A Modern-day Hero:  
**Introduction to the Mandeville lecture by Jean-Claude Trichet**

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On November 2, 2011, 70 Harvard students walked out of the introductory course “Economics 101” taught by Professor Greg Mankiw. In an open letter, published in the Harvard Political Review, they explained their walkout as a response to an, in their view, biased representation of economic theory by Professor Mankiw. They blamed him for only teaching neoclassical economics at the expense of other perspectives, while it was clear by then, three years after the Lehman Brothers collapse, that this approach to economics, heavily indebted to Adam Smith, was not faring well. It had failed to predict the 2008 worldwide banking crisis, and had very little to say on how to deal with it.

In the Netherlands, the foremost economic policy unit, the Centraal Planbureau, predicted just before the September 2008 crash a *growth* of the Dutch economy of 3 percent and an *unemployment* rate of 4 percent. Half a year later, it predicted a *decrease* of the economy of 4 percent and an *increase* of unemployment to 8 percent. Both predictions turned out to be quite far off the mark. To many bystanders, the “laissez faire” capitalism of the last 20 years with its emphasis on deregulation seemed to have reached its limits.

You may or may not know that the Rotterdam-born political philosopher Bernard Mandeville, after whom the lecture you are about to hear is named, was among the first to voice the ideas underlying this kind of capitalism—50 years before Adam Smith wrote his “wealth of nations.” Mandeville believed that personal selfishness is *the* source of public prosperity: private vices become public virtues. He gives the example of a man who lives a decadent life, unrestrained by morality. To live such life he would need (in the 18th century) the services of tailors, servants, perfumers, cooks, and prostitutes, whom, in turn, would need the services of bakers, carpenters, etcetera. So, individuals who pursue selfish interests have a positive influence on the wellbeing of the population. This point of view is epitomized by Gordon Gekko’s one-liner in Oliver Stone’s 1987 movie Wallstreet that “Greed is good.”

However, in September 2008 it seemed that the greed of individuals and of banks in their attempts to maximize profit would bring the Eurozone to the brink of collapse. Since banks, after the fall of Lehman Brothers, did not know anymore how risky it was to lend each other money, the interbanking money market stopped working from one day to another, and was not longer able to supply the economy with credit. However, while the Eurozone governments were in disarray, the European Central Bank, under the direction of its president, Jean-Claude Trichet, acted decisively. It provided banks with unlimited credit, thereby saving the euro, the European Union, and its economy.

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Modern-day heroes, ladies and gentlemen, do not any longer wear masks, or fly like bats, they reside behind desks or in meeting rooms in cities such as Frankfurt and watch over us. Jean-Claude Trichet is such modern-day hero and it is therefore appropriate that we honor him today by asking him to give the 2012 Mandeville Lecture.

Let me say a few things about his career.

Born in Lyon (in 1942), Jean-Claude Trichet is a graduate of the great French educational institutions, including the Institut d’études politiques de Paris - Sciences Po, of the Université de Paris. In 1978, he became an adviser to the President de la Republique (Valery Giscard d’Estaing), and in 1993, he was appointed Governor of the Banque de France. He served as President of the European Central Bank from November 2003 to November 2011. For his work he received numerous rewards, among them being named Person of the Year by the Financial Times.

You know that the Mandeville Lecture is meant to honor people of exceptional contributions to the wellbeing of society. It can be considered the societal equivalent of an honorary degree. The lecture is organized every year in collaboration with the Rotterdam business community, the Club Rotterdam. Among those having given the Mandeville Lecture were illustrious Europeans such as Bernard Kouchner, Carla del Ponte, Ruud Lubbers, and Guy Verhofstad. One of them, the late Wim Duijisenberg (who happened to be Dr. Trichet’s predecessor at the ECB) spoke about the past: how the Netherlands embraced the euro. Jean-Claude Trichet will speak about the future. The title of his contribution is “Towards a new economic European Governance.”