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- Directorate A -
ECONOMIC AND SCIENTIFIC POLICY
POLICY DEPARTMENT

Monetary Dialogue – 23 September 2019

Questions by the Monetary Expert Panel

List of questions, grouped by topic, proposed by the Monetary Expert Panel as input for the Q&A session of the Monetary Dialogue of 23 September 2019, also available at http://www.europarl.europa.eu/committees/en/econ/monetary-dialogue.html

Topic 1

Monetary policy achievements / innovations under Draghi's Presidency and challenges ahead for the monetary policy architecture

- Are there discussions in the Governing Council about more innovative forms of unconventional measures such as stocks' purchases or transfers to households?
- Does the ECB consider that the persistence of low inflation in the Euro area is fully related to a lack of demand? To what extent labour market policy could also contribute to increase inflation?
- Is it possible that the two-tier system for excess reserve remuneration would reduce the pass-through of policy rates to retail and market interest rates?
- Some scholars, Lilley and Rogoff (2019) among others, have recently called for unconstrained negative interest rate policy as "the most elegant and stable" solution to the ZLB constraint to monetary policy. This means ECB could embark into ever more negative interest rates, by so-doing relieving the government from using fiscal policy. Without giving any numbers, should there be a specific bound to negative rates in the euro area?
- 'The so-called unconventional monetary policy has now been in place for more than a decade. Considering that QE is just about to be extended and expanded at the same time as risks of subdued growth and low inflation continue to mount, when will the monetary strategy and stance be re-considered and unconventional become conventional? At what point will the current inflation target be revised?
- At the latest ECB press conference, you announced that you would resume asset purchases on an open-ended basis from 1 November onwards, stressing that there was 'ample headroom' for further purchases. At the same time, you said that there was 'no appetite' to change the ECB's self-imposed limits on public-sector purchases. These statements are incompatible. Under current projections, financial markets expect the limits for German government bonds to be reached within 9 to 10 months already. The question therefore is - will your asset purchases only run for 9 to 10 months, or will you change or ignore the limits?

Topic 2

Global/Structural factors underlying persistently subdued inflation dynamics in the euro area and worldwide: Time to update inflation targets and monetary policy cooperation?

- Can additional bond purchases be expected to have a material impact when long-term interest rates are already below zero in many countries?
- Recent research suggests that below a certain point it become counter-productive to push interest rates down even further. Is the ECB certain that this point has not been reached? What concrete evidence does it have for its point of view?
- The tiering of the negative rates on deposits at the euro-system represents an implicit subsidy to the banking system. Would it not be simpler to increase the deposit rate slightly to help banks with their profitability?
- To which degree changes in assets prices should be taken into consideration in monetary policy decisions?
- Whether and how the inflation target of the ECB should be redefined?
- How the trade conflict between the US and China can influence inflation and growth in the Euro area?
- Headline inflation is going down and is now at 1%, core inflation has been stuck around 1% for 5 years, market expectations are also falling, what is the ECB going to do to fulfil its mandate and reach its target in the next few months?
- Do you think your current tools (negative rates, asset purchases) have reached the point where they have diminishing/negative returns? In that case, what other unconventional tools could be introduced to fulfil the ECB's mandate?
- Has the ECB been working on other unconventional tools such as helicopter money, and on how it could be implemented in the Eurozone (from a technical but also from a legal perspective)?
- Do you think inflation and/or inflation expectations below target are damaging to euro area welfare? If so: in which way and how much?
- Why does the ECB not do more to increase consumer price inflation? Do you think that the ECB currently does not have any effective tools to increase inflation? Do you think that the side-effects of policies that would be effective in raising inflation would be too bad to justify their use? Which side-effects are relevant in your opinion and can they be quantified?
- Do you think a fiscal union is a necessary element of a functioning monetary union?