An edited version of Ms Christie’s remarks to the European Parliament’s Budget Committee follows:

What I want to speak about today is why we want to borrow collectively as Europeans, and what the point is of having a collective European debt. If you take away one thing from my remarks today, it’s that public debt can be a public infrastructure. Just like a power grid, just like roads, just like a post office, like any number of other things. We as a community and a society can choose how much we want to have that infrastructure, how much of our government and tax and administrative resources we want to have with that and what we want to use it for.

We don’t only have to think of debt in terms of numbers and risk and cost and economics. This is not a purely economic decision, just as when we talk about a power grid, we don’t only talk about what it can set on fire. All of your electricity can set things on fire, but that’s not what we talk about: we talk about connectivity, we talk about how it goes together. we talk about what you can use it for. When we talk about fire, we talk about ways to minimize the risk: ways to make sure when there is a fire, it’s contained; ways to make sure that we have a structure for dealing with it. But it’s not the principle focus of discussion. What we mostly talk about is what we can do and what we need it for

So, in the case of public debt and public borrowing, what we are trying to do is take market capital -- what the market would like to give to Europe -- and turn it into something else that we need. It is a highway to get money from the people who have it to places where it needs to go. Individual countries have been doing this for centuries with much success.

The U.S. has the world’s biggest and best known safe asset, what people sometimes talk about as a riskless asset, which we know this week in particular is very much not a riskless asset. Because of its ridiculous debt ceiling -- which is an entirely political choice, there is no economic rationale for this -- the U.S. has now introduced risk and driven its own borrowing costs up to make a political point. Please believe me when I say there is no economic rationale for it, it does not add up, it makes no sense and yet here we are. So Europe doesn’t want to do that. don’t put in a debt limit, that’s silly

Europe instead should think about “what do we want this debt to do.” So far there has been a clear political commitment from the member states that they want this to be temporary, they want this to be limited, they want it to be in short supply. Economically, this doesn’t always make sense. More debt can be safer debt, coming from a credible borrower. And when you have a triple A, in most places you are a credible borrower.

So then how do you manage the risk side of it? You do have to manage the risk. You need to manage your finances responsibly, you need to have a plan for making your debt sustainable, for managing the paydown plans. But that’s not the same thing as saying we’re going to pay down all the debt. You can have a permanently sustainable open-ended debt and you can have an explicitly permanent debt without throwing all your fiscal caution to the winds. It doesn’t have to be an accidentally permanent debt where we just have 50 billion euros a year rolling over. We can have something where we explicitly say this is a public good that we’re choosing to maintain. And we politically can decide that, by endorsing it and by saying you can believe in this and you can count on it. And then it becomes more liquid right away.

A lot of the rise in borrowing costs has come from rising interest rates. That’s a good thing, we want interest rates to rise, we want them to normalize. We don’t want to be in an emergency monetary policy situation forever, and one of the externalities of that is that borrowing costs some money. The economics of how much that costs - the gross numbers -it’s in the 10s of billions, or headed that way. That’s a scary number in some ways, particularly if you’re looking at it in the context of a seven-year Multiannual Financial Framework where you really have to account for everything. But in the grand scheme of things when you look at the trillion euros that the EU is going to have to borrow, this is not a lot of money. You can just fold it into your costs, you can tack it into your borrowing and with the net present value of your money, it’s not very much. But administratively, if you have to fit it into the MFF, it is a big deal.

I would certainly endorse the recommendations to, if you can legally, to try to take that administrative cost out of the fiscal ceiling. This is just a cost of doing business, this should not be something that fits in with your political decisions on own resources and spending. It’s not a discretionary cost, it’s something that relates to the economy and it should be seen as an operating expense rather than a budget choice.

The European Parliament can be very helpful in embracing this sense of collective public good, in focusing on not just how to get own resources, not just how to borrow together but

also on how a safe asset strengthens the union. It would be nice to have more own resources. There is discussion of more own resources specifically to cover debt-related spending, such as the possibility of a digital levy or carbon taxes, or other things like that. But economically, it’s not so much money. the point of the own resource would be to signal that we’re serious in working together to create an income stream, to pay off or pay back or maintain this debt. You could also do that with the regular budget. You could also do that with the regular own resources and just fold that into your general discussion of how much do you want people to have to work with.

I have had a public exchange of views about whether the EU is as safe as something with actual paid in capital, they’ll say oh the EU is an a SSA borrower, it doesn’t have paid in capital, its just got these guarantees. And it raises the question of whether the EU is as safe as something with actual paid in capital.

For those of us who believe in the EU and work with the EU, the guarantees are pretty solid. If you don’t believe that the EU guarantees are solid then you’re saying the EU faces a breakup risk, and that’s not something that we want to entertain or want to reinforce. To me the guarantees behind the EU are just as credible as other well run sovereign borrowers, and the paid in capital that some of the other SSAs have.

In terms of helping the EU get out of this SSA space and into a space with other sovereigns,

we mostly just need this mental shift: Is this something that we believe in, something we believe is permanent, something that we believe is going to happen for a long time? If you believe that the EU is a permanent institution, then to me it makes sense to grant it a different status than an investment bank, or than an intergovernmental company like the European Financial Stability Facility or multilateral institution like the European Stability Mechanism. The EU collectively can make a good case for being separate. So that is something that I think we should go with.

I’d like to talk again about liquidity. The idea that more debt is safer debt is wild, especially in Northern Europe. This idea that something can be more stable when there’s more of it in circulation is a real mindset change for people who’ve always thought that you want a surplus, that a surplus is somehow safer than a deficit. The way that I most often explain that is you want to have this public good, you want to have this economy of scale and this self-supporting velocity, this infrastructure. And we can talk a lot about what bond markets are for and what role they have. But having an anchor asset that people believe in, like US Treasury bonds, that people can use to price the rest of their financing activities off of, that people can use to anchor their investment portfolios, not only to invest in but also as a reference for the other things - that is something that the EU can do and can contribute.

Philosophically why are we doing this? We’re doing this because a public debt is a public good. It’s a way to take money from rich people who have too much of it and put it into things that we all need, that the private sector is not going to finance on its own but might very happily finance if it can do it through democratic institutions.