

**HOSPODÁŘSKÝ A MĚNOVÝ VÝBOR  
MĚNOVÝ DIALOG S PREZIDENTEM  
EVROPSKÉ CENTRÁLNÍ BANKY MARIEM  
DRAGHIM**

(podle čl. 284 odst. 3 Smlouvy o fungování Evropské unie)

**BRUSEL,**

**PONDĚLÍ 22. ZÁŘÍ 2014**

**ØKONOMI- OG VALUTAUDVALGET  
MONETÆR DRØFTELSE MED ECB'S  
FORMAND,  
MARIO DRAGHI**

(i overensstemmelse med artikel 284, stk. 3, i TEUF)

**BRUXELLES,**

**MANDAG DEN 22. SEPTEMBER 2014**

**AUSSCHUSS FÜR WIRTSCHAFT UND  
WÄHRUNG**

**WÄHRUNGSPOLITISCHER DIALOG MIT  
MARIO DRAGHI,  
PRÄSIDENT DER EZB**

(gemäß Artikel 284 Absatz 3 des Vertrags über die Arbeitsweise der Europäischen Union)

**BRÜSSEL,**

**MONTAG, 22. SEPTEMBER 2014**

**COMMITTEE ON ECONOMIC AND  
MONETARY AFFAIRS  
MONETARY DIALOGUE WITH MARIO  
DRAGHI,**

**PRESIDENT OF THE ECB**

(pursuant to Article 284(3) of the EC Treaty)

**BRUSSELS,**

**MONDAY, 22 SEPTEMBER 2014**

**KUMITAT GHALL-AFFARIJJET EKONOMIČI U  
MONETARJI**

**DJALOGU MONETARJU MA' MARIO DRAGHI,  
PRESIDENT TAL-BĊE**

(skont l-Artikolu 113(3) tat-Trattat KE)

**BRUSSELL,**

**IT-TNEJN, 22 TA' SETTEMBRU 2014**

**UTSKOTTET FÖR EKONOMI OCH  
VALUTAFRÅGOR**

**DISKUSSION OM VALUTAFRÅGOR MED  
ECB:S ORDFÖRANDE**

**MARIO DRAGHI**

(i enlighet med artikel 284.3 i EUF-fördraget)

**BRYSSEL,**

**MÅNDAGEN DEN 22 SEPTEMBER 2014**

1-002

**IN THE CHAIR: ROBERTO GUALTIERI**

*Chair of the Committee on Economic and Monetary Affairs*

*(The meeting opened at 15.05)*

1-003

**Chair.** – We shall now commence our monetary dialogue with President, Draghi, President of the European Central Bank. I would like to thank him for being here. He is always here at our regular dialogue. I especially appreciate that he has chosen to be here at this time while an important meeting of the G20 at the level of central banks and finance ministers is taking place in Australia, so I thank him for being here.

Mr Draghi will present the ECB perspective on economic and monetary developments. We have already had our discussion with the usual panel of experts and they focused especially on TLTRO and the consequences of persistent inflation differentials but we expect President Draghi also to cover a broader range of issues because this meeting comes after a meeting of the Governing Council of the ECB where important decisions have been announced.

Let me just remind you of our working method. After a 10-minute introductory statement by Mr Draghi, we will have five-minute slots allocated for each question, including the answer and a possible follow-up.

1-004

**Mario Draghi, President of the European Central Bank.** – Mr Chair, honourable Members, this hearing today takes place at a moment of change for the ECB. On 4 November, the ECB will become the banking supervisor for the euro area, including the direct supervision of 120 large banks. This marks the biggest step of European economic integration since the inception of the euro. We are well prepared for this step, but we are also conscious of the important additional responsibility we will be taking on.

Additionally, over the course of the coming months, the majority of the ECB's services will move to the new ECB premises at Frankfurt Ostend, while the SSM staff will remain in the city centre. This will also geographically underline the separation between the ECB's new supervisory function and its other tasks. In this context, I wish to inform you that we have published today our decision on the implementation of separation between the ECB's monetary policy and supervisory functions as required by the SSM Regulation.

I know that on 3 November, on the eve of the start of single supervision, you will have ample opportunity to discuss with the Chair of the Supervisory Board. By then, the results of the Comprehensive Assessment will also be known. Against this background, I will today and in the hearings from now on focus my attention on the

traditional tasks of the ECB – and in particular on monetary policy.

The economic recovery in the euro area is losing momentum. Following some moderate expansion in recent quarters, growth of the euro area real GDP came to a halt in the second quarter of this year. The early information on economic conditions which we received over the summer has been somewhat weaker than expected. While industrial production and manufacturing orders in July gave some reason for optimism, more recent survey indicators have given no indication that the sharp decline registered in August has stopped.

Looking ahead, we continue to expect euro area domestic demand to be supported by various factors. These include our accommodative monetary policy stance, favourable financing conditions, and structural reforms sustaining private consumption and investment. At the same time, unacceptably high unemployment and continuing weak credit growth are likely to curb the strength of the recovery. The risks surrounding the expected expansion are clearly on the downside. In particular, heightened geopolitical tensions could dampen business and consumer confidence. Risks of insufficient structural reforms could weigh on the business environment.

From a high of 3.0% toward the end of 2011, inflation in the euro area has been on a downward path for a considerable period of time. In August, inflation was estimated to have reached a low of 0.3% but has been revised later to 0.4%. We expect inflation to remain at low levels over the coming months, before increasing gradually in 2015 and 2016.

Given the prolonged period of low inflation that we have already experienced, we will closely monitor risks to price developments looking forward. We will focus in particular on the possible repercussions of dampened growth dynamics, geopolitical developments, exchange rate developments and the pass-through of our monetary policy decisions.

Before turning to our latest monetary policy decisions, let me stress that the ECB has done a lot over the past three years to safeguard price stability. We successfully fought the confidence crisis in the euro that raised interest rates to abnormal levels. We provided the euro area banking system with unprecedented funding. We have continuously lowered our policy rates. Yet, against the backdrop of a persistently weak inflation outlook, a slowing growth momentum, and subdued monetary and credit dynamics, we decided in early September to adopt a number of additional monetary policy initiatives which will complete and complement the measures already announced in June.

First, we lowered the key ECB interest rates by 10 basis points to their effective lower bound. The main refinancing rate now stands at 0.05%, and the deposit

facility rate at -0.20%. Second, we announced further measures to enhance the functioning of monetary policy transmission, support lending to the real economy, and provide further monetary accommodation given that we have now reached the lower bound. Restoring a functioning transmission, notably in bank lending, is instrumental in ensuring that the monetary policy stimulus that has been introduced reaches the final borrowers and thereby supports real incomes, spending and price formation.

Following this announcement, under our ABS purchase programme (ABSPP) we will soon start purchasing simple and transparent securities with underlying assets consisting of claims against the euro area non-financial private sector. We will also start purchasing covered bonds issued by euro area MFIs under a new covered bond purchase programme (CBPP3). These measures will effectively complement and strengthen the targeted longer-term refinancing operations which we call TLTROs whose first allotment was just conducted a few days ago.

In this respect, let me provide you with some fresh details on the outcome of the first TLTRO operation. Last Thursday, 255 banks participated in the first TLTRO for an amount of EUR 82.6 billion. This is within the range of take-up values we had expected based on banks' revealed behaviour under previous programmes. In December, banks will have another opportunity to borrow funds in the form of their TLTRO initial allowance, which entitles them to borrow a cumulative amount – between the September and the December 2014 tenders – equivalent to up to 7% of their outstanding stock of loans to the non-financial private sector excluding loans to household for house purchase. By design, the September and December operations should be assessed in combination.

As of next year, there will be additional quarterly allotments in which banks will be able to receive additional funding determined by their recent lending performance. While it is yet too early to assess the impact of TLTROs on the broader economy, their announcement already had a noticeable positive impact on financial market sentiment. Overall, we expect the TLTROs to act as a powerful tool to strengthen the transmission of monetary policy and facilitate new credit flows to the real economy, given the predominantly bank-based financing structure of the euro area economy.

The additional measures we took in September will empower the credit easing impact of TLTROs in three directions. First, we expect that purchases of simple and transparent ABS will strengthen the direct pass-through effect – i.e. the extent to which the funding cost relief for banks will be passed along to their borrowers. We strengthened the direct pass through effect that we can associate with the TLTROs to a measurable extent. This is because the ABS market remains severely impaired – so that the potential for interventions to change market dynamics is high in that particular market – and the link

between the spreads at which ABS are traded in the secondary market and the lending rates which banks apply in the primary market of the credits that collateralise these securities is direct and tight.

Second, there will be a portfolio rebalancing channel, as the expansion in liquidity that will result from the combined operations promotes a diversification of investment patterns in the investor community, and thereby an easing of financing conditions more broadly.

Third, we believe that the overall monetary policy package underpins our forward guidance and our determination to accomplish an expansionary stance over an extended horizon in keeping with our price stability mandate and our desire to see inflation stabilise around levels below but close to 2% over the medium term.

Is the market for ABS, in particular, sufficiently ample to allow sizeable purchases? Our purchases will include a fairly wide range of simple and transparent ABS collateralised by loans to the real economy. The total stock of eligible securities which is currently outstanding – held in investors' portfolios or retained by the originating banks – is already sizeable. We are confident that it will grow as a result of our presence in the market. Over time, as our purchases contribute to a normalisation in trading conditions, secondary market and issuance activity will expand in those segments that are currently inactive. As the experience of other central banks that have engaged in outright purchases of structured products can demonstrate, market size and purchasing volumes are to a certain extent co-determined and endogenous.

Will the new initiatives magnify the euro system's exposure to risk? Outright purchases will increase the size of the ECB's balance sheet, but the additional risk exposure will be limited. Under the ABS purchase programme we will be purchasing senior and guaranteed mezzanine tranches. Regarding senior securities, we would buy only those assets that are already eligible for Eurosystem operations. So, we have ample experience with managing and understanding the risks associated with this asset class. The assets to be purchased would satisfy high standards of transparency and of simplicity and are also characterised by low default risk.

The large degree of credit enhancement that originators have to build into a structured financial transaction for its senior tranches to attract the high rating that will make it eligible under our programme will function as a further protective layer against losses. As for the guaranteed mezzanine tranches, their intrinsic credit risk would be comparable to that of the guarantor, be it a national or supranational entity.

Covered bonds share important features with ABS, and therefore are an obvious complement to an ABS-centred programme. First, the link that is established on the issuing bank's balance sheet between the covered bond, on the one side, and the loans that back the covered

bond, on the other, is reasonably tight. As the prices for covered bonds are bid up, we expect banks to respond to the market incentives by originating more saleable covered securities, and thus more loans to collateralise them. Second, outright interventions in this market will complement ABS purchases by reinforcing the portfolio rebalancing channels of transmission and generating positive spill-overs into other markets and securities. This will further ease funding and credit conditions and will help the transmission of monetary policy.

The Governing Council has emphasised that the combination of measures announced between June and September will have a sizeable impact on the ECB balance sheet, which is expected to move towards the dimensions it used to have at the beginning of 2012. With the purchase programmes, we are starting a transition from a monetary policy framework predominantly founded on passive provision of central bank credit to a more active and controlled management of our balance sheet.

The Governing Council remains fully determined to counter risks to the medium-term outlook for inflation. Therefore, we stand ready to use additional unconventional instruments within our mandate, and alter the size and/or the composition of our unconventional interventions should it become necessary to further address risks of a too prolonged period of too low inflation.

Let me add, however, that the success of our measures critically depends on a number of factors outside the realm of monetary policy. Courageous structural reforms and improvements in the competitiveness of the corporate sector are key to improving the business environment. This would foster the urgently needed investment and create greater demand for credit. Structural reforms thus crucially complement the ECB's accommodative monetary policy stance and further empower the effective transmission of monetary policy. As I have indicated now on several occasions, no monetary – and also no fiscal – stimulus can ever have a meaningful effect without such structural reforms. The crisis will only be over when full confidence returns in the real economy and in particular in the capacity and willingness of firms to take risks, to invest, and to create jobs. This depends on a variety of factors, including our monetary policy but also, and even most importantly, the implementation of the structural reforms, upholding the credibility of the fiscal framework, and the strengthening of the euro area governance.

Originally, you had also chosen 'inflation differentials in the euro area' as one of the topics of today's hearing. I hope you will understand that, given the important decisions we took in July and September, I have focused my remarks on our monetary policy measures. Nevertheless, I of course stand ready and would be very interested to further discuss the matter of persistent inflation differentials, especially given their link to the structural reform agenda. I am now looking forward to our discussion, and many apologies for having spoken at too great length.

1-005

**Pablo Zalba Bidegain (PPE).** – Señor Presidente, Presidente Draghi, gracias una vez más por estar aquí y disculpe por haber llegado tarde y no haber podido escuchar toda su intervención.

A mí me gustaría preguntarle por la primera subasta de los TLTRO. Creo que podemos decir que es evidente que no se han cumplido las expectativas. Usted ha insistido otra vez más en que los mercados están fragmentados, en que no hay correcta transmisión de la política monetaria, y a mí me da la sensación de que en este caso los bancos han tenido la oportunidad de tomar prestado barato pero el riesgo impide que, a pesar de poder tomar prestado barato, no puedan prestar ese dinero barato. ¿Cómo se puede solucionar? o ¿ha aprendido usted alguna lección de esta primera subasta de liquidez? También me gustaría saber si ha influido algo en su opinión el que esto se haya producido antes de que el Banco Central Europeo haga las ya famosas pruebas de resistencia.

Por otra parte, usted ha dicho que estaba llevando una política monetaria en favor del crecimiento. Estoy de acuerdo con usted. Y estoy también de acuerdo con usted en que, si los países no hacen reformas, de nada o de poco servirá la política monetaria.

Me gustaría saber si usted, ahora que ha lanzado esta política monetaria más activa, lo hace porque cree que los países están más dispuestos a hacer reformas. Creo que España es un ejemplo. Es uno de los países que más reformas ha hecho y es el país que más crece de la zona del euro y el país que más empleo crea.

¿Cree usted que este impulso reformista es más fuerte hoy y por eso usted está llevando a cabo una política monetaria más activa?

1-006

**Mario Draghi, *President of the European Central Bank.*** – On the first question, we have recently seen some signs of very modest improvement in credit conditions, in that there is still a decline but at a lower speed. Nevertheless, the last bank lending survey shows two things. It shows that credit standards have now softened with respect to the previous bank lending survey and that credit standards are, however, still tighter than the historical average since 2003.

There are other interesting developments in this area. For example, when we asked banks which factors basically hamper the credit process on the supply side, the response was often risk perception – aversion to risk. The importance of this factor has decreased over the last few surveys, but credit standards remain higher than the historical average, and certainly the first factor determining why credit is not developing at this point is lack of demand.

With the TLTROs we want to do two things: first of all, assure banks that they will continue to have funding conditions at very favourable rates, not only in the long term, but also even more favourable rates than they could have expected up until June when we announced

this. So when demand picks up there will be plenty of funding to satisfy this demand.

The second point which makes these TLTROs different from the previous long-term refinancing operations which we undertook in 2012 is actually the fact that they are targeted to lending to the non-financial private sector. The first two transactions in 2012 addressed a very serious funding problem which could have generated a series of bank accidents at that time. Thanks to the LTROs we avoided this at that time. The present situation is different. Funding conditions are abundant, but somehow they are not completely – or even to a limited extent – channelled towards the financing of the private sector. So that is why this funding will be available with very good conditions for the banks, provided they lend to the private sector and do not do other things with this money.

On monetary policy, there is one thing that is very important. There are three components for the return of confidence, one of which is monetary policy, with the second being structural reforms and the third a proper fiscal policy – on which we can dwell later. But there is no great bargaining here, with monetary policy only responding if certain things are done. Monetary policy will only be effective if certain things are done, but no negotiations are taking place. That is key. We have a mandate, which is to keep the inflation rate below but close to 2%.

1-007

**Elisa Ferreira (S&D).** – President Draghi, I have often congratulated the ECB, and you in particular, on your role, the role of the ECB, during the crisis and after that. However, I want to put two questions to you.

The first relates to your role. You started your speech by saying that you will be the supervisor within the banking union and I am glad you will be that. However, the ECB was closely involved in the supervision of the most important banks in Portugal in the framework of the Troika programme, and less than four months after the end of the programme the second biggest bank in Portugal, the Banco Espírito Santo, collapsed with a big impact on the real economy, the financial sector, and the whole macro-economic stability of the country. So what went wrong, and what was your role in the Troika? Do you feel now that this situation may put at risk the credibility of the ECB in its future single supervisory authority role in the eurozone? This needs to be clarified, and I would appreciate if you could give some logical explanation of what happened, or shed some light on this.

My second question: again I think you have done a great job injecting liquidity into the eurozone, but this liquidity is not flowing into the real economy. The appetite for the new targeted LTRO has been insufficient. My question is this: is it possible to work as hard as you have worked in monetary policy without the corresponding reaction from the policies that will give us a real sight of the economy joining in? You were

quite clear in your Jackson Hole speech, but do you not think it is now more than time for all of us to become more explicit in asking for a change in the economic agenda both by the Union and by Member States? How do you suggest this can be done? Do you think that surplus countries, including Germany, should definitely be addressed in order to change their policy stance? Do you think we can just rely on investment? Supply side economics has been tried, but it is not working so we need some demand. What is your answer to this?

1-008

**Mario Draghi, President of the European Central Bank.**

– On the first question, we should not forget that the ECB is not yet the supervisor of these banks. The ECB had no supervisory responsibility for Portuguese banks or any bank, for that matter. We will not have this until it becomes the actual supervisor.

So the ECB's involvement in the Banco Espírito Santo was the involvement it had when it was part of the Troika. It was not involved at all with a specific bank. The ECB provided the supervisory institution in Portugal with better standards and has contributed to the Troika's efforts, through the design and formulation of better standards, better credit analysis. I am told that actually it was thanks to these better standards that the Portuguese supervisory authority was then able to find out about the BES.

On the second point, thank you for your appreciation of our action in trying to comply with our mandate of keeping inflation at below – but close to – 2% and the difficulty that this entails given the present situation. I would say that the reality is not uniformly bleak. Several countries have made a lot of progress and we are starting to see some outcome, some fruit, some benefit from the reforms that they have introduced in the last two years.

But certainly, as I have said on several occasions, there must be an overall policy framework for our monetary policy to be fully effective. Besides the field of structural reforms – on which I have dwelt and commented many times – the other field is fiscal policy. Fiscal policy – if I may repeat what I said in Jackson Hole – has several dimensions. First of all we had fiscal rules in place with the Stability and Growth Pact. To undermine these rules would be substantially to undermine an anchor of confidence. We should not forget what the fiscal situation was four or five years ago.

But, having said that, there are margins and there is room within the Stability and Growth Pact rules for a certain amount of flexibility depending on the conditions in different countries. It is very much up to the Commission to assess what the rule is. More generally, what can the countries that do not have fiscal space do?

First of all they can look at this flexibility. What is more important? For them it is much more important to give new priorities to their fiscal policies through what I have called on several occasions growth-friendly fiscal

consolidation, namely to give more priority to productive investment and lowering taxes and less to certain current unproductive government expenditure. That is the key root for countries that have no fiscal space. It is formed by these two features.

For countries that do have fiscal space, I would just say that they should follow the country-specific recommendations as they have been endorsed by all the European leaders in the European Council.

1-009

**Bernd Lucke (ECR).** – Herr Präsident Draghi! Sie haben ja selbst das Problem der drohenden Deflation hervorgehoben. Ich glaube, es ist eines der ernstzunehmendsten, gravierendsten Probleme, die in der Eurozone und in der Europäischen Union insgesamt vor uns liegen.

Ich möchte dazu eine Frage stellen: Neben der bemerkenswert niedrigen Inflationsrate und teilweise bereits dem Abrutschen in die Deflation stellen wir fest, dass sich die Geldmenge M3 seit vielen Jahren nicht mehr so entwickelt, wie es normalerweise üblich gewesen ist. Das Wachstum von M3 ist schwach, und zeitweise war M3 sogar rückläufig. Das steht in bemerkenswertem Kontrast dazu, dass die Geldmenge M1, also in einer engeren Abgrenzung, normal expandiert. Wir sehen, dass diejenigen Komponenten der Geldmenge, die M3 von M1 unterscheiden, zum Teil sogar negative Wachstumsraten haben: Bankschuldverschreibungen, Geldmarktfonds schrumpfen von ihren Beständen her.

Deshalb ist meine Frage: Welche Bedeutung messen Sie der Geldmenge M3 für die Entwicklung des Preisniveaus und damit der Inflations- oder gar Deflationsrate bei? Und muss man nicht aus dieser Beobachtung den Schluss ziehen, dass Finanzanleger zu zögerlich sind, in liquide Titel zu investieren, die von Banken herausgegeben werden, weil vermutlich nach wie vor eine Vertrauenskrise in Bezug auf das Bankensystem existiert? Denn die Finanzanleger investieren ja durchaus in andere Anlageformen – in Aktien, in Immobilien, in Edelmetalle und Ähnliches – aber sie machen einen großen Bogen um Anlageformen, die zu M3 zählen.

Wenn diese Analyse stimmt, würde daraus folgen, dass man mit ABS oder LTRO nicht sehr viel gegen Deflation ausrichten kann. Das grundlegende Problem wäre die Vertrauenskrise im Bankensektor. Ich würde Sie bitten, dazu Stellung zu nehmen.

1-010

**Mario Draghi, President of the European Central Bank.** – The annual growth rate of the money supply (M3) has effectively been low, I completely agree with you: it has been low for quite a long time, although in July it recovered a little from 1.6% to 1.8%. M1 (cash and deposits) fundamentally remained the only contributor to M3 growth. It increased, not by a spectacular rate, but to 5.6% in July from 5.4% in June. So that is the situation.

Clearly, this is the other side of the weak credit flows that we have observed in the banking system. The issue

is: is this due to supply constraints or to demand constraints? It could be due to supply to the extent that the banks had weak capital positions and are therefore constraining credit because they do not have capital.

Much has been done in the last year and a half since we announced that, before taking over full responsibility as a supervisor, we would carry out the asset quality review and stress tests. The banks' reaction at that time was basically to raise capital, and a significant amount of capital has been raised and provisions and write-downs made, in the past 12 to 15 months.

At the same time, it is also quite probable that, in the short run, the asset quality review and stress testing might have caused a slight contraction in credit flows because banks want to be ready to cope with these two tests – the asset quality review and the stress test – and they might have constrained credit. This was an expected reaction from the banks because what is the alternative? If we are convinced that banks are sick, with a lot of non-performing loans on their balance sheets, and we do not do anything, they would become like zombie banks, like the ones we have seen in Japan. They would not lend. It is like a wound that needs to be disinfected immediately, although there may be some more loss of blood: once it has been properly taken care of, the illness will disappear – i.e. the banks will return to lending in a much more robust position.

From that point of view, we see no problem with the introduction of an asset-backed securities (ABS) programme or a targeted longer-term refinancing operations (TLTRO) programme because by the time these two programmes – especially the ABS and covered bonds programme – are launched, the asset quality review and stress tests will be over. Basically there should be no cross-contamination. Even if there were, however, we have to take our decisions as monetary policy decisions. Precisely for the sake of separation between the two areas, we cannot internalise supervisory considerations.

That is the position with regard to supply: however, we also know that credit expansion is limited by demand. As I said at the end of my introductory statement, only with the return of confidence for the private sector to take risks, to invest and to create jobs will we see the end of this crisis. What we can do on the monetary policy side is to make sure that we provide a basis upon which confidence can return.

1-011

**Ramon Tremosa i Balcells (ALDE).** – Many European SMEs, especially in the south, still lack cheap funding. The recently announced asset-backed securities (ABS) purchase programme tries to address that problem. However, one possibility is that banks are not lending to SMEs not because of their intrinsic solvency but because capital charges for SME lending are very high. Does the ECB have an opinion on the extent to which the high capital charges on SME lending are a deterrent to banks' lending to SMEs? In other words, is it reasonable to expect that the lack of SME funding could be overcome with lower capital charges?

1-012

**Mario Draghi**, *President of the European Central Bank*.

– We have certainly seen that both volumes and terms and conditions of SME lending are higher than other forms of lending. We have seen the significant spreads now for quite a long time between the rates practised in corporate lending and the rates practised in SME lending. We have seen that these rates are also different across countries. But the difference between the two categories of borrowers has always been there; it is nothing especially new. What is new is that the spread widened considerably in 2012 and then it went down in 2013 and now it is actually much lower. This basically underlines that confidence has returned to the financial markets, but it takes a long time for that confidence to translate into confidence in the real economy. So the difference in rates is there, but the difference in volumes is also quite significant.

There are two or three explanations for this difference. One is basically that SMEs often have less capital, are less capitalised, and they are often more leveraged than corporates, but one should also understand when making these comparisons that entire sectors have disappeared in the profound readjustment of our economies, so SMEs operating in certain sectors do not exist any longer. I am thinking, for example, of construction in one country or two countries. But, generally speaking, there is an issue of risk. Risk aversion is no doubt higher for a bank when lending to SMEs comes into play than when lending to a large corporate. Some of the news we got from the Banking Lending Survey is, from this viewpoint at least, a little encouraging in the sense that this risk perception, which is a dominant factor in constraining supply of lending, has gone down considerably in the last year or year and a half or so.

1-013

**Marisa Matias (GUE/NGL)**. – Sr. Draghi, obrigada pela sua presença. Há exatamente um mês atrás e hoje também aqui o senhor fez declarações que, se forem para ser levadas a sério, podem mesmo abalar a Europa, porque o senhor disse que é preciso deixar de nos concentrarmos no lado da austeridade e concentrarmos no lado do crescimento e da criação de emprego. Eu não posso estar mais de acordo consigo, mas não consigo vislumbrar nem nas declarações de há um mês nem nas de aqui agora quais são as diferenças na política do BCE; não consigo vislumbrar essas diferenças para dar corpo a essas declarações.

Todas as medidas que anunciam continuam a operar do lado da oferta e não do lado da procura, onde realmente existe o problema. Anunciam mais medidas na linha daquelas que têm sido apresentadas cujos resultados têm sido nulos e sabem disso. São nulos quer do ponto de vista do crédito à economia real quer do ponto de vista do investimento.

E não é que não me pareça bem uma política de baixos juros ou mesmo de medidas não convencionais como aquelas que tem apresentado. Parece-me bem. O problema é que num contexto de armadilha de liquidez, sem investimento público que sirva de motor de

arranque, estas medidas vão ser tão inúteis no futuro como têm sido no passado recente, porque o problema da economia europeia é este fanatismo liberal que tomou conta das instituições e que impede de ver o papel estratégico das políticas públicas de investimento num contexto de deflação ou, como o senhor gosta de dizer, de inflação baixa.

Dito isto, eu gostaria de lhe colocar duas perguntas, que têm a ver com o que tem referido sobre a flexibilidade orçamental. A primeira é saber se esta flexibilidade orçamental de que tem falado e a que tem aludido pode servir para atribuir margem de manobra orçamental e financiamento a baixos custos às economias que dela necessitam ou se serve apenas para continuar a financiar indemnizações, para despedir funcionários públicos e aumentar ainda mais o desemprego.

E a segunda questão é saber se o senhor está finalmente disponível para reduzir substancialmente os custos de financiamento dos Estados? Eu sei que vai dizer que não é possível de acordo com os tratados, por isso facilito-lhe a vida e pergunto-lhe: está disponível para contribuir para reduzir os custos de financiamento dos Estados, por exemplo através da atribuição de uma licença bancária ou de um mecanismo de estabilidade ou através do Banco Europeu de Investimento?

1-014

**Mario Draghi**, *President of the European Central Bank*.

– As you said, our measures work by making funds more available to the private sector, and at lower interest rates. We have to acknowledge that 80% or more of credit intermediation in the euro area goes through the bank lending channel. Whether we like it or not, that is how our economy works. So if one wants to expand credit, this has to go through the banks.

Our first attempt to try, in a way, to go around banks – even though they will be important – is precisely with the introduction of the ABS programme. But our system is very different from the capital-market-based system they have in the United States, where only 30% of banking intermediation is carried out by banks.

Your next point concerned how the ECB can help governments' budgets. That is how I understood your question. This is not our task, and I might even go further and say that it is outside our mandate. However, if you look at the amazing savings governments have actually had because of the monetary policy decisions taken by the ECB, just with a price stability objective in mind, then where have those savings gone? That is what I would like to ask – where have they gone?

This is where the awarding of new priorities to components of the budget has been crucial. What has happened from 2012 onwards in public budgets is that a considerable amount of money has been saved from payments for debt servicing not actually used for that objective. In some countries this money has been used for good programmes that will produce yields in the future and contribute to growth. In other countries it has

been used simply to continue financing current government expenditure.

1-015

**Sven Giegold (Verts/ALE).** – Herr Präsident Draghi! Die Vorschläge der vier Präsidenten, auch Ihre Vorschläge, zur Reform der Eurozone sind festgefahren.

Während wir hier sitzen, tagen derzeit verschiedene Regierungsvertreter in Deutschland mit Herrn Valls. Den Pressekonferenzen zuzuhören, ist schwer erträglich. Diese beiden Länder haben zusammen nichts mehr vor. Es gibt trotz der Krise keine großen Pläne, die dort vereinbart werden. Es ist bitter zu sehen, dass von dort so wenige Impulse für die Wirtschaftspolitik ausgehen: Trotz dieser schweren Krise geht von dort kein Aufbruch aus. Stattdessen sehe ich, dass Sie wiederum versuchen müssen, der Eurozone mit einer neuen Serie von Maßnahmen aus der Patsche zu helfen.

In der letzten Runde war es so, dass LTRO es in großem Maße ermöglicht haben, dass Banken Staatsanleihen gekauft haben und damit die Liquidität in dem Marktsegment und natürlich auch den Unternehmen Gewinne ermöglicht haben.

Ich habe in dieser Situation folgende Fragen an Sie: Haben Sie einmal versucht zu messen, wie hoch die Gewinne waren, die den Banken durch diesen *carry trade* ermöglicht wurden, und würden Sie uns diese Daten zur Verfügung stellen?

Zweitens würde ich gerne wissen, ob Sie parallel zu den neuen Maßnahmen, die jetzt von Ihnen vorgeschlagen und eingeführt werden, versucht haben, gleichzeitig die Regierungen dazu zu drängen, endlich die Reformen der Eurozone, der *governance*, der effektiveren Führung, wie Sie sie ja gemeinsam vorgeschlagen haben, vorzubringen. Und mich würde interessieren, ob Sie bei dem Kaufprogramm für ABS die risikoreicheren Tranchen auch kaufen werden, wenn es keine Staatsgarantien gibt, oder ob Sie das nur dann machen, wenn es Staatsgarantien gibt.

Und schließlich: Werden Sie die Bewertungsmodelle, nach denen Sie die ABS praktisch bewerten werden, öffentlich machen, denn schließlich geht die EZB damit ja öffentlich Risiken ein, und werden Sie transparent machen, wie groß diese damit sind?

1-016

**Mario Draghi, President of the European Central Bank.** – I am not aware of an estimate of how big the banking system's profits have been from carry trades made possible by the LTRO in 2012, but if we have such an estimate we will certainly make it available.

On the second point – and thank you for the question because it makes me clarify what exactly is the process we have launched – we are going to buy, without guarantees, what is called the senior tranches of asset-backed securities (ABS). Let me make two observations here. The general prejudice against ABS was originated by the perverse role that these assets had in the creation and in the formation of the great financial crisis. But here we have to distinguish between ABS that are

transparent, simple and real, and ABS which are opaque and very difficult to price. To give you an idea, the rate of default on residential mortgage ABS in the United States was 20%, for the ABS that were created in 2007 was around 20%, and in Europe it was 0.12%.

So with the same name we are actually indicating two profoundly different things. Our ABS were simple, in the sense that people could actually see what sort of loans they would contain. They were transparent, and we had this category which meant that they had to be real in the sense that they had to contain loans to the real economy. That is one very important distinction.

The second important remark is that we only buy one piece of these ABS, that is to say, the senior tranches. What does this mean? It means that if by any chance the ABS were to default, the loss would be taken first by the owners of equity, and second by the owners of the other tranche called 'mezzanine'. That is where, if we are to expand our purchases in the mezzanine sector, in the mezzanine tranche, then we will need a guarantee, but in the meantime we will go ahead with the senior tranches only and if we get a guarantee – which, by the way, will have to be given according to the state aid rules, so it will have to be compatible with our legislation – then we will go into mezzanine.

Let me add just one more thing. There are several measures to make these ABS transparent, one of which, as I say, is to know what sort of loans they contain. The ECB has already quite independently – it was done a few years ago – created a loan data level register which will be very useful indeed for this. Finally, this is not the first time we have had ABS. ABS are a good important part of the collateral that our banks use to borrow from the ECB, so the ECB management staff and risk people are quite used to dealing with ABS, and senior tranches of ABS especially.

1-017

**Marco Valli (EFDD).** – Buongiorno a Mario Draghi per essere qui. Durante lo scorso dialogo monetario con lei avevamo denunciato la mancanza di obblighi di prestito all'economia reale nel documento tecnico della BCE riguardo alle operazioni di Tltro. Venerdì, stranamente, dopo le prime operazioni sono stati restituiti anticipatamente 19,9 miliardi dei vecchi Ltro. In Italia diciamo che a pensar male si fa peccato, ma spesso ci si azzecca. Secondo lei è una coincidenza, oppure alcune banche hanno usato i Tltro per restituire le tranches di Ltro?

Dall'inizio della crisi, la BCE ha dato qualche migliaio di miliardi alle banche, ma se non mettiamo obblighi – e ripeto obblighi – l'unica cosa che si è ripresa sono i bonus dei manager e i soldi che girano nelle tasche dei *broker*. Con le operazioni di Tltro e acquistando Abs non facciamo altro che ingigantire il volume sul mercato finanziario e il rischio sistemico di bolla, senza sortire nessun effetto, se non osmotico e periferico, per quanto riguarda l'economia reale. Per questo il dato sull'inflazione rimarrà deludente a lungo.

Premesso ciò, le chiedo: cosa ne pensa di mettere obblighi, e non solo raccomandazioni come erano sancite nel documento tecnico, alle banche che prendono denaro dall'istituto che dirige?

E poi, per porre fine una volta per tutte a questa presa in giro e fare qualcosa di veramente utile per i cittadini, e non solo per i suoi amici della City o di Wall Street, cosa ne pensa della separazione dell'attività bancaria da quella finanziaria per isolare gli speculatori? Visto che continuiamo a ingigantire il mercato finanziario, la bolla, vediamo di mettere qualche vincolo e pensarci un po' su queste cose.

Per ultimo, cosa ne pensa di un mix di stimoli monetari e fiscali? Guardando cosa hanno fatto gli Stati Uniti e la Gran Bretagna durante la Grande Recessione con politiche fiscali espansive, entrambi hanno lasciato che il loro deficit crescesse a un livello del 6-7% sul PIL riducendo le tasse e aumentando la spesa. In un secondo momento le variazioni sia di spesa che di entrate sono state riassorbite. Si può pensare di adottare questa politica nell'eurozona o bisogna telefonare alla Cancelliera tedesca per chiedere il permesso?

1-018

**Mario Draghi**, *President of the European Central Bank*. – That was a lot of questions!

I can only repeat what I just said: whether you like it or not, 80% of credit is mediated by banks in Europe, so if you want to expand credit you have to go through the banks. We have very little choice. How do you go through the banks? One way is by making terms and conditions easier and the other is through explicit requests, and not merely recommendations. This time, the targeted longer-term refinancing operations (TLTRO) programme is different from the longer-term refinancing operations (LTROs) of 2012: this lending is explicitly targeted at the real economy.

There will be a benchmark in the subsequent operations. There will be a series of quarterly operations for the next two years, whereby banks will be free to borrow at our specially low rates, and they will have to lend to the real economy against a certain benchmark. If they do not lend to the real economy they will have to pay back what they borrow. This applies to the first two tranches, and we will verify that.

Another point: are they substituting one thing for another? Probably. Does it mean they will not lend? No: they may lend later on. So this represents a considerable change from the previous operations, which, as I said before, addressed a specific funding problem and averted a major disaster in the banking system in 2012. The current programme addresses lending to the real economy, so in this sense it is different, and the banks have to comply with explicit requirements.

Of course, we should not judge this programme on its own because it is going to be combined with the asset-backed securities (ABS) and covered bond programmes.

That is why we hesitate to look at just one number: it will be the overall interaction of these three programmes that will cause our balance sheet to increase in size, so we have to wait a little before we can pass judgment on that.

Incidentally, when we take monetary policy decisions – when I take monetary policy decisions – I really do not consider my friends in the City or in Wall Street. I consider the citizens of Europe and I consider the objective we have of maintaining price stability, and of raising the inflation rate to close to but below 2%. We consider growth and employment and we consider, especially, unemployment. So, no innuendoes about the City or Wall Street here, please.

You asked about the separation between banking activity and other areas, property trading or market making. The ECB is finalising an opinion on this, which will be published shortly.

Lastly, as regards fiscal policy, I covered that quite extensively earlier, and you can still read my Jackson Hole speech on the Internet.

1-019

**Gerolf Annemans (NI)**. – Meneer Draghi, ik wil graag een vraag stellen over uw ABS-programma, zijnde een van de technieken die u nu wil gebruiken om de toch grotendeels mislukte TLTRO-operatie en uw intrestbeleid te compenseren.

U krijgt geen beweging in het systeem, om de eenvoudige reden dat de inertie ingebakken zit in het concept zelf van een eenheidsmunt voor een zone die sociaal en economisch veel te verschillend is. U hebt nu trouwens al genoeg voor liquiditeit gezorgd en genoeg goedkoop geld in omloop gebracht. Het probleem van de eurozone is al lang niet meer de liquiditeit maar simpelweg het structureel gebrek aan vertrouwen in de toekomst. U propte de banken vol geld maar duwde ze ook opnieuw in de risicozone, terwijl de sector nog altijd de handen vol heeft met herkapitalisering en het beperken van risico's.

Kennelijk hebt u gezegd dat u geen mezzanine-tranches van ABS wilt opkopen als ze niet door de staat worden gewaarborgd. Als ik het goed heb begrepen, hebben zowel de heer Schäuble als de heer Dijsselbloem al laten weten dat dat uiteraard voor hen niet kan omdat dan opnieuw de risico's worden doorgeschoven naar de door de financiële crisis (en volgens mij ook door de euroconstructie) geplaagde belastingbetaler.

ABS opkopen met staatsgarantie is *adding insult to injury*. Daar gaat u werkelijk een stap te ver omdat u reminiscenties oproept aan de destructieve subprimecrisis waarmee alles begonnen is. U roept de demonen van het verleden zelf op.

Vandaar mijn vragen: zijn de ABS met staatsgaranties definitief van de baan? Hoeveel liquiditeit hebt u klaar voor de ABS-operatie? Is daarover overlegd en zo ja,

met wie? Zal de operatie anders en gedifferentieerd toegepast worden in de diverse lidstaten? En tot slot, klopt het dat u voor het beheer van uw ABS-programma in zee gaat met BlackRock, de Amerikaanse fondsbeheerder die hier bekend staat als een van de distributeurs van subprimes in de aanloop naar de financiële crisis?

1-020

**Mario Draghi**, *President of the European Central Bank*. – On your first point, as I said at the end of my introductory statement, the crisis will only be over when full confidence returns in the real economy – so we are in agreement on that – and in particular in the capacity and willingness of firms to take risks, to invest and to create jobs. This depends on a variety of factors, including our monetary policy, but also – indeed most importantly – the implementation of structural reforms upholding the credibility of the fiscal framework and the strengthening of euro area governance.

On your second point, I have explained before why we think that the ABS, the type of ABS and the component of ABS which we plan to buy classifies them as safe, and not unsafe, assets. The second point concerns mezzanine. We would not buy mezzanine without an explicit public guarantee.

The third point concerns BlackRock. I do not know whether BlackRock was a distributor of subprime so I cannot really answer that question, but we are using BlackRock as an advisor to help the ECB design this programme. This is not at all strange. The Federal Reserve used several asset managers to design their programmes three or four years ago. We are not using BlackRock to actually carry out transactions, to buy these assets, so their function is purely advisory. We have been extremely careful to forbid any conflict of interest in taking care of that.

1-021

**Markus Ferber (PPE)**. – Herr Präsident Draghi! Ich weiß gar nicht, ob ich mit Ihnen Mitleid haben soll oder ob ich mir überlegen sollte, ob wir nicht einmal andere reden hören sollen. Denn seit vielen Jahren erzählen Sie uns immer die eine Geschichte: Die Realwirtschaft muss anspringen und dafür muss billiges Geld zur Verfügung stehen. Wenn man sich den Instrumentenkasten einer Notenbank anschaut, dann sind Sie .....

1-022

*(Interjection from the floor: 'Green')*

I am not from the Greens.

*(Interjection from the floor: 'Not yet.')*

Thanks for your invitation but that will never happen.

*(Laughter)*

1-023

Seit Jahren propagieren Sie, dass man der Wirtschaft günstiges Geld zur Verfügung stellen muss. Wenn man sich den Instrumentenkasten einer Notenbank anschaut, dann haben Sie den ja mittlerweile mehr als ausgereizt –

man könnte fast schon den Eindruck haben, dass Sie ihn überreizt haben.

Sie haben jetzt Beschlüsse vorgelegt und vorgestellt, die andere Notenbanken auch schon mit mäßigem Erfolg durchgeführt haben – in der Europäischen Union z.B. die Notenbank in Großbritannien. Sie erzählen uns nur von den Vorteilen, aber ich habe bisher das Gefühl, dass Sie die Nebenwirkungen und Risiken ein bisschen außen vor lassen.

Ein paar Fragen haben ja schon darauf hingedeutet: Verhalten sich die Banken so, wie Sie es erwarten, oder fließt das Geld nicht am Ende doch wieder in Bereiche hinein, die mit der Realwirtschaft und damit der Schaffung von Arbeitsplätzen nichts zu tun haben?

Ich habe ein bisschen das Gefühl, dass die Nebenwirkungen, die diese politischen Entscheidungen beinhalten, zu stark ausgeblendet werden und die Möglichkeiten, die Chancen zu sehr in den Mittelpunkt gestellt werden. Wir stellen ja auch fest, dass es in der Realwirtschaft in bestimmten Ländern keine große Nachfrage nach Krediten gibt. Das heißt, wenn keine entsprechende Nachfrage aus der Realwirtschaft stattfindet, ist die Bereitstellung von Kapital gar nicht das Problem.

Deswegen meine Frage – Sie werden zu den Nebenwirkungen jetzt zu mir auch wieder nichts sagen, aber: Wie ist es auf der Nachfrageseite überhaupt möglich, vernünftige Strukturen zu schaffen, damit das Geld, das Sie so günstig wie noch nie zur Verfügung stellen, auch wirklich in die Realwirtschaft fließt? Ansonsten werden wir aus diesem Teufelskreis nicht herauskommen.

1-024

**Mario Draghi**, *President of the European Central Bank*. – *Certainly, while we continue with this very accommodative monetary policy – and we will do so for a long time – one should also consider that, comparing our monetary policy with those of other jurisdictions and other countries, it is clear that our monetary policies are on increasingly divergent paths. In other words, we will continue to remain expansionary for a long period of time.*

At the same time we are very alert and very aware that this could fuel financial stability risks. So we ask ourselves whether we see these risks, and whether there are any signs of them in the eurozone. There was an interesting analysis in the course of a discussion at the Bank for International Settlements in Basel two weeks ago, showing that volatility is indeed at a historic low. The risk premia and spreads have narrowed down beyond any expectation.

At the same time, we do not see in the euro area – we may see it in other jurisdictions but not in the euro area – the growing leverage, caused by substantial increases in bank credit, which, combined with low volatility and low risk, could actually be the beginning of a bubble in various sectors. We do not see that. And, looking at various segments of the financial market in the euro

area, we do not see especially significant signs of excesses. If we were to see them, they would at least be localised phenomena. To cope with such localised phenomena we would have to use our macroprudential instruments rather than our monetary policy instrument, which is for the whole of the euro area. But we have not seen the need for that so far.

That is one point. Did you ask me something else?

1-025

**Markus Ferber (PPE).** – The question was whether there is really a chance that there will be growth in loans and credits on the demand side. Because I do not think we have a problem of money available, we have a lack of demand.

1-026

**Mario Draghi, President of the European Central Bank.** – You are absolutely right. We have a problem of demand. We want to make sure that there are financing conditions which, when demand picks up, will be ready to cope with this. We have also seen, on the positive side, that these better financing conditions have found their way through the economy. We should not forget what happened before mid-2012. What happened basically was one funding crisis after another, with interest rates that had reached amazingly high levels. Basically, the fragmentation we have seen of the banking markets in the euro area has its origins in the crisis that took place in 2012, and is still with us. We have seen a series of indicators which are encouraging in terms of the reduction of this fragmentation, but we have to see more on the demand side. This is where monetary policy just creates the conditions, and then it is up to other policies to play the key dominant role and stimulate demand.

1-027

**Jakob von Weizsäcker (S&D).** – I will ask you a question about banks, Mr President. You talked earlier about how to give incentives to banks by making specific requests. In March 2010, as Governor of the Bank of Italy, you made such a specific request, sending a letter to Italian banks urging them to cut dividends and strengthen their capital base. While, technically, the ECB will only take on the supervisory role for large European banks later this year, it is a puzzle to me that the ECB has not pressed hard in negotiations for a dividend freeze for large European banks while we are still in the middle of financial sector leveraging. Why has the ECB not done that? Why has the ECB not tried to impose a dividend freeze?

I am asking this especially in the context – I do not have the numbers, but you probably do – of relatively limited efforts by banks, to date, to raise fresh capital in the run-up to stress tests. That is my first question.

My second question – and I am probably boring you here but I do want to come back to it – is on the asset-backed securities (ABS) programme. I have a confession to make. I still do not really understand it. Basically, if the ABS tranche you are buying is essentially risk-free, I

do not see how this will help in the credit channel. At the same time, because it is a relatively limited segment, I do not see how it could reach volumes that would act through other channels, like the exchange rate channel. So I am left somewhat puzzled as to how this is meant to work. These are my two questions.

1-028

**Mario Draghi, President of the European Central Bank.** – On the first question, the powers of the ECB in doing this are not those of a supervisor. When the ECB takes full supervisory powers, it will be in a position to ask for cuts in dividends and cuts in salaries, as I did at that time – you are right – in the Banca d'Italia, and to use profits to strengthen its capital base. But until then the ECB as such does not have that power. So for the time being it is up to the national supervisors. Incidentally, some of them did do exactly what you are arguing for. Others did not. It depends very much on a variety of national and insitutional situations.

You addressed two points. Your first question was: how can the purchase of only senior tranches, until a country or governments give a guarantee, free space in the banks' balance sheets? That is partly – but not entirely – true. The capital charges on the less risky part are much lower than those on the mezzanine part, but are not zero. So to some extent that has an effect on the capital side. On the funding side the effect will complement the TLTRO effect. There is no doubt that on the funding side the effect is going to be big depending on the size of the market.

But it is not clear exactly what size the market that we will be facing will be. If you take it at face value, there is a fairly sizeable market. But then we have decided that we do not want to take a series of ABS which do not respond to our prerequisites because we want them to be simple, to be transparent, and to contain lending to the real economy and so on. So then we reduce this and ask ourselves how much of this portion – which is still sizeable – is in the secondary market and how much is retained by investors. And in fact a sizeable portion of this is retained by investors. So will our step into this market enlarge the secondary market and convince investors to trade on their retained portions? That is the question. We believe that the size of this market is endogenous, in the sense that it does respond to our role and to our initiatives.

Finally you asked about the effect of this on the exchange rate. As you know, any comment on the exchange rate is especially delicate because in the G20 we have committed ourselves to treating the exchange rate as a matter of common interest. As I have said several times, the exchange rate is not a policy objective but is very important for price stability and growth. We have seen the exchange rate weakening in the last six months.

1-029

**Alain Lamassoure (PPE).** – Monsieur le Président, nous venons d'assister à une réunion du G20. Cela fait six ans que le G20 existe, il avait été créé à la suite de la

crise financière suscitée par la faillite de Lehman Brothers. Pouvez-vous nous dire, rapidement, quels sont les domaines dans lesquels, grâce aux efforts du G20, la communauté internationale en général et l'Union européenne ont significativement progressé depuis. Quels sont les domaines où il reste encore beaucoup à faire? Sommes-nous aujourd'hui mieux armés pour prévenir les risques systémiques du type de ceux que nous avons connus en 2008 et pour brancher la finance sur l'économie réelle?

1-030

**Mario Draghi**, *President of the European Central Bank*.

– It is a funny coincidence that you are asking this question to someone who did not go to the last G20, but the emphasis at that meeting was basically on completing the global financial regulation that was started at the beginning of 2008. I understand there was quite extensive discussion on how to restore growth in the G20.

On the first point, I should say that the G20 was an especially fruitful group to promote progress in the design of a new financial regulation that would make financial markets and the intermediation and banking industry more resilient to an oncoming and always possible crisis. Considerable progress has been achieved on that front, but while there was a lot of progress on the design, there was only some progress on implementation and, with the return of confidence to the financial markets, the sense of urgency that would move all the supervisory regulatory jurisdictions to converge and give themselves a global financial regulation has waned to some extent. So this was the key achievement of the G20, and it is very good that this group continues to discuss these issues and pushes for progress on this front.

The other issue that was discussed, in Australia I think, was growth, the right economic policies for growth and, related to that, the coordination of economic policies across major areas and spill-overs – consideration of spill-overs of our policies into other parts of the world, which is becoming an issue of increasing importance in the G20 discussions.

1-031

**Alessia Maria Mosca (S&D)**. – Ringrazio il Presidente Draghi di questa opportunità.

Ritorno sulle preoccupazioni che molti oggi hanno sollevato rispetto all'efficacia delle politiche monetarie messe in atto e all'impatto che queste hanno sulla politica, sull'economia reale e quindi sulla necessità di un più forte coordinamento tra le politiche monetarie, le riforme strutturali dei singoli paesi e un'azione pubblica sulla domanda aggregata.

La mia domanda è questa: ci troviamo all'inizio di una nuova fase della politica europea, con un piano d'investimenti pubblico che è stato annunciato e che dovrà essere dettagliato nelle prossime settimane, e mi chiedo e le chiedo quali, a suo avviso, possano essere le priorità per questi investimenti, perché ci possano essere minori rallentamenti rispetto all'efficacia immediata che le azioni di politica monetaria possono avere.

In secondo luogo, nel suo discorso di Jackson Hole, ripreso anche a Milano, si è soffermato in modo particolare sull'effetto depressivo che i tassi alti di disoccupazione hanno sulle politiche monetarie. Da questo punto di vista le chiedo, alla luce dei bassi effetti che le azioni messe in campo fino ad ora contro la disoccupazione hanno avuto, se non sia il caso di modificare l'approccio e che idea abbia di questa proposta dell'assicurazione europea contro la disoccupazione, che ha un approccio molto diverso perché va a incidere anche sulle asimmetrie nazionali.

1-032

**Mario Draghi**, *President of the European Central Bank*.

– These questions are very wide-ranging and, to some extent, outside the realm of competence of a central banker. One of the casualties of the crisis was certainly investment, both private and public. Overall investment today, as an aggregate in relation to GDP, is at a level we have not seen for decades.

Public investment has also become very low for one simple reason, which is that countries whose governments needed to consolidate their budgets did the two things which are the easiest to do in a hurry, in an emergency situation, namely raise taxes and cut investment.

All these things combined, at a time of crisis and loss of confidence by the private sector, have created serious unemployment. In a sense, that is the cyclical component of unemployment in the euro area. We always say that it is structural and that we have certain serious impediments to job creation in the euro area. This is true to a great extent, but there is also a cyclical component which ought to be tackled and dealt with.

So the return to investment is very important. That is why I very often speak of growth-friendly fiscal consolidation. However, this return to investment should go hand in hand with actions that are geared to strengthening the confidence and trust of the private sector in the prospects for the economy.

1-033

**Werner Langen (PPE)**. – Herr Präsident Draghi! Sie haben vor zwei Jahren mit Ihrer klaren Aussage in London die Spekulationen gegen Staaten von einem Tag auf den anderen beendet. Das war richtig. Ich will auch keine Fragen stellen zu M1 und M3; das sind Indikatoren für mangelndes Vertrauen oder für konjunkturelle Schwächen – mehr ist das nicht.

Mir geht es darum, von Ihnen zu erfragen, wie Sie die unterschiedliche Richtung der Geldpolitik in den USA und in Europa bewerten. Während die Fed die Zinsen anziehen will und ihre Aufkaufprogramme zurückführt, wollen Sie – oder haben Sie – die Zinsen weiter gesenkt. Die Wirkung hiervon ist bescheiden, und Sie wollen jetzt in die Aufkaufprogramme einsteigen.

Meine Frage geht zum einen in die internationalen Auswirkungen einer solchen gegenläufigen Politik: Es könnte, zumindest in der Übergangszeit, erhebliche Turbulenzen geben. Wie bewerten Sie das?

Das Zweite: Denkt die EZB darüber nach, nicht erst 2016, wie Sie gesagt haben, sondern vorher ihre lockere Geldpolitik zu ändern?

Und drittens: Wie bewerten Sie in diesem Zusammenhang die anhaltende Schwäche des Euro gegenüber dem Dollar? Immerhin ist sein Wert in den letzten drei Monaten im zweistelligen Bereich gesunken. Wenn er auch möglicherweise den Gleichgewichtspreis zwischen Dollar und Euro noch nicht erreicht hat, könnte das aber in Verbindung mit niedrigen Zinsen zu einem Abwandern der Investoren in den Dollar-Raum führen. Diese langfristigen Wirkungen, die über reine Geldmengenbewertungen hinausgehen, möchte ich gerne von Ihnen erläutert haben: Was befürchten Sie, was erwarten Sie, wie beurteilen Sie das?

1-034

**Mario Draghi**, *President of the European Central Bank*. – Concerning your first question, when different areas of the world, and especially very large areas like the US and the euro area, are on a diverging path of monetary policy, we should – and we do – watch with great attention, on both sides of the Atlantic, that our decisions and the communication of those decisions do not cause unwanted movements in the markets and unintended consequences which could entail – and indeed did entail not so long ago – some disruption in market conditions. Both we at the ECB and all our colleagues throughout the world are very aware that these decisions ought to be taken with great attention and, likewise, communicated with great care and attention. The intention certainly is to avoid all unwanted and unintended turbulences and market disruptions, and so far things have seemed to go the way we wanted.

Your second question was when will we end this loose monetary policy. The answer is when we have complied with our mandate, which is to bring inflation to 2% – close to, but below 2%. That in a sense is the primary, if not the only, objective we have now and certainly it feels, under the Treaty, like our primary mandate. Given our projections, our monetary policy will remain loose and, as we say, ‘very accommodative’ for a long period of time. I have discussed before the potential side effects that this policy might entail, especially in terms of financial stability risk, so I will not repeat this, but we also watch this carefully. We do not want to be complacent.

Your third question is about the exchange rate. As I said, it is always very difficult for a central banker of a very large jurisdiction to comment on exchange rates. We have collectively framed our language in the G7 and G20 statement on exchange rates, where we treat this as a matter of common interest, so it is very difficult for me to comment on this. However, going back to your first question, our monetary policies are on a diverging path and they are going to stay like that for a long time as the recovery in the US proceeds and inflation in the US goes up towards the objectives, while in our case everything is much slower.

1-035

**Olle Ludvigsson (S&D)**. – Trevligt att ha er här, herr Draghi. Du har på senare tid riktat fokus på arbetslöshetens betydelse för penningpolitiken. Bland annat uppmärksammar du detta i ditt tal i Jackson Hole. För det första tycker jag att det är väldigt glädjande att arbetslöshetsfaktorn på detta sätt har fått en större uppmärksamhet. Vi vet att arbetslösheten i eurområdet i dag ligger på 11,5 %. Den strukturella arbetslösheten är mycket hög.

Tror du att det är möjligt för ECB att nå inflationsmålet under eller nära 2 % med så höga arbetslöshetsnivåer? Eller måste arbetslösheten sänkas markant för att det ska bli möjligt att på ett hållbart sätt klara målen? Hur stor betydelse har det för inflationen att arbetslösheten pressar löner och efterfrågan nedåt?

1-036

**Mario Draghi**, *President of the European Central Bank*. – This is a very important question for the conduct of our monetary policy. There are at least two answers to the question which complement each other.

In 2011 inflation was 3% and now it is 0.4%. We asked what the causes of this decline were. Certainly two thirds of this decline – for the first part of the period, between 2011 and 2012 – were essentially caused by the decrease in the oil price and, later on, in food prices.

There was also a third reason which developed only slightly later at the end of 2012 and 2013. This was the fact that in many countries – all countries under a programme – the relative price adjustment and the regain of competitiveness called for a decrease in prices that had been too high for a long time. This was also significant in bringing down the rate of inflation. This effect was later compounded, even though in dollar terms the price of oil and food and other prices did not go down much, by an appreciating exchange rate which continued to drive down inflation.

In the meantime unemployment became very high in the euro area at aggregate level. So it is quite clear that unemployment and the weak level of demand that comes with debt contribute to keeping inflation low. More specifically, we are often asked why our models have overestimated inflation on several occasions. Basically this is because all these models make certain assumptions about the oil price, food prices and the exchange rate. So these overestimates were caused by assumptions about these factors which were not correct.

So when we look back at our mistakes, until not long ago we would have said that these forecasting mistakes were mostly due to mistakes in our assumptions. More recently we have said that a certain percentage – not the majority, I think it is around 20% of our mistakes – is due to other factors as well, one of which is unemployment. This is a further reason for agreeing with you that unemployment does play a role in keeping inflation low.

1-037

**Brian Hayes (PPE).** – President Draghi, I would like to welcome you back to our committee. I have two questions. My first question is whether you could give some clarity on ABS and its usefulness to banks which, as you rightly say, represent 85% of all lending across the system, including to those banks that have come through stress tests which have proved them to be well capitalised. My fundamental question is whether mezzanine finance can include tracker mortgages, because you referred earlier to mortgages. Can tracker mortgages be included as part of mezzanine finance?

Secondly, since our last meeting in Strasbourg, you have probably seen a decision of the Irish Parliament to have a public inquiry into the events surrounding the bank guarantee and the financial collapse in Ireland, which date back some years. Obviously, the inquiry will call witnesses – politicians, regulators, the banks and also the ECB. How will the ECB play any meaningful role in such a public inquiry in the circumstance where your predecessor, Mr Trichet, has refused to attend the inquiry and refused to give evidence to this inquiry, which will shortly be established by the Irish Parliament? Could you set out your views on that, given the fact that Mr Trichet was a public official at the time and the enormous EUR 64 billion of debt that was ascribed to the Irish taxpayer as a result of the bank guarantee. What will the ECB do in terms of facilitating that inquiry when it takes place?

1-038

**Mario Draghi, President of the European Central Bank.** – On the first question, I do not know whether we include tracker mortgages. I will provide you with an answer. Certainly the ABSs we are going to purchase do include residential mortgage-based securities. Here the question is whether, by doing so, we are going into feed into a residential bubble. The answer is no, not necessarily, because the freeing up of space – making room in the bank's balance sheets because we buy this residential mortgage-backed security – does not mean that the banks will immediately fill their balance sheet exactly with the same loans and the same lending to the residential sector. So it does not necessarily follow that they will do so.

On the second point, I must say that we have no answer at this time. We will certainly reflect on it and we will have to discuss this in the ECB Governing Council. We have not discussed this yet.

1-039

**Brian Hayes (PPE).** – What is your view of the stated position of Mr Trichet that, as a public official who was central in the decision-making process at the time, he intends not to appear before that inquiry? What is your view on that?

1-040

**Mario Draghi, President of the European Central Bank.** – It is not my view that matters; it is the ECB Governing Council's view of this. We have not really discussed this issue yet. I will perhaps be better equipped to answer this question at the next meeting.

1-041

**Hugues Bayet (S&D).** – Monsieur le Président, trois petites questions, Monsieur Draghi. Je voudrais revenir sur votre récent discours de Jackson Hole, où vous avez rappelé qu'une stratégie pour réduire le sous-emploi doit impliquer à la fois des politiques de la demande et de l'offre, tant pour la zone euro qu'au niveau national.

Pour les politiques de l'offre, c'est assez clair. Nous voyons bien les réformes structurelles à mettre en œuvre pour améliorer la compétitivité des entreprises, mais pourriez-vous être plus explicite sur les politiques de la demande? Je voudrais savoir à quoi et à qui vous songez. Ne pensez-vous pas que l'Allemagne dispose, à cet égard, d'une marge de manœuvre intéressante?

Par exemple, au-delà de négociations salariales qui pourraient permettre des hausses de salaire plus importantes que par le passé, le gouvernement allemand ne pourrait-il pas prendre des mesures pour alléger la pression sur les revenus et relancer la consommation domestique, par exemple en indexant les barèmes fiscaux et en augmentant les plus petites pensions? Je voudrais avoir votre avis, car j'imagine que derrière cette déclaration vous avez toute une série de conseils et de propositions spécifiques pour chaque pays de l'Union.

Pour ma deuxième question, je voudrais revenir sur la question de ma collègue Mosca et notamment sur les investissements publics, au sujet desquels vous nous dites que ce que font la plupart des États, c'est augmenter les impôts et diminuer les investissements publics. Je peux partager votre vision, mais je pense que c'est aussi lié aux règles statistiques de l'Europe et notamment à l'obligation de suivre les normes SEC 2010 d'Eurostat. En effet, quand on y regarde de plus près, on se rend compte qu'en fait rien ne peut être comptabilisé en patrimoine et que ces règles ne tiennent pas compte du tout des bonis cumulés que peuvent avoir les entités locales ou régionales.

Et, si je prends le cas de mon pays, la Belgique, si on ne prend que les investissements publics des collectivités locales, cela représente à peu près 50 % des investissements publics pour la Belgique, mais cela ne représente que 7 % de la dette publique globale. Ne pensez-vous pas que – surtout si l'on veut que le plan d'investissement de 300 milliards d'euros, en tous cas pour la partie publique, se passe au mieux – il faudrait faire une distinction entre les investissements productifs, quand les collectivités locales ou les États financent des parcs industriels, des plateformes multimodales, des logements sociaux etc. et les dépenses de gestion courante, qui sont clairement de la dette?

Enfin, la troisième question est un peu plus technique et concerne les obligations de *bail-in* des créanciers seniors, qui n'entreront en vigueur que le 1er janvier 2016. Je voudrais savoir si vous ne craignez pas que les différents États membres soient conduits à adopter des pratiques différentes en matière de *bail-in* des créanciers seniors, ce qui pourrait évidemment avoir pour effet de maintenir une fragmentation financière, dans le cas où le champ d'extension du *bail-in* serait plus large dans les États financièrement les plus fragiles. Cela ne poserait-il pas un problème dans l'avenir?

1-042

**Mario Draghi**, *President of the European Central Bank*. – Monetary policy in itself is not enough to reach the objective of raising inflation back to close to 2% but below 2%. We will need other policies. I hinted at that in the previous speech, as you will remember. Some of these policies have to do with giving new priorities to the budgets and with increasing investments. Here one has to distinguish between countries that have fiscal space and countries that do not have fiscal space. As I said before, the European Council has recommended the so-called ‘country specific’ recommendation and did recommend policies to this effect, and the countries that do not have fiscal space had to give new priorities to their budgetary composition with a view to stimulating productive investment while, at the same time, cutting current and productive expenditure and taxes.

On the bail-in of different categories of debt, starting with 2016 – if I am not mistaken, though I am not entirely sure whether it is 2015 or 2016 – the Bank Resolution Recovery Directive (BRRD) will lay down all the rules for the different categories to be bailed in, so that will be the last word on it. It seems to me that markets and banks are actually assessing this with relative confidence. We have not seen any market panic arising from the introduction of these new rules.

1-043

**Georgios Kyrtsos (PPE)**. – I too would like to thank Mr Draghi for being with us. I have two questions, one dealing with the situation in Greece and the other with wider European interest.

The Greek Government argues that Greece does not need a new loan package from its eurozone creditors, and that the country is ready to follow the path of Ireland and Portugal and cover its refinancing needs in the international market. From what I read in the press, it seems to me that Mr Draghi would prefer a new package of support along with continued strict control of the economic policy implemented in Greece, and that he requires more policy guarantees from the Greek side in order to help the Greek banking sector provide more liquidity to the private sector of the economy.

Regarding Europe, is there a united front between the ECB and most – if not all – eurozone governments concerning the increase in the rate of inflation towards an annual 2%, sliding the exchange rate of the euro, the risk associated with purchasing securities and covered bonds and other major objectives you have set, or should we expect a lot of political and economic friction in the near future that could reduce the effectiveness of the policy described?

1-044

**Mario Draghi**, *President of the European Central Bank*. – First of all let me stress once again that in Greece, but also in all other countries, there is no bargaining, there is no negotiation, between the ECB and the governments. We follow our mandate and the governments follow their mandate.

This idea of bargaining crops up in a variety of ways. For example, sometimes we are told that we are reducing the incentives for governments to reform, to make structural reforms. This argument forgets one thing which is that we have a mandate. The monetary policy is not a substitute for structural reforms. So it is up to the governments. Frankly I am quite puzzled at governments that would react to interest rate incentives – so if interest rates go down, they do not reform – and yet do not react to the millions of unemployed people they have in their countries. I think that should be a much more powerful factor pushing these governments to reform themselves than 1% less in the interest rate. So there are no negotiations, which indeed would not be proper for a central bank or the ECB.

Secondly, the ECB acknowledges, and the Governing Council of the ECB acknowledges, the significant progress made by Greece in undertaking a variety of policy measures on the budgetary front, on the financial sector front, on the structural reforms front, and this has certainly been noted not only in the ECB; the markets have noted it too, and have awarded Greece quite extraordinary financing conditions. These financing conditions are predicated on Greece continuing the structural reform effort and undertaking all the structural reforms that are being envisaged in the current programme, remembering that the current market situation, not only for Greece but for everybody, should not be taken for granted. So I suggest we all use this moment in time to continue our reform effort without being prey to complacency.

Finally, the issue of frictions. Are there frictions here? Frictions would assume that there is some sort of bargaining there. There is no friction there, because we have our mandate and the governments have a different mandate. We are going to pursue this mandate. Let me just re-read one part of the statement I made at the beginning: ‘With the purchase programmes, we are starting a transition from a monetary policy framework predominantly founded on passive provision of central bank credit, to a more active and controlled management of our balance sheet’.

1-045

**Chair**. – This has been a very fruitful dialogue. The next monetary dialogue will take place on 17 November. So we can thank President Draghi and look forward to our next meeting.

*(Applause)*

*(The meeting closed at 17.00)*