

Transcription of the interview with Romano Prodi (Bologna, 15 October 2012)

Caption: Transcription of the Interview with Romano Prodi, President of the Italian Council from 1996 to 1998 and 2006 to 2008 and President of the European Commission from 1999 to 2004, carried out by the Centre Virtuel de la Connaissance sur l'Europe (CVCE) on 15 October 2012 in Bologna. The interview was conducted by Renaud Dehousse, Professor and holder of the Jean Monnet Chair in European Union Law and Political Science at Sciences Po Paris and Director of the European Studies Centre, and particularly focuses on the following aspects of Tommaso Padoa-Schioppa's life: his personality, his stature as a great public servant and his work as Italian Minister for the Economy and Finance from 2006 to 2008.

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I. Tommaso Padoa-Schioppa: a great public servant

[**Renaud Dehousse**] First of all, Mr Prodi, I should like to thank you ...

[**Romano Prodi**] There is no need.

[**Renaud Dehousse**] ... for welcoming us.

[**Romano Prodi**] Thank you, because Tommaso has played a very important part in my life.

[**Renaud Dehousse**] Perhaps I can begin with a more personal question about your first meeting: when did you meet him for the first time and how do you remember him?

[**Romano Prodi**] I can't really remember because we knew each other for so long. When ... I mean he had his role at the Bank of Italy, he was an economist. Our first meetings were therefore on a professional level. We ran into one another at meetings, more by chance than design. Later on we began to talk, more on an intellectual plane than as friends, but after that our friendship grew and, I think, became much deeper because we certainly didn't talk about money all the time. We talked about life and death, and we talked about faith and the evolution of modern society. We talked a great deal about the decline of democracy. A great deal. Obviously, our first contacts were professional: he was Padoa-Schioppa of the Bank of Italy. As I was an economist, our paths often crossed; we talked about the problems raised by the budget, by development and, in particular and increasingly, the problem of adjusting the budget which we then had to tackle in government. How to find a way of reconciling the necessary austerity with growth. That is ... that nevertheless came later. Our initial acquaintance was of the type that you make at meetings with a senior public servant to which different kinds of economist are invited. As an applied economist, an industrial economist, I didn't say much at that stage and tended more to listen, as I had more to learn from Padoa-Schioppa than I had to contribute.

[**Renaud Dehousse**] I see. Going back to the figure of the senior public servant that you have just mentioned, it seems to me that, in some ways, Padoa-Schioppa was one of the people most representative of this kind of figure on the Italian scene in the last 20 or 30 years.

[**Romano Prodi**] Yes, I agree. However, he was not like other public servants. In Italy, the public servant is an organiser of power. An organiser of power and an interpreter of complex laws. We have greatly reined in the role of the public servant. Padoa-Schioppa was a public servant who was imaginative, if I can use this rather unusual term, because he was a public servant who had ideas. That, mind you, should be part and parcel of being a public servant ...

[**Renaud Dehousse**] I agree.

[**Romano Prodi**] ... and should go together with a political element so that decisions can be made about those various ideas. I would say, however, that he was one of the few public servants to come up with ideas because he was able to do so, because he had a great deal of practical knowledge and

contacts throughout the world which provided him with a secure base. He knew everything about the latest developments in American academic circles, in the US Administration and in the other European countries. He also combined this imagination with political insight. That might not have seemed so latterly, especially when he joked about children who live with their parents for too long or came out with the line 'taxes are beautiful'. That earned him a reputation as an unsophisticated politician. He was very sophisticated. He said those things precisely because he felt that he had to, because he wanted, and this is where the public servant meets the politician, to prick people's consciences. Yes. Going back to the notion of the public servant, the Bank of Italy was obviously a useful training ground for him, because it was a training ground that, unlike others, drew greatly on foreign countries. Ultimately, he was also used to a great deal of freedom. He was used to having packages of choices which were, so to speak, all of absolutely the same worth and value and amongst which it was possible to choose. The Italian public servant, more trammelled, has a kind of mandatory outlet, that is to say laws: this is the correct behaviour, these are the relationships of power that must be achieved. He is someone who implements. As a senior public servant, loyal to the state, Padoa-Schioppa was not just someone who implemented.

[**Renaud Dehousse**] No, no. There were various measures which were, in my view, genuinely groundbreaking in political terms. Obviously, you think in particular of his role at the time of the report by the Delors Committee in which he was one of the leading lights.

[**Romano Prodi**] Indeed. In the early days of the euro, when it was being created, he had the most brilliant insights. He also wrote some articles which were, how can I put it, very refreshing. Bear in mind, however, that I was still his reader and not someone who had discussions with him.

[**Renaud Dehousse**] I understand. At that time, if I remember rightly, your government proposed Padoa-Schioppa as Director of the Central Bank at the outset, when the single currency was being launched.

[**Romano Prodi**] Yes, that was a fairly natural choice, really ... I think so. Nobody spoke out. Tommaso was one of those names which it is difficult ... especially as, you see, it was because it was convenient, it was ... they tried to pigeonhole him as a technical man when, in fact, he was very generous. If a conference was to be held, even if it was not very high level, but there were young people keen to meet him, then he always made the effort. There you are ...

[**Renaud Dehousse**] No, no, clearly, he was committed to human values.

[**Romano Prodi**] Committed. Yes, that is the right word, committed.

[**Renaud Dehousse**] Indeed.

[**Romano Prodi**] Because, you see, technicians become politicians because they need power to achieve something. Some people may pass as technicians, but are already politicians because they have an inner passion. That was Tommaso.

[**Renaud Dehousse**] Yes, a passion for public affairs is really the thing that ... one of his main attributes, I think.

II. Tommaso Padoa-Schioppa and his work at the Italian Ministry of the Economy and Finance

[**Renaud Dehousse**] You were head of the government that had to drag Italy towards the single currency, which was no easy task. Thinking back to those years, do you have any regrets about the strong discipline imposed by the European Union in order to achieve that result?

[**Romano Prodi**] I have regrets, and I said so when the euro came in. When I gave the interview for which I paid so dearly and in which I said that the Stability Pact was stupid, I didn't do it to be

revolutionary, which I am not, but because it was very clear that you cannot just surround a currency unit with arithmetical walls since, by its nature, it requires very far-reaching changes because very strange things may happen. It was precisely because that was how I saw the problem. So much so that I remember asking Kohl: ‘What happens if an earthquake destroys Luxembourg?’ Which was completely absurd, as Luxembourg is not a seismic zone. I wanted to say as an economist, as that was my duty, ‘Look, there are no arithmetical rules in a single currency area, in a single currency.’ What is needed is a harmonised policy. I should also say that the reply that I got from the German Chancellor, and from Chirac as well, was very realistic, as Kohl said: ‘I have had to dig very deep to get the euro’, because the Germans didn’t want it, ‘so you can’t now ask me to go even further. That isn’t realistic. Clearly, we have a long way to go during which we can set up any fences, barriers and rules that may be necessary.’ In that sense, it was not reckless to create the euro without those barriers, as they would come naturally. At that time, everyone considered them to be necessary. Even though, as I said, having criticised them so harshly cost me dear. What happened? Precisely what Padoa-Schioppa himself was railing against every day: the advent of the Europe of fear: fear of immigrants, fear of China, fear of globalisation. What led to the Europe of fear? Populist movements and a flawed reaction by leaders who said: ‘If that is the case, let us look not at the long-term but only at tomorrow or even today.’ His ongoing and determined criticism of the short term was a result of the fact that he saw, and we spoke about this many times, that, in order to revive the policy that we all had clearly in our minds when the euro was being created and that was interrupted by the Europe of fear, we needed to look to the long and not the short term. We needed to look to the future of our children and not at the elections in North Rhine-Westphalia. Look, when Tommaso criticised the short term, and we had many chats about it during the summer because we met one another around the mid-August holiday, strange as it may seem; we were walking in the Emilian plain, close to the Po, because he worked in Carpi in his first year. After graduating, he went to work in a knitwear shop. People don’t know that. So we visited Carpi and Correggio together. That was brilliant because, on our mid-August trip, everyone looked on us as very strange animals. Our conversations were about ... the senior civil servant who knew everything about politics and the passionate politician distressed by the decline of democracy. Where would that lead? That was not just an Italian problem, but it was particularly bad in Italy.

[**Renaud Dehousse**] Indeed.

[**Romano Prodi**] Particularly bad in Italy, but a problem for all the Western democracies. We should not see it solely as a provincial problem.

[**Renaud Dehousse**] No. No, no. It was very widespread.

[**Romano Prodi**] Even though our conversations about it were in the provinces. We know that later, further down the line, you asked him to be a member of the government, which was a completely new thing for him in the sense that it was openly political. I remember chatting with him when that time was approaching and he was a bit worried, not afraid, because the post really didn’t hold any terrors for him, and he said: ‘This is a completely new type of challenge for me.’ I remember in particular a conversation during which he told me: ‘Can I really go on the TV on a Sunday afternoon talk show, am I really up to that? Public affairs from a technical and political point of view, yes. For me, political communication is not really something that I am sure I can do.’

[**Romano Prodi**] Yes. No, no, you are right because we talked about it a lot. He was concerned about it, but above all, or especially as ... not above all, but especially as — and this should not be forgotten — he became a minister after a great deal of controversy and attention. He was the logical choice as Governor of the Bank of Italy, but was stymied by a personal veto by Berlusconi. Therefore, when we asked him, he was well aware that his entry into the government would be extremely unpopular with the opposition. An opposition which, by the way, owned more or less all the country’s media. So, as well as coming from a different background, they also tried, and we talked about this a lot, to blacken his character. For instance, and this is true, I went back and reread it because it was interesting, when he said: ‘Paying taxes is beautiful,’ he was making an ethical point. When I read it, when I listened to

it again, what he was saying was very good. Objectively he was saying: ‘Look, citizens should feel proud when they help the community in which they live.’ They taunted him as though he were an idiot. He was slaughtered. That’s how it was in Italy. That’s how Italy is! My own personal experience bears that out. Tommaso was not at all used to that, but he took it on the chin. In practice, we were both very sad when it all came to an end. Especially as the initial preparation had been so very hard. Don’t forget that the government was defeated, met its end, when we drew up the financial law, which was already one of recovery. Austerity and then recovery, we combined them. That was in the December. We said to one another, I remember well, for some months now things have been going fairly well. Then there was this major operation to topple us, and we were unable to withstand it. So ... Oh, don’t forget that debt had fallen from 120 to 103. That was the best result ... 103.1 ... was the best possible recovery. That financial law launched our recovery. So, following the very hard battle that we had waged, we felt that we could see the first signs of recovery, the green shoots of recovery. Ultimately, it was politics that put an end to that.

[**Renaud Dehousse**] Yes, at that time, which was a very difficult time because, among other things, the government had a tiny majority in Parliament. On a more personal level, how did you feel Padoa-Schioppa was doing in this new post?

[**Romano Prodi**] At the outset, and from our conversations as well, you might have thought him naive. That, however, was his strength. The problem was that our government forces were at breaking point. Our majority in the Senate was down to a couple of senators, and that could be fine, except that, in a coalition with so many parties, everyone was in a position, bearing in mind our majority of two, to be able to exert some kind of influence on the life of the government. I had to wage a daily battle. Then, as is often the case, as I was saying, when things are starting to improve ... Bang ... defeat. That was not to do with Tommaso Padoa-Schioppa, but more to do with me and the story of my two governments. My first government was certainly not a preparation, as it all went very well. We were in a risky position in the second, but we had a good majority in the first, no problem at all. The Italian political system was unable to cope with the fact that some outsider, or rather two outsiders, in the second government, could end up with the power to play such an important role in future policy. In the second case, it was very easy to bring about a crisis.

[**Renaud Dehousse**] Yes, certainly.

III. Tommaso Padoa-Schioppa and his European vision

[**Renaud Dehousse**] I should like to finish by looking at a very important aspect of the life of Tommaso Padoa-Schioppa, that is his support for Europe which, for him, was a key area of his work, because whatever he did, he always paid great attention to the European dimension of the matter.

[**Romano Prodi**] Because for him, Europe was in no way a technical development. Europe was ... is a sense of history. A sense of history which can be much more freely interpreted and understood by someone with his background. Someone who knew America very well, who understood Europe’s potential and the strength of that potential. His particular passion was how to organise it, how this Europe could be organised so that it had a future. He was obviously not hampered by party problems. He therefore managed, through his technical ability, his knowledge of what was happening in the world, he managed to outline prospects which were long-term prospects. I remember we spent time talking about the steps that needed to be taken for its final completion, including the European army, which in theory had nothing to do with the life of Padoa-Schioppa or even with mine, by the way, and how, in particular, when it came to the euro, people were saying: ‘They sorted out the currency first because it is the Europe of the bankers,’ which is really a very stupid comment. We talked about Westphalia, the Treaty of Westphalia, how the modern state was based on money, on money and the army ... and how the Europeanisation of a pillar of the state started the major change in the nature of

the state. Europe was never seen as a technical development, but as something close to the heart and shaped by a sense of history. That is the message we are losing.

[**Renaud Dehousse**] Yes.

[**Romano Prodi**] That is the message we are losing. The Nobel Prize is helping a little ...

[**Renaud Dehousse**] Certainly!

[**Romano Prodi**] ... even though so many people have interpreted it in a ridiculously ironic way. Not understanding that it was simply a gesture to mark how far we have come in 60 years. This is no short-term project, but a project which is a gamble for our children and grandchildren.

[**Renaud Dehousse**] Indeed. And for the future!

[**Romano Prodi**] For the future.

[**Renaud Dehousse**] Lastly, you rightly stress the political nature of monetary union, which is not simply a technical euro-plan, but ...

[**Romano Prodi**] Nevertheless, technical knowledge is also a must, because of the whole problem of the behaviour of banks, the problems with their reserves, the problems ... he was not an untrained visionary.

[**Renaud Dehousse**] No, no, certainly not.

[**Romano Prodi**] He was a visionary with an army!

[**Renaud Dehousse**] Quite right! Did Europe not also offer an opportunity to try to start down the path of reforms in Italy, because essentially the euro was also a lever which ...

[**Romano Prodi**] Yes, that goes without saying! In a country like Italy, which was my main reason for going in with the euro. Many have asked if I did it out of pride. In a country where devaluation has been ongoing. I was saying to German friends the other day when we were talking about and commemorating Kohl, at the German Chancellery, that when I started my academic career, and the same goes for Tommaso, a mark was worth 145 lire. When we signed with Kohl, it was worth 990. A devaluation of 600 %, even over 35 years; is that, in your view, a picture of a healthy country? A healthy economy? The euro was therefore an indication of morality. The morality of a country. And the strength of an industrial system. We have always perceived it as such, and in my view, with all the woes Europe is facing, we are returning to that morality more out of fear than ... but fear is a strong sentiment.

[**Renaud Dehousse**] Yes. It forces us to do many things. Thank you very much, Mr Prodi.

[**Romano Prodi**] No, thank you, because Tommaso is always in my thoughts.

[**Renaud Dehousse**] Thank you.