



Jean-Claude Juncker on impact of credit crisis and market regulation

Jean-Claude Juncker, Chair of the Eurogroup, told the Economic and Monetary Affairs Committee on Tuesday that the risk of the financial system collapsing had diminished, but the real economy was now being affected, and governments should act to help the most vulnerable sections of society. He called for more regulation and supervision of financial markets in future.

Mr Juncker said the measures taken by governments around the world had helped to normalise the situation on financial markets, but this would take some time to be fully effective: "There is still a risk of a credit crunch, even if it is notably smaller now than in previous weeks." He called on banks to take advantage of the stability support put in place by governments to make available the credit needed for the economy to function.

"Natural role for governments" to counter market failure

It was not, he said, a question of the state offering presents to bankers: "We had to ensure the financial system could function. States had to counter a market failure – this is a natural role for governments, though they may have forgotten this over the last twenty years."

There would now need to be considerably "more supervision and regulation in the global financial system", said Mr Juncker, who argued that the cause of the crisis could be found in the "deregulatory frenzy" of recent years. Some of those now leading calls for international regulatory reform had refused to consider the proposals put forward by the German presidency of the G8 as recently as 2007, he noted.

Counter-cyclical budget measures within the Stability Pact

The real economy was now being affected by the financial market situation, he said, and the Eurogroup (made up of finance ministers from the euro area countries) had agreed that governments should adopt a counter-cyclical budgetary policy, within the room for manoeuvre provided by the "wisely reformed" Stability and Growth Pact. Responding to José Manuel García Margallo (EPP-ED, ES), who asked for confirmation that we are now in the "exceptional circumstances" which, according to the Pact, could justify a budget deficit of above 3 per cent of GDP, Mr Juncker said that not a single member of the Eurogroup believes the present circumstances were not exceptional. On the other hand, he also stressed the Pact's indication that such exceptional deficits should be temporary and close to the 3 per cent limit.

No relaunch plan, but targeted help for the poorest

None of the eurozone finance ministers favoured a Keynesian-style economic relaunch plan of the sort attempted in the 1980s, he said. Elisa Ferreira (PES, PT) wanted to know, in that case, what Mr Juncker did recommend. He called for governments with

budgetary room for manoeuvre to use fiscal measures to help the most vulnerable sections of society, and to give support to SMEs. Those whose budgets did not allow fiscal loosening overall could still reprioritise their budgets to support those hardest hit by the downturn.

Effect of crisis in non-euro zone Member States

Olle Schmidt (ALDE, SE) asked what would be the biggest advantages for countries such as Sweden in adopting the euro. Mr Juncker said: "We are now seeing non-euro states discovering advantages to euro membership, even those whose citizens are generally recalcitrant about deeper EU integration. As someone responsible for a small country, I feel better protected within the eurozone – and those outside it have little influence – they are not there when decisions are taken on the world stage."

In reply to Zsolt Becsey (EPP-ED, HU), who asked about Hungary's approaching the IMF and the EU for assistance, Mr Juncker agreed that EU Member States should first approach the EU in such circumstances, to ensure coherence between the conditions for loans. He noted however that the Maastricht Treaty specifically bans bail-outs for eurozone Member States.

No to routine Eurozone summits

Committee Chair Pervenche Berès (PES, FR) asked about the implications of the recent meeting of Heads of State or Government of the eurozone on the future institutional arrangements for zone. Mr Juncker stressed that he did not oppose such summit meetings when circumstances called for it, but they should not become part of the EU routine: "There are already 12 meetings a year of the Eurogroup finance ministers – we should not add a routine meeting of eurozone Heads of State or Government ahead of each EU summit. We cannot have 16 meetings a year to discuss the same issues!"

Contact :

Ralph Pine

Press service

BXL: (32-2) 28 42941

PORT: (32) 0498.983.587

EMAIL: econ-press@europarl.europa.eu