HOUSE OF LORDS

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Economic and Financial Affairs (Sub-Committee A)

Inquiry on

GENUINE ECONOMIC AND MONETARY UNION AND ITS IMPLICATIONS FOR THE UK

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4 pm

Witness: Thomas Wieser

USE OF THE TRANSCRIPT

Members present

Lord Harrison (Chairman)
Earl of Caithness
Lord Hamilton of Epsom
Lord Kerr of Kinlochard
Lord Vallance of Tummel

Witness

Thomas Wieser MEP, Eurogroup Working Group President

Q170 The Chairman: Welcome to our last meeting of the day. Thank you for coming before us. As you know, we are looking into genuine economic and monetary union; en passant, we have also been following up our earlier reports on the financial transaction tax, which you might like to know about. We started off with Commissioner Rehn, and we have seen various other colleagues—just to put you in the picture. We are supplementing this visit with a visit to Germany in November. We have three days scheduled there—one in Frankfurt, where we will meet Mr Constâncio, who contributed to our most recent report, published last December, on banking union—as did you. We will also talk to what we hope will be representatives of a German Government by then, to others who can speak about German economic and monetary union. I give you that information because there may be parts of your answer that you would like to supplement the work that we do in the UK Parliament, to advise us. We would be very grateful for that advice.

We will be very interested in this session—and you may want to start off with one or two of your own ideas—to learn about the relationship between the Euro working group and the United Kingdom Government, what nature it takes and how engaged it is. I think you came in during the last session. We are interested to hear whether the UK is at least an interested and observant shareholder in the process, or whether we are totally absent. Perhaps I can start with GEMU. Have certain elements been identified as necessary, pressing and required to be done, while other elements are less necessary? Indeed, some may even be counterproductive. Then there are other elements that may need to be added to the structure proposed by the four Presidents of the Commission, Van Rompuy, which you might aid the Committee by telling us about. That is quite a long introduction, and an open field. Would you like to introduce yourself? You are known to many of the members of the Committee, but perhaps not all.

Thomas Wieser: Thank you for the invitation. I was saying to Dominique how fascinated I am by the interest that you evince in European affairs, and I wish that many of the other 27 Parliaments would show the same degree of interest and engagement. My job is to chair the Euro Working Group, which prepares the meetings of the Eurogroup. Britons participate in the deliberations of the Eurogroup and the Euro working group if they are Commission officials, so the UK is not completely disassociated from that. I also chair the Economic and Financial Committee, which is the pendant, as it were, for the 28. We have regular items of euro area policy matters which are also discussed with the 28; so we try to achieve as much transparency as possible among the 28. As you know, no legislative matters can be discussed in the Eurogroup, so it is a more a matter of economic policy co-ordination. Some might argue that it is co-operation, and one could have a long philosophical debate on the difference between co-operation and co-ordination. For those who do not know, my job was created one and a half years ago; it used to be done in parallel with one’s home job, usually as secretary-general of the Treasury. In the case of the UK, Nigel Wicks chaired the committee for many years, and is still regarded as one of the best chairs the committee ever had. With the increasing severity of the crisis and the workload associated with it, the Heads of State decided to make the post permanent. So here I am—and it is not raining, for a change.

I suppose that most of your interlocutors have repeated many things that you know already, such as the contents of the Four presidents' paper, which you will not want to hear for the 17th time. Therefore, your question is how much of that question can realistically be expected to be brought into being in the short term, medium term and long term. When we first started drafting the paper at the beginning of the summer 2012, my contribution was entitled *Putting the E into EMU*; when I showed it to a friend, he said, "Where is the U?". So we then called it *Putting the E and the U into EMU*.

Of the four—the banking union, economic union, fiscal union and democratic accountability—I have always regarded economic union as being nice to have but not necessary to guarantee the stability of EMU as a whole. Many of the things described in the "E" chapter, under economic union, are necessary for each member state to increase its competitiveness. There are many things in there which an enlightened Government would have done a long time ago; there is nothing in reality which smacks of federalism, supranationality or the like. That is not so for the other chapters. Depending on how the coming weeks unfold, we will emerge from this industrialised world debt crisis with what I would describe as more or less a banking union. It will encompass a single supervisor, a resolution mechanism with a resolution fund, possibly some kind of system of deposit guarantee schemes, and that will be it. Will it be the complete banking union that you would have in the best of all possible worlds or that is comparable to what you would have in one single nation state? There, the answer is a completely clear no—the reason being that especially on the resolution of banks, the question arises of who orders a bank to be resolved. This is very much part of the ongoing negotiations on the single resolution mechanism. While opinion is still divided on what role the Commission should play, or that committees could play, it is quite clear that it is not the national resolution authority, composed only of nationals of that member state, that will do the analysis and order a bank to be resolved. If it is then the case that somebody else is taking these decisions, those of course may well have fiscal consequences. The way the resolution fund should be funded, by industry contributions—the jury is still out as to whether it will be a resolution fund or many resolution funds—gets around the problem of constitutional issues as long as we are concerned with using up the money in the resolution fund, because it is not sovereign money. In the end, will markets trust a resolution fund that is funded only by industry contributions and without a guarantee, i.e. a contingent liability from the member states? I think the answer is no. If you then have a system whereby Germany guarantees 22% of the contingent liabilities and France maybe 16%, then Italy 12% and Austria 2%, the markets may value some of these guarantees to a higher degree than some of the other sovereign guarantees. A truly well functioning institution that is accepted by markets would therefore require a joint and several guarantee by all member states together, which would put your big toe firmly into fiscal union. As soon as you start sharing a contingent liability among member states, in constitutional terms it is just the same thing as sharing a liability or expenditure. Therefore, being quite obviously a first step into fiscal union, this would require not only a treaty change but significant changes to national constitutions. So we will emerge with a banking union of 90% but without any aspect of fiscal union, and because we do not tread on anyone's constitutional toes there will be no impetus to change elements of democratic accountability.

Q171 The Chairman: That is clear. You may be heartened, to know that we are indeed meeting Nigel Wicks next week, so we will pass on your regards to him. You gave a clear indication there of the progress that is likely to be made on resolution. Do you think this will be done by the December Council or in the new year, before the parliamentary elections?

Thomas Wieser: I think we stand a 50:50 chance of being able to agree politically in a Council on the single resolution mechanism before the end of the year and have an agreement with the European Parliament before it breaks in early April.

The Chairman: That is helpful. Before I pass on to the Earl of Caithness, can I ask you about the European Central Bank, which, as I indicated, we are visiting in November? Do you think sufficient attention has been paid to them, given their quite striking role last year in the form of Mario Draghi and his famous announcement, which certainly calmed our markets? Does the role of the ECB, especially its capacity to do what it does vis-à-vis the treaties, need to be analysed and understood or accommodated more?

Thomas Wieser: Do you mean in the field of banking union specifically or in the monetary policy field?

The Chairman: We have alluded to the potential clash in its role on monetary policy and then in the supervisory function. Some people may say, "Gosh, they are getting away with blue murder in what they are doing and how they are going ultra vires, and so on", whereas most of the witnesses we have spoken to think it a jolly good thing that somebody has taken it by the scruff of the neck and pronounced in the way that Mario Draghi has.

Thomas Wieser: On banking supervision, I am sure that the central bank did not push itself to the forefront to take over that role, but it was the only person standing, so barring a change to the treaties it was the only viable option. You could take the easy way out and argue that there are many good and some bad examples of central banks being the financial markets supervisor. These issues actually follow fashion more than hard analysis. Ten or 15 years back, everyone was insisting on the independent, non-central bank supervisor. The trend has been reversed—inter alia because they pay much better than others, but it is not only that. It is very much power politics that are involved. Whatever the central bank will be doing, I am sure that it will scrupulously try to separate out the monetary policy and financial stability roles. Personally, I am not a friend of central banks being the supervisor because while 99.9% of the time there is no conflict of interest, in the 0.1% of the time when there is, one of the two targets has to suffer. My experience is that it is usually monetary policy that suffers in the bad times; in the good times, it may be the other way around. Therefore it is an excellent second-best solution and I would not exclude it. In one of the coming treaty changes, we could create a new institution by just taking the single supervisor and providing the constitutional grounds for having a separate and totally independent supervisor. Maybe it is simply a stepping stone towards an even better future.

The Chairman: Again that is very clear.

Q172 Earl of Caithness: Thank you for your comments on the banking union and what you expect can be achieved before our elections next year. Perhaps I may ask you two questions. One is a general question. How do you assess the input of the UK in the discussions on banking union? Has that input been effective and led to changes in the proposal? The second is a detailed one. Are you happy with the delay until 2018—five years away—of the resolution mechanism? Without that, if there is a nasty shock to the relatively calm state of affairs that exists at the moment, what is likely to be the reaction of the Eurogroup to any new crisis?

Thomas Wieser: I shall start with the last point. I take it that you are referring to the entry into force of the Bank Recovery and Resolution Directive on 1 January. First, it is not yet a foregone conclusion that it will come into force on 1 January 2018. The European Parliament may bring it forward. Secondly, on the role of recovery and resolution in the framework that we are setting up, including the single supervisor, there will be, at some time next year—depending on the entry into force of the SSM et cetera—an asset quality review, sometimes also known as a balance sheet assessment, the stress test and so on. The results for each and every bank will be published in autumn 2014. Banks with a shortfall of regulatory capital will be ordered by the single supervisor to make up for that shortfall according to agreed rules. The first source, of course, needs to be the private market. If they cannot manage to do that within half a year—in that circumstance we will be able to tell you all this in much greater detail—in spring 2015 the bail-in according to the recovery and resolution directive will set in. This will be done under the umbrella of the new state-aid rules for the financial sector, which have been updated and published on 1 August 2013.

They foresee a very similar bail-in regime to the BRRD. The difference will be the possible treatment of senior bondholders, but equity and junior bondholders will be dealt with in a more or less identical manner to that under the BRRD. In reality, and if we assume that the entry into force of the BRRD may be earlier than we currently figure, the state-aid regime will be applicable in operational terms for perhaps a year or a year and a half. It does not really matter if the entry into force is earlier or later because there will be some kind of proxy, very similar instrument at hand.

Does that create uncertainty in markets? The banks will have to adapt their behaviour, the expectations of investors, the structure of their liabilities and the like, but that will be part of an ongoing larger adaptation process in the move towards Basel III targets, as they start raising capital in anticipation of what the single supervisor will tell them to do. It is indeed a regime switch, but the phasing-in provisions are manageable for the banks concerned.

Has the UK been effective in the wider context of negotiating banking union? Of course, the UK is always extremely effective in Brussels—I would say that even without the presence of a former Permanent Representative. But you have had an extremely clever Perm Rep here over the past couple of years. Of course, banking union in legal terms is fairly simple, but we need to take care that the coherence of the internal market is not undermined. Many of us have been extremely mindful of this, and the Commission very much so. Even the ECB, which is the ECB for the 18, has been extremely mindful of the necessity, and of the importance for the European Union as a whole, of maintaining the integrity of the internal market, and of the banking area for the 28.

Where are the risks that we can identify? One concerns the supervisory practices that will be shaped by the European Banking Authority in London on the one hand and by the single supervisor on the other. The voting modalities that were agreed in the BRRD will ensure that there can be no ganging up of the “ins” at the expense of those who are not participating in the euro. Other than that, the vast majority of regulations that are germane to the internal market for financial services land in COREPER and ECOFIN; it will always be the 28 who decide on them. Some may not like the outcome, but it is part of the Brussels-based process, where the vast majority of rules and regulations in this area are decided by QMV. I remember one issue at an ECOFIN in Luxembourg a couple of years ago—I think it was a MiFID regulation—where the UK was outvoted. It produced consternation across the continent, because it was the only time that the UK had ever been outvoted on a financial service dossier. Therefore, you can see that even with QMV, there is a very high likelihood that the UK will be on the winning side of the vote.

Is there an assurance that this will always be the case? No, because that is the story of qualified majority voting. If we had not introduced qualified majority voting—I believe that Margaret Thatcher played an enormous role in getting Europe there—we would not be where we are today, but would be lagging considerably further behind emerging markets than we are anyway. So on banking union, in a nutshell the UK has achieved the maximum that it could achieve, because it will retain an above-average influence on supervisory practices, rules and regulations. As far as the internal market is concerned, I am utterly convinced that it will remain coherent, having grown together, and hopefully become even more so than in the past.

The Chairman: I often think that Margaret Thatcher must have been surprised to find herself in the vanguard of the development of the single market, as we are sometimes surprised when we look back at her role and influence in this.

Q173 Lord Hamilton of Epsom: Can we turn to the integrated economic policy framework? Do you think that it is robust enough? If not, could other things be added? What do you think about the new rules and obligations? Will they follow down the same path as the stability and growth pact and be broken by Germany and France in succession, with no sanctions being taken against them?

Thomas Wieser: I have a question for clarification. I take it that you are referring to the package of new fiscal rules, the macroeconomic imbalance procedure and the country-specific recommendations that have come out of the so-called European semester or a subset thereof.

Lord Hamilton of Epsom: Yes, that is roughly what we are talking about.

Thomas Wieser: Thank you. I am always mindful that the rules that we have given ourselves or that politicians have given to us are legalistic constructions. Some nasty people would even say that they are bureaucratic constructions that need to respect the retention of sovereignty by individual member states. Let us take, for example, the country-specific recommendations which are addressed to every member state. They are indeed recommendations and you can take them up or not take them up. Frankly, the punishment for not following them is not exorbitant. Indeed, I believe that the punishment is not exorbitant because these are not really political processes.

In a slightly different vein, the fiscal policy rules of the stability and growth pact are sub-constitutional rules and therefore there is no domestic political mechanism for ensuring that they are actually enshrined into domestic policy targets. In former times, when a recommendation was addressed to a member state, I would have a vision of the Finance

Minister going home to a meeting of ministerial colleagues in his or her capital saying, "We have to change our budget because I really caught it in the neck in Brussels yesterday". Everyone then starts to yawn and asks what is for dinner this evening. It was simply of concern to the Finance Minister, not to many others. It would have been totally different had national parliaments been involved, but that is not the case in any of these processes, and that is why they are non-political processes. Also, the European Parliament is not engaged at all in matters of policy co-ordination and legal legitimacy. Of course not, because the treaty does not foresee the involvement of the European Parliament. Hearings of national Finance Ministers could have a considerably larger effect on the actual quality of policy-making back home than the raised finger of Mr Wieser or anyone else in the Council building which, because the rooms do not have any windows, no one ever sees.

The rules address absolutely the right issues, which are those of fiscal rectitude, intelligence, and the growth-oriented structure of public expenditures; namely, policies that prevent the building up of the sort of macroeconomic imbalances that we have seen in recent years in, for example, Spain, Portugal and Greece, and a procedure for addressing the structural policy changes that are necessary to make our economies fit for the 21st century. However, all this remains at the level of secondary law at the very best, and therefore the incentive for national politicians really to integrate it into their national policy-making is extremely limited, especially as there is no audience back home for this kind of advice. That is why I believe that if we had a stronger interaction between parliaments and politicians on all these issues, we would be considerably better off.

Q174 Lord Kerr of Kinlochard: From the way you spoke earlier on, I have formed the faintest of impressions that perhaps you do not think that the fiscal capacity leg of the Commission proposal is likely to be agreed by the end of the year. You seemed to indicate that you expected nothing to happen on that dossier. Is that right and, if that is the case, does it matter? Could you also, having looked at their ideas, tell us what they think the fiscal capacity would be used for; what is their rationale? Is it, as sometimes appears to be the case, to encourage structural reform or is it to reward good behaviour as a sort of positive sanction which could be withdrawn as a negative sanction; is it something to do with deficits, or is it a stabilisation fund—a mini flywheel and the beginnings of a federal equalisation system? Lastly, where is the money coming from?

Thomas Wieser: I did not address the fiscal capacity leg on purpose because I do not regard it as having anything to do with fiscal union. I do not know exactly what it is, except that it is fiscal. A fiscal union is something other than a fund which relies on intermediate, stochastic annually-to-be-negotiated and probably comparatively small contributions that are doled out to politically decided—I have to be much more polite than I would actually like to be—targets. A fiscal union is something that could be a small part of national budgets or a large part of national budgets, but in economic, legal and constitutional terms, it would have to follow the logic of a budget; that is, it would have to be based on predictable but variable revenues with a certain tax base, with a preset or defined set of objectives for the expenditure, subject to parliamentary ex-ante control and exposed to other controls. It would probably have to have an element of reactiveness to conjunctural developments. What I see in the proposals for fiscal capacity are more or less as you described: it is a fund that either rewards or incentivises certain behaviour in a closely circumscribed set of policy parameters. What I have heard about the raison d'être for these proposals is that the degree of national ownership for national reforms is a small one. By engaging in a more political debate that could possibly begin at the level of Heads of State coupled with monetary rewards and then subsequent debates in national Parliaments, you could thereby incentivise member states to do the right thing. They would be more free than they are at present to choose their own path towards bliss and happiness and the like. That is what those who have proposed these fiscal capacities are propagating, and that is why I do not even think about the heading of "fiscal union". If a note was not being taken, I would be more outspoken.

Lord Kerr of Kinlochard: Thank you. I do not think that we need to ask you any more about fiscal union.

Thomas Wieser: That will come after the next crisis.

Q175 Lord Vallance of Tummel: You have mentioned the next crisis. I was reading my *Financial Times* today, looking at the headline about what is going on in the US and the budget upset, along with the possibility—remote but greater than it was a few days ago—that come 18 October there could be trouble which might impact on financial systems around the world. There could be another major external shock that might result in a freezing of the wholesale markets, something that can happen quite quickly. I wonder whether the Eurogroup has any view as to how the current structure of the banking union and the progress that has been made with it would withstand a further major external shock, or perhaps one that is internal—perhaps in a particular country like Italy. Are there any contingency plans for dealing with that and what would be the priorities of the Eurogroup Working Group should such an occasion arise, which obviously one hopes it does not?

Thomas Wieser: All forecasts are uncertain, especially if they are about the future. Past crises have shown that there is a degree of co-operation between major and not so major Central Banks which is unprecedented in history and which probably saved us from total disaster. That is the aspect of provision of liquidity, but not of solvency. If a major shock to our financial systems emanated from the United States, it would, no doubt, impact not only on central bank balance sheets but also on other balance sheets. The question you are essentially asking is: what is my view on the balance sheets of the financial actors in the euro area and the state of sovereign balance sheets in the euro area? What you are asking me about the euro area goes, mutatis mutandis, for those outside the euro area, not only within Europe but also in emerging economies.

As a footnote, the probability of risks from sequestering is considerably lower than the impact of tapering or of interest rate changes in the medium term because they are sure to happen one way or another, whereas as for the effects of sequestering, by the time you go to Frankfurt you will know much more about to what extent that will happen or not. If you look at the state of bank balance sheets across Europe, considerable progress has been made on cleaning them up, though not enough, which is why the balance sheet assessment of the ECB will be stringent and will focus on telling banks to recognise losses, to clean up these balance sheets and recapitalise if necessary.

Will there be a widespread need for recapitalisation? I think not, but we see, for example, that there are very well capitalised banks in the so-called south, and that there are banks in need of recapitalisation in the north. There are good banks in good countries and good banks in less stable countries, but there are bad or challenged banks in more challenged countries and also in very stable northern member states. It depends on the size of the shock. It is impossible to say what the effects will be because we do not know what the size of the shock would be. However, we are at least much better placed than we were two years ago to withstand such a shock, as is the UK banking system, which is also in a much better position to withstand an additional shock, if that were to occur. In terms of what it does to the funding situation of member states, again, we are in a considerably better net position in terms of funding means—the volumes have gone down. This has been partially aided by the low-interest rate environment in which we are, but on average debt levels have started to go down. However, if I had the choice between a shock now and one in five years I would definitely opt for a shock in five years. It can come from many things other than sequestering.

Q176 Lord Vallance of Tummel: Thank you, that is helpful. You more or less covered earlier the questions I was going to ask. I was going to ask about the UK's position in the protection of the single market, but you dealt with that in the context of the banking union. Perhaps as a little addition to the comments you made about the UK's involvement in the work of the Euro Working Group, you said two things. One was that UK people were involved directly but only if they were employed by the Commission, but that there was a good transparency between the work of the group and the rest. I come from a managerial and business background and I am sometimes a bit naïve about political things. I was looking for a business parallel. It would be that if I were the chairman or the CEO of a group of companies, and a sub-group of that company was engaged in a major project which could have a significant impact on the other companies, I would probably have standing rules, again, that other companies would have a standing invitation to join any meeting of the sub-group. Human nature being what it is, if you do not allow transparency at that level, you are potentially asking for trouble. That is just a passing thought which you might wish to comment on.

Thomas Wieser: If it were a wholly owned subsidiary of the 28 then that would be absolutely right. As a matter of fact, with all of the banking union proposals, which we are quite certain that the UK will never join, at least in my lifetime—although there are younger people out there—the UK has always been fully associated with these deliberations. That is not only because the legal basis is in the treaty but because it will have either a homeopathic or a larger impact on the UK, which is why they are in the room. The design of the adjustment programme for Greece is something that is beyond the treaties; it is simply a matter that stems from the fact that there is a higher degree of responsibility and maybe solidarity with Greece, even though some Greeks would probably deny that. Therefore I would say that your picture of the Eurogroup being a wholly owned subsidiary of the EU firm is not quite correct.

There are maybe not extremely good reasons for not having the "outs" being part of these deliberations, but I believe that a strong impetus is to not want to expose to the outside world the way we reach decisions. I think that anybody who has been part of these deliberations, negotiations or fights would understand that because—since I am being quoted, I will not say why. You simply do not want to be transparent about the way you get there but you can be fully transparent about the target that you have achieved.

Lord Vallance of Tummel: You are quite right of course that there is not a direct parallel with a holding company and a subsidiary group, but I suspect that my interpretation of human nature is correct.

Q177 The Chairman: Just a few concluding round-up questions. I do not know whether you came into the room when the relationship that the United Kingdom has was explained by one of our earlier witnesses from the European Parliament: where it had been a shareholder, the United Kingdom has become a client. That is despite all the kind things you said about the strange contradiction of how interested we are as a Parliament in the United Kingdom in all these matters and the energy put into what is evolving here. First, I wonder whether you have any comment on that.

We also try to be relatively influential as far as we can with our reports. We have a dilemma as to whether we finish our business relatively soon and publish before Christmas. Again, we could seek your advice about whether that is a good idea or whether it would be more appropriate to delay because of the question of the German elections. Maybe we will not even have a Government formed, so we may be talking to people who then disappear. We would be very grateful for your thoughts on those two points.

Thomas Wieser: I think there is a wide recognition on the continent that a European Union without the United Kingdom would be not only contrary to five centuries of British foreign policy but detrimental to the symmetry of powers on the continent. If I understand history correctly, it has always been a clear principle of the United Kingdom to support the second largest on the continent. If that were to disappear, that would not be in the interests of Germany and not in the interests of France or of any continental country, but it would be totally contrary to UK interests. Therefore, I think we would all very much welcome a period of constructive engagement, which would be to everyone's benefit. We have always very much benefited from the insight and analytical capabilities and the political direction in which the UK has pushed and nudged the European Union. This is a drive which, over the past two or three years, has become less and less pronounced. There is, indeed, among many of my colleagues a feeling that the United Kingdom has become disinterested in Europe, which is possibly even worse than some of the more knee-jerk reactions that you might get from the media. Disinterest is sometimes worse than dislike. It would be really deplorable if this tendency that many of my colleagues detect were true. Anything that generates interest that goes beyond the House of Lords is even better. It is very good if the House of Lords is interested but it would be even better if the other parts of British society were just as interested. We keep up hope.

Q178 Lord Hamilton of Epsom: There has always been a problem in the United Kingdom with deeper integration. As long as the question of deeper integration could somehow be avoided or stepped back from, it was possible to carry on pretending that we were fully engaged members. Now that we have this crisis—and people say that you should never allow a good crisis to go by without taking advantage of it—this has led to serious moves towards much deeper integration. We are now going to see a eurozone which, if all the dreams are realised, is going to have its own budget and its own taxation system and so forth, and there will be a bloc of votes from which the United Kingdom will be excluded. We are never going to join that club in your and my lifetime, and therefore the United Kingdom is inevitably going to get more and more detached as integration continues in the eurozone and we are not part of it. I just do not see how we can have a great role to play in all of this because we are excluded.

Thomas Wieser: I will now produce a quote from Woody Allen, which definitely does not refer to you. Approximately the quote is: just because I am paranoid does not mean that everybody is not really persecuting me. There is this attitude that the euro area is ganging up on the "outs", that it is a bloc of votes and a monolith. I do not find that among Polish, Swedish or Danish colleagues but it is a very prevalent attitude in the United Kingdom. I can assure you that I have participated in every Eurogroup meeting that ever was, and I can assure you that the diversity of views is enormous. There is maybe some ganging up against the people who produce the coffee there—and rightly so—but there is never any monolithic bloc deciding on what should be decided in ECOFIN the next day. That is unthinkable. The diversity of interests, opinions and views between Finland and Portugal or Germany and France is such that the UK is not an outlier; it is somewhere within the spectrum of opinions of the euro area member states. This is a myth which for some reason or other has flowered and flourished in the United Kingdom but not anywhere else.

But, of course, I understand that as the euro area grows together questions arise that did not exist 10 years ago about the relationship of the "outs" to the "ins". Apart from the fact that there will never be any euro area taxation system, in 20 years' time there may well be elements of a fiscal union. But I believe that what we are witnessing here in Brussels may not lead to the optimal arrangement between the "ins" and the "outs". I would go about it in a completely different manner but I am not British.

The Chairman: Thomas Wieser, let us conclude there with the ringing tones of your aphorism that lack of interest may actually be worse than outright dislike. We take that to heart. As ever, on this second witness occasion with you, if I may say so, it has been a joy to engage with you on the subjects themselves and the Committee is very grateful to you for the careful and studied way in which you put these things and replied to us. Your answers were clipped and concise and very helpful. Again, to quote back to you one of your own phrases, whether in time the United Kingdom joins the rest of Europe on the path to bliss and happiness will be left to the future. We shall see, but for today we will send you a copy of our transcript. We would be grateful for any corrections but we look forward eagerly to the next opportunity that we have to hear you comment on the next study which is relevant to your interests. In the mean time, our profound thanks.