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Trichet Calls for Single Euro Finance Ministry as Crisis Deepens
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By Christian Vits and Gabi Thesing

June 2 (Bloomberg) -- European Central Bank President Jean- Claude Trichet said governments should consider setting up a finance ministry for the 17-nation currency region as the bloc struggles to contain a region-wide sovereign debt crisis.

"Would it be too bold, in the economic field, with a single market, a single currency and a single central bank, to envisage a ministry of finance of the union?" Trichet said in a speech today in Aachen, Germany. He also favors giving the European Union powers to veto the budget measures of countries that go "harmfully astray," though that would require a change to EU Treaties.

Trichet, one of the architects of the Maastricht Treaty that founded the euro, is setting out his vision for how the currency can be better managed just months before he retires and as European officials rush to put together a second bailout plan for Greece. Last year's 110 billion-euro (\$159 billion) rescue failed to prevent an investor exodus from Greece, which has been saddled with Europe's highest debt load amid a three-year economic slump.

Ireland and Portugal also had to ask for European aid as borrowing costs soared on concern the countries wouldn't be able to tame their budget deficits.

While any single finance ministry would "not necessarily" administer "a large federal budget," it would "exert direct responsibilities in at least three domains," said Trichet, whose eight-year term ends in October.

They would include "first, the surveillance of both fiscal policies and competitiveness policies" and "direct responsibilities" for countries in fiscal distress, he said.

Ministry Functions

It would also carry out "all the typical responsibilities of the executive branches as regards the union's integrated financial sector, so as to accompany the full integration of financial services, and third, the representation of the union confederation in international financial institutions."

Trichet has no formal power over government decision making and hasn't said what he plans to do when he leaves the ECB.

Trichet signaled that any new form of fiscal governance would need to be "decided by the people of Europe." The EU president, the European Commission and the finance ministries of Germany and other countries are sure to have their own views, he said.

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