August, the Eurogroup operated as a platform for direct confrontation between opposite sources of legitimacy:

  - It was a given for all governments around the table that Greece should respect the commitments made by Athens under previous leaderships. But Mr Tspiras' government objected to this premise because Syriza's campaign platform departed significantly from those very commitments.Therefore, institutional legitimacy was pitted directly against political legitimacy.

  - In addition, the legitimacy of the Greek government and of the Greeks' vote in the referendum organised in July, was pitted directly against the legitimacy of other European governments. Yes, the Greek government is accountable to its people. But so are the other 18 governments in the euro area.

- Finally, we faced tremendous difficulties to express the European general interest. As Habermas pointed out, "European governments are unable to act in the interest of a joint European community because they think mainly of their national electorate. We are stuck in a political trap." In other words, the sum total of conflicting national interests does not add up to the European general interest. I would even say: we need to define the euro area interest. The Commission attends these meetings, but is not firmly part of the decision-making process, contrary to the ECOFIN or the Environment or Justice Council. This must be remedied: only the Commission can bring the value added of expressing the general interest.

We, Europeans, failed to solve this conflict in a timely and orderly fashion, because we do not have the right instruments – whether institutional, political or democratic – for this purpose. At the end of the day, each side whether in Greece or in the Netherlands or in Lithuania, probably feels equally violated by the terms of the agreement.

Drawing on this sobering experience, where should we go with EMU?

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2. The report of the 5 presidents on completing EMU provides us with a roadmap to address some of the challenges I mentioned. It is a valuable starting point that must now be implemented. Here is my take on it.

I am going to assume that few people in this room are aware of this report. I would not blame you. "Yet another report on EMU", you might think.

Well, this time things are slightly different. Not so much in terms of contents: many proposals have been floating around these past few years. But in terms of context: we have seen a shift in political sentiment. Of course, this report is not perfect and many within my political family would have liked to see more proposals on the social dimension of the EMU as well as on its political integration. But let's use the opportunities it offers.

The report draws a distinction between 2 separate, consecutive phases. Phase 1 broadly aims at boosting growth and fostering convergence; phase 2 includes proposals to increase European solidarity and deepen our institutional framework.

I feel very strongly that these two phases are complementary and must be considered as a coherent and balanced unit. Phase 1 identifies a set of short-term actions that the Commission – Vice-President Dombrovskis and I – are actively working on. But phase 2 should not be seen as some distant prospect for the far-away future: phase 2 renders the whole endeavour meaningful. It is what imparts political value and purpose to the actions of phase 1.

Three initiatives under phase 1 are of particular importance:

§ First, we have a job to finish on the Banking union. As you may know, the Banking union rests on three pillars: the Single Supervisory Mechanism (1stpillar), the Single Resolution Mechanism (2nd pillar) and finally a European Deposit Insurance Scheme (3rd pillar) which has yet to be set up. This is where we are focusing resources now. The report calls for "concrete steps toward a common backstop to the Single Resolution Fund".

Ultimately, the common financial backstop will be guaranteed by national budgets; therefore, what is ultimately at stake here is solidarity. The appetite of Member States – or lack thereof – to set up the European Deposit Insurance Scheme will be an excellent indicator of their appetite to deepen solidarity among euro area members in general. EU finance ministers had a first exchange of view on the Insurance Scheme last week-end. I am moderately heartened by the substance of their discussions so far, but we are just at the beginning of the process.Risk-reducing is a legitimate concern and it should be fully addressed; but it should not be used as a smokescreen to further stall on risk-sharing.

§ Phase 1 also calls for the creation of new bodies, both at European and at national level. My view is that these bodies can be useful and should promote economic convergence, but not duplicate existing surveillance mechanisms or procedures:

o The report suggests creating national competitiveness authorities. I have to say there was limited enthusiasm around the table when we discussed this proposal with Ministers of Finance last week. Many ministers indicated that the added value of these new bodies would be questionable and generally expressed very little support in moving forward on the matter. There is also some scepticism within the European Parliament.

Further reflection is needed here. As far as I am concerned, I can envisage a useful role for national competitiveness authorities if their mandate is not restricted to examining wage formation but is large enough to encompass productivity (which then touches on issues such as education, R&D…). We should also be very flexible with respect to the format and not opt for a "one-size-fits-all" approach.

o The report also recommends creating an advisory European Fiscal Board. The Board would provide an independent analysis, at European level, of how budgets perform against the economic objectives set out in the EU fiscal governance framework.

This proposal proved even more controversial with Ministers of Finance. Many pointed out that the priority should be on proper implementation of existing rules rather than on the creation of new bodies. Others noted that multiplying bodies typically leads to dilution of responsibilities; instead, the Commission should firmly keep its existing prerogatives on fiscal matters and be held accountable for the way it exercises them.

§ The last proposal that the Commission will put on the table in the weeks to come is quite ambitious and foresees a single representation of the euro area at the IMF. Now that our currency has gained a very solid global status with market operators and sovereigns, it is time to move on with the external representation of the euro area in international financial institutions. It would have been a different game if the 19 euro area countries had put all their weight in the discussions at the IMF board during the Greek crisis. No matter who will sit in this chair: what is important is that we ensure that the euro area speaks with one voice.

Phase 2 includes two highly political initiatives, both representing a quantum leap forward for the EU.

The 5 presidents' report foresees a "macroeconomic stabilisation function for the euro area". This is characteristically convoluted EU jargon to refer to a budget for the euro area. I am a long-time supporter of such a budget, and will of course make every effort to bring this proposal to life in a reasonable timeframe.

A lot of questions will have to be answered by then:

§ How will the budget be funded?Work is ongoing on the Financial Transaction Tax, or on the EU "own resources". Some of the conclusions of these various work strands may be relevant for the euro area budget.

§ Another crucial question is the purpose of the budget. Should it promote economic convergence by supporting those Members that are implementing potentially painful reforms? Should it stabilise national economies in case of asymmetrical shocks? Should it operate as a redistribution instrument? These are all open-ended questions at this stage.

I expect political discussions to be difficult on this macroeconomic stabilisation function. This is an extra-step toward solidarity that some Member States may agree to take only if they feel comfortable that it will not encourage free riding. To turn this into a win-win situation, we must ensure that all euro area members commit to implementing structural reforms to modernise their economic structures.

The second note-worthy political initiative for phase 2 is the setting up of a euro area treasury. Again, we are talking about a major institutional shift toward a deeper EMU. As Commissioner for Economic and Financial Affairs, Taxation and Customs, and as a former Finance Minister, I can see a lot of synergies between these two building blocks of what should be - in the long run - a future EU Treasury. It will not happen overnight, but active and speedy preparations must be made so that it remains a goal within reach. Some further reflections are needed on this concept.

None of this will be possible without heightened democratic oversight.

Under the previous Commission, the negotiations with Greece on macroeconomic assistance were shrouded in secrecy. The political backlash against procedures that were seen by many as a denial of democracy was strong enough that President Juncker committed to replace it in the future "with a more democratically legitimate and more accountable structure." This Commission has departed from previous practices: the President himself was involved in the negotiations with the Greek government and I insisted on appearing before the European Parliament with Vice-President Dombrovskis to update MEPs on the state of play.

Still, many European citizens are critical of what they perceive as a lack of democratic oversight in general and in particular on matters related to the euro area. If we are to head towards more solidarity, I find it perfectly understandable that they would require in parallel stronger accountability mechanisms. In fact, I approve of them.

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Ladies and gentlemen,

Europe is hit by two crises of systemic proportions. Its economic governance is under very severe strains, and it is struggling to respond to the most serious refugee crisis since World War Two. There are numerous common points to these two crises. They both stem from European governments' inability to reconcile conflicting national interests; they have both exposed deep divisions within the Council, and its vain efforts to overcome them in a speedy fashion; they both highlight that European solidarity is not a given. But most importantly, they are both strong indications that we need more Europe.