



*London Stock Exchange Christmas Party*

**Ministero dell'Economia e delle Finanze**

Luncheon Speech by **Tommaso Padoa-Schioppa**

*London, 21 December 2007*

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Thank you Mr. Chairman. Ladies and Gentlemen,

I thank the Chairman for pronouncing my name correctly, first time in London; so, I see already a positive influence of the merger.

You made my task particularly difficult by writing to me that my remarks, for which I have ten minutes, “need not be deeply serious”; so they can be serious but they should not be deeply serious. I will try to say few things, knowing that while very often the situation in a country is described as serious but not dramatic, in my country it is sometimes described as dramatic but not serious. I will stick to this model.

I feel, being here, a little bit like the father who visits, say, the daughter-in-law or the son- in-law (I choose the daughter-in-law for reasons you can imagine) in the new home after she has married his son. Borsa Italiana is my son. This kind of first time encounter is marked by the joy to see the new family in its premises and the fact that the daughter-in-law comes from the noblest lineage (the Anglo-Saxon financial breed), it lives in a place, London, which is in many respects the best financial place in the world.

Hence the happiness, satisfaction and the very positive and deeply felt assessment of the future prospects of the merger. And yet, the visit of the father is marked by a slight sense of embarrassment, which I feel and which I think I should not conceal to you. This is due to the fact that I have been notoriously in favour of another marriage for my son, you know that. And since you want me to speak in a serious but “not deeply serious” manner, I think I should refer to that.

The father I am, had gone public in expressing his wish for a different marriage I think it is a good occasion for me to explain this to you. It has to do with what I could call currency specificity. I always felt that it is natural for a single currency area to have a

single stock-exchange, a single organized market which is linked to a single structure for clearing and settlement, a single source of monetary policy impulses and lending of last resort. Convinced as I am that it should be natural to have that in Euroland as well, I tried to pursue this goal when I was at the ECB and even later on. I did not succeed.

The reason for this failure, I think, lies in the fact that we have a single currency but we don't have a single public policy structure in the way a normal single currency area has. Indeed, the process leading to a single stock exchange has been rarely driven purely by competitive market forces; it has been mostly driven by policy initiatives. This was the case in Germany and Italy, where a number of local stock exchanges existed till very recently.

If you visit the Paris stock exchange, which was built in 1806, you see the names and the arms of the main stock exchanges with which the Paris stock exchange had business contacts. When I visited it, I was struck by the fact that there were six Italian cities as seats of stock-exchanges that in 1806 were linked to the Paris stock exchange: Florence, Naples, Venice, Milano, etc. My surprise disappeared when it came to my mind that there were six, and indeed even more, Italian states in 1806.

Be sure that the only conviction I had, which made me initially wish a different marriage, was linked to this view.

I have to confess, however, that not only I had a different marriage in mind, but that I have, in general, a certain *penchant* for arranged marriages. The idea that the partners should be free to choose each other, is a romantic prejudice that has occupied a very small time and space span in human history: We are not at all sure whether it is a good idea or not. Actually, the rate of success does not seem to be very high. So my instinct was to go for an arranged marriage.

And, to say it all, even the emancipation of the young son was accompanied, as far as I am concerned, by some reservations. Emancipation took the form of privatization of stock-exchanges. In Italy this took place ten years ago. I was then at the helm of Consob, I see here some old friends who were there at the time. I have to confess that I am still interrogating myself what is the exact institutional and ownership profile that is best for a stock-exchange. The market is, as every economic text book tells us, a kind of public good; it helps producing wealth, but has never been seen as a firm in itself in history.

Again, this is a novelty. Moreover, of the many forms of emancipation we can imagine, the one that makes a stock-exchange not only a *private* entity but a *profit seeking* entity and sometimes a *listed* entity, is a very extreme form of emancipation which we are experimenting for the first time and the prospects of which are in many ways still uncertain.

Don't misunderstand me, please. I'm strongly convinced that whatever can be done privately should be done privately, that whatever is possible should be done to exploit in full the best invention of mankind in the field of economic activity, which is the market. But you will admit that it still remains to be seen what is, where exactly lies, the dividing line between a market formula and the different formula. And you know that within the private field there are many other formulas than just a profit seeking entity: for example a mutual entity, a partnership, etcetera.

Why does the father come here in this festivity, just to say these things that may sound somewhat odd in a joyful party? Because, being the first visit of the father and being the family gathering for Christmas time, I think the best tribute that I can pay is, as we say in the financial jargon, *disclosure*. Disclosure of sentiments, anxieties and reservations, that have accompanied my thoughts and - to some extent - even my activity in this particular field. Take it as a sign of the candour that should characterize good family relationships.

I'm reading in these days a beautiful biography of Einstein, by Walter Isaacson, a book that everyone of you should read. You know, perhaps, that the first wife of Einstein was Mileva Marić and that his parents, old fashioned parents, were strongly opposed to the marriage, which as a matter of fact broke ten years after it was celebrated. Years later Albert Einstein, who was a very unconventional person in many other respects, found himself being extremely strong opposed to the marriage of his son. For years he did not accept it at all. Well, the marriage of Albert Einstein, the first marriage, lasted only ten years, but the marriage of his son lasted forty years and was a very happy one. I wonder if one should think that Einstein had learned nothing or too much from experience.

So I disclose to you my original anxieties, while being convinced by what I've already seen of the merger, that such anxieties were completely misplaced. Disclosing

them nevertheless may have some usefulness for the young couple as a *memento* of the uncertainties of the long journey they have just started.

Thank you very much.

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