



Achievements and innovations under Mr Draghi's Presidency and challenges ahead

Background

European Central Bank (ECB) President Mr Mario Draghi's eight-year term will end on 31 October 2019. Under his presidency the range of measures and tools of the ECB expanded significantly. The ECB became the guardian of economic health and financial stability in the region.

Confronted with the exceptional challenges stemming from the global financial crisis, the ECB combined the standard tool of adjusting its policy interest rates with a number of non-standard measures, including [negative interest rates](#), a move meant to pressure the banks to lend instead; enhanced communication to calm jittery financial markets with a few well-chosen words ("[whatever it takes](#)") and [forward guidance](#) to steer the future path of policy rates; [quantitative easing](#) as a way of pushing down market interest rates and providing liquidity to the system; and [targeted longer-term refinancing operations](#) (TLTRO).

It is generally acknowledged that these measures saved the euro and helped to support growth and create jobs. On 12 September, the ECB [announced a new package of stimulus measures](#) to counter a further deterioration in the outlook for growth and inflation as well as intensification of downside risks.

Notwithstanding the ECB's achievements, significant challenges remain for the future architecture of Economic and Monetary Union (EMU).

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The Committee on Economic and Monetary Affairs (ECON) of the European Parliament has requested the contributions of leading experts on this topic.



In-depth analyses of the September 2019 Monetary Dialogue

[Draghi's Term as ECB President and the Challenges Ahead](#) by K. WHELAN (University College Dublin)

Draghi took over as ECB President at a time of recession for the euro area economy and widespread concerns about whether the euro project could be sustained. His achievements go beyond the successful implementation of monetary policy. He also played a key role in encouraging Banking Union and other important institutional reforms. The new ECB President faces a difficult set of challenges. Like Draghi, the next President will require strong communications, diplomatic and political skills to face these challenges successfully.

[Challenges Ahead for the ECB: Navigating in the Dark?](#) by G. CLAEYS, M. DEMERTZIS and F. PAPADIA (Bruegel)

Monetary policy should reinvent itself in the wake of the crisis. This is particularly important because the system is riddled with uncertainties and the scope for applying conventional and unconventional instruments is limited. The architecture of EMU makes the challenge even greater, because alignment of preferences and policies only goes so far. The ECB will have to be clearer on what it can do, while remaining flexible in order to manage uncertainties. While the ECB's main objective is price stability, it will also have to contribute to the identification of, and response to, financial imbalances, while preserving its independence.

[Challenges Ahead for EMU Monetary Policy](#) by Ch. BLOT, J. CREEL and P. HUBERT (Observatoire Français des Conjonctures Économiques - OFCE)

With the economic slowdown in the euro area, questions arise as to whether the ECB retains some economic and political margins for manoeuvre after a decade of active policies. In this note, the authors highlight three possible monetary policy developments. They discuss their pros and cons according to four dimensions: political constraints, technical constraints, independence and interactions with fiscal policy.

[The ECB's Unfinished Business: Challenges Ahead for EMU Monetary and Fiscal Policy Architecture](#) by C. MACCHIARELLI, E. GERBA and S. DIESSNER (London School of Economics)

Under Draghi's Presidency, the range of measures and tools of the ECB expanded significantly, both by enhancing transparency and in the direction of stretching the ECB's competences beyond the limits to the existing monetary framework. Notwithstanding these achievements, significant challenges remain. In this note, the authors assess the potential limits to the amount of ECB's easing available for the future, including credit and political considerations. They argue that monetary policy stimulus alone may not resolve the situation and ask whether the next President may want to pass the ball more strongly to national governments.

[Monetary Policy in the Euro Area After Eight Years of Presidency of Mario Draghi: Where Do We Stand?](#) by S. FIEDLER and K. J. GERN (Kiel Institute for the World Economy)

Against the backdrop of slowing growth and subdued inflation in the euro area, we address the question to what extent additional monetary stimulus can be expected from the ECB if needed. We find that "more of the same" policies will probably not be effective and that there are no attractive alternatives there. After more than ten years of exceptionally loose monetary policy it is now the turn of fiscal and structural policies to reinvent the European economies.

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