

## **Europe's renewed sense of purpose**

### **Response by Mario Draghi, President of the ECB, on the receipt of an Honorary Doctorate from Tel Aviv University**

*Tel Aviv, 18 May 2017*

Ladies and gentlemen,

It is my privilege to speak to you tonight, on behalf of all those whom you distinguished by awarding an honorary doctorate of the University of Tel Aviv.

We come from different fields of human endeavour. Politics, policy, business, history and of course fundamental research. Our achievements are diverse. But they are all based on careful accumulation, experimentation and exploitation of knowledge. Knowledge created and fostered by universities such as yours.

And I cannot but detect the profound influence of this search for knowledge in my memory of recent events. The eruption of the global financial crisis in 2008, and the subsequent sovereign debt crisis in Europe, caused a deep recession worldwide, a sharp increase in unemployment and exposed the incompleteness of some parts of the EU institutional architecture. Fertile conditions to give voice to populist and nationalistic rhetoric.

But that period of crisis was also conducive to improving our understanding of economic and political forces, and to translating this new knowledge into action. The crisis has thus resulted in a form of creative destruction, where established paradigms have been critically revisited, where flawed practices have been exposed and replaced by sounder ones and where new research addressed previously neglected aspects of our societies. This renewed effort has both greatly deepened our understanding of economics and shaped our policy response.

The crisis is now behind us. The recovery in the euro area is resilient and is increasingly broad-based across countries and sectors. Domestic demand, supported by the ECB's monetary policy, is the mainstay of that recovery. Five million more people are employed now than were in 2013, and unemployment though still too high is at an eight-year low. Worldwide, the financial sector is now more resilient. The global economic outlook is also improving, and downside risks are moderating.

However, what we need in Europe to ensure that economic growth and higher prosperity is sustained through time are structural reforms and a renewed sense of purpose for the EU.

Started in the aftermath of the Second World War, European integration was the response to citizens' desperate need for peace. The system of treaties between governments that had dominated European relations between the two wars and even before had utterly failed to deliver what governments are mainly for: security and prosperity. Pooling sovereignty on issues of direct common interest became the new basis for cooperation between the European nations. At the time such a project seemed bold and optimistic – just as calling for further, deeper integration seems bold and optimistic today. But our founders were right. Europe has delivered peace, prosperity and political stability for a period of time that has no precedents in its modern history.

This year marks the 60<sup>th</sup> anniversary of the Treaty of Rome that created the European Union and the 25<sup>th</sup> anniversary of the Maastricht Treaty that created the Monetary Union.

Further progress is needed. The institutional architecture of the Economic and Monetary Union remains incomplete in a number of aspects. The crisis has exposed structural weaknesses in our construction and has forced us to address them. The repair has started with the creation of the banking union.

But the work is far from over and the challenges we face go beyond Economic and Monetary Union. They pertain to security, migration, defence, and generally all those challenges that can be addressed only by pooling sovereignty. And these challenges are greater than in the past.

Today we can sense a rising wave of energy in demanding joint European action. The European Union and the euro always commanded the support of the majority of European citizens, but, often, it was only the vocal opposition that was heard. Now this silent majority has regained its voice, its pride, and its self-confidence. Only by working together can the nations of Europe overcome these challenges. The opportunity for progress is real.

Values and judgement lie at the heart of all our undertakings. But they need to be supported by continuing research, ever increasing knowledge, and uncompromising examination of facts. This was true in addressing the great financial crisis, designing and implementing policies that improve the world economy and building institutions that deliver peace and prosperity in Europe. But it is also true in all the fields represented today by my fellow recipients. That is why we must be grateful to all places of knowledge, and today to the University of Tel Aviv.

Thank you once more, not only for the honour that you are bestowing upon us, but also for your ongoing contribution to our common good.