

Benoît Cœuré: Interview in *Corriere della Sera*

Interview with Mr Benoît Cœuré, Member of the Executive Board of the European Central Bank, in *Corriere della Sera*, conducted by Mr Danilo Taino on 27 January 2015.

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In the last few days you have said that Tsipras must “continue to pay”.

I said that there’s dual responsibility. Greece must continue to abide by the rules of the game: we are a community of purpose. On the other hand, Europe has to accept the democratic change in Athens, even if it is based on policies that are different from the ones before.

No renegotiation of Athen’s debt, then. Not even an extension of maturities?

Greece’s debt is made up of various components. As regards the government bonds purchased by the ECB as part of the Securities Markets Programme launched in 2010, we cannot grant even an extension of maturities: it would be like granting a loan to the country and that is prohibited by the treaties. As regards loans given to Athens by European countries, that’s not for us to decide.

You’re indifferent?

No, I’m saying that any decision that is made must have a goal, namely for the reforms in Greece to continue. There will probably be different reforms from the ones expected, given that there’s now a new government. But we have to be consistent: the country still needs reforms.

Tspiras says that the troika is now finished in Greece. And the European Court of Justice has also put a question mark over the legitimacy of the ECB’s participation in it.

For now, that is an opinion of the Advocate General, not a ruling of the Court. And therefore it is too early to be drawing conclusions. And it is also too early to establish what will happen in Greece in this respect.

Was the ECB’s decision to start QE, a week ago, correct and timely in your opinion?

It was the right decision, also in terms of timing – in the sense that it allowed us to prepare the operation from a technical point of view. We could not simply import the United States’ or United Kingdom’s experience. We needed to design our asset purchases based on our needs, which was also a useful process for gaining the approval of as many governors as possible.

But in economic terms?

Good timing in this regard, too. There are signs of economic growth returning and the price of oil has fallen, as has the exchange rate of the euro. And now monetary policy is sufficiently expansionary. All of the lights are green: 2015 could see significant growth and our surveys show that banks are passing on the reduction in interest rates to their customers more than they did in the past. Monetary policy is even more effective when it is not leaning against the wind.

Even without national reforms?

Here at the ECB, we are absolutely convinced that whatever we do, it will not have as strong an impact if it is not accompanied by reforms. Asset purchases are not an excuse not to implement reforms. The effectiveness of the purchases depends on these reforms. That said, the programme was designed to work and it is big enough to work.

Even though the amount of risk-sharing is very small – 20% – with the rest staying with the national central banks?

This is fully consistent with a single monetary policy because all decisions will be taken by the Governing Council. Moreover, it has to be said that the fact that we have greatly limited the level of risk-sharing reflects the philosophy of the Maastricht Treaty: a centralised monetary policy with national fiscal responsibility. We have acknowledged the fact that the euro area is not a fiscal union. There are those who say we could have taken the first step in this direction. But this is a political decision which is for the governments to make, not us.

At what point will QE stop?

We will make purchases from early March until at least September 2016, i.e. 19 months, and shall continue until there is a sustained improvement in medium-term inflation. When it will end is therefore not an urgent issue, it will be assessed based on a range of indicators, including inflation expectations.

Could it end before September 2016?

It will end only once we get a strong sense that inflation is converging towards 2%.

In Germany, it is a widely held belief that last Thursday, the ECB changed its monetary policy paradigm, that it is no longer the orthodoxy of the Bundesbank, as promised at the time the euro was created.

The German audience should acknowledge that it is not a question of a different monetary paradigm. We need to deliver on our primary mandate, which is price stability in the medium term. This is a strategy which we inherited from the Bundesbank. Only the instruments are new. This could not have been foreseen in 1992, but in the Treaty it is nevertheless clear that the ECB can conduct monetary policy by means of asset purchases.

And yet the Germans are still concerned.

They are rightly concerned about the possible side effects of QE: the creation of asset bubbles and reduced incentives for countries to initiate reforms and reduce their debt. However, the response cannot be to ask the central bank to internalise these unwanted consequences. We have a narrow mandate. Instead, we need strong prudential policies and, in terms of fiscal policy, the strict application of the Stability and Growth Pact.

But was it necessary to humiliate the Bundesbank?

No such thing occurred. There was unanimity in the Governing Council that asset purchases are a legitimate monetary policy instrument. And then we discussed when to use it and whether the situation was bad enough to decide to use it. We will really try hard to explain that what we are doing is in the interest of the euro area, Germany included.

In your book, you talk about the isolation of the central banks. Do you feel that strongly at the moment?

Central banks are independent, but they are not isolated. In Europe, however, we need a coherent approach across monetary policy, fiscal policy and structural reform policy, as emphasised by President Draghi at the Jackson Hole conference (at the end of August [ed.]). The understandable instinct of the governments is to respond to their voters. This is never easy and it becomes even more difficult in an environment of low growth and high unemployment. But our plea to the governments is to always remember Europe's common interest, because the actions of one affect all the others. That is why they must be coordinated.

Do you feel more mature, at the ECB, after last Thursday?

This is not about being mature, but about providing the right answers to a new situation, as the ECB has always done throughout the crisis. Now, with asset purchases, we are like the other central banks, but with an instrument that is adapted to our specific environment, i.e. an environment which does not foresee a common fiscal policy. We are conducting QE in our own way.