

Italian government can at least clip Fazio's wings

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Sir, We, and with us many of our colleagues, believe that the position of Antonio Fazio as governor of the Bank of Italy has become untenable. The question is not so much the formal legitimacy of his actions (as an Italian saying goes, "You apply the law to enemies, you interpret it for friends"), as his compliance with the rules of conduct that should bind all those in public office. His behaviour has impaired both the outside credibility and the internal cohesion of the bank.

The government has no power to revoke Mr Fazio's mandate, but could swiftly remove some basic anomalies: the lack of any limit to the term of office; the autocratic governance of the bank which allows an everlasting governor to concentrate all power in his hands; the latitude of discretion in the exercise of supervision, permitted by existing laws and by the attribution to the bank of competence on banking competition. Changes here may not induce Mr Fazio to leave, but would at least clip his wings and set some necessary conditions for Italy's financial development. So far the government has remained silent, neither expressing its view on Mr Fazio's behaviour nor proposing any reform. Domenico Siniscalco, the finance minister, will bear a heavy responsibility unless he makes his voice heard soon.

If not, Italy can rely on only external pressure. As a member of the governing council of the European System of Central Banks, Mr Fazio is expected to comply with its code of conduct. Members of the council have a "special responsibility to maintain the integrity and reputation" of the ESCB, which requires them to "observe the highest standard of ethical conduct", to "act impartially [and] with discretion", to "be mindful of the importance of their duties and responsibilities" and to "conduct themselves in a way that maintains and promotes the public's trust in the European Central Bank". The council may wish to consider whether Mr Fazio's recent doings are compatible with these requirements.

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