

## **Benoît Cœuré: Interview in *Süddeutsche Zeitung***

Interview with Mr Benoît Cœuré, Member of the Executive Board of the European Central Bank, in *Süddeutsche Zeitung*, conducted by Mr Markus Zydra on 22 September 2016, and published on 26 September 2016.

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***Mr Cœuré, Mario Draghi, President of the European Central Bank (ECB), will meet members of the Bundestag next week. Does this mean the ECB still has a problem with Germany?***

No, not at all. We are legally accountable to the European Parliament but we are always willing to exchange views informally with national parliaments. It is a very useful exercise for us. The President had the first such exchange four years ago in the midst of the financial crisis in Europe. Now we have made headway, growth has returned and the overall economic situation has improved a lot, partially thanks to our decisions. This makes it a good time to explain what we have been doing, to show the results of our actions and to respond to any concerns that might be voiced.

***The ECB has been accused by some German politicians of fuelling populist parties like the Alternative für Deutschland (AfD). How would you react to such remarks?***

The ECB is not a political institution. Our mandate is to maintain price stability. Political issues must be handled by politicians and monetary issues by central bankers. We should not mix these two things.

***For many politicians the ECB is seen as the bogeyman...***

There is a temptation everywhere, also outside Europe, to drag central banks into political discussions. Some expect too much of us and want solutions to high unemployment or long-term growth problems, while others blame us for the political outcome. Politics and monetary policy don't belong together.

***The ECB continues to give advice to governments. Is that legitimate?***

In Europe, there is a long tradition of central banks giving economic policy advice. The Deutsche Bundesbank has always done this and so have other European central banks. The ECB gives advice, only insofar as it relates to monetary policy. Price stability relies on economic and social stability. We have a duty to speak our mind and tell citizens what we see as being the right conditions for us to fulfil our mandate properly. However, there is a line that should not be crossed and it is certainly not our role to tell national governments precisely what they should do.

***The ECB has asked Germany to use its "fiscal space" and spend more public money...***

What matters to us is the stability of the euro area economy. A growth model that relies excessively on external demand poses risks because it puts the fate of recovery in the hands of American or Chinese consumers. We need strong consumption and investment in the euro area. The good news is that this is starting to happen. Internal demand is picking up in the euro area as a whole, also in Germany.

***So Germany should export less and import more?***

Strong exports are a sign of competitiveness. They are an asset for Germany and therefore for Europe. Nevertheless, increased investment in Germany would make the economy even stronger and prepare it for the future. In France and Italy, preparing for the future means giving priority to reforming labour markets and reducing debt. In Germany, debt has already been greatly reduced which makes it possible to increase investment for the future. This would also help to foster long-term growth and address demographic challenges.

***You are said to be politically to the left. What does that mean to you?***

We all come from different backgrounds in the Governing Council and it does not influence at all how we conduct monetary policy. I personally believe that we need strong social systems to protect the poorest people in our societies, which also implies that these systems should be reformed to make them sustainable. But, given the challenges we see today both globally and in Europe, the defining question is not about being left or right. It is about protecting our societies and keep them open and it is about the role that Europe can play in doing so. Europe needs to be reformed. It needs to demonstrate in a convincing way that it can cope with the inequalities created by globalisation and by new technologies and that it can keep our economies and societies open, while still protecting people.

***But it is the ECB's monetary policy that makes the rich people in Europe even richer.***

A recent study by the Deutsche Bundesbank points out that our accommodative monetary policy has helped unemployed people to find new jobs. Try to imagine the situation if, from 2007 onwards, the ECB had done nothing in response to the crisis. Would the poorest people be better off now? I don't think so, because the crisis would have been far worse.

***The ECB has been pumping money in the financial system for years. Are you now also planning to buy shares and bank bonds or even to distribute helicopter money?***

We haven't discussed these options in the Governing Council. And I am not in favour of buying bank bonds. It would create the wrong incentives for banks to reform, to get rid of their non-performing loans and to identify new business models. As for helicopter money, it clearly blurs the line between monetary and fiscal policy.

***Will the ECB take further action or will it end its monthly asset purchase programme in March 2017 as planned?***

When the Governing Council met on 8 September 2016, economic and monetary data did not justify changing our plans. There are downside risks but the economic recovery has been resilient. We will continue to purchase assets on a monthly basis until March 2017 or beyond if necessary; and in any case until we see a sustained adjustment of inflation towards 2%.

***Do you think it is possible to exit the zero interest rate strategy without causing turbulences in the financial markets?***

It will be a long time before we can even start to think about exiting our accommodative monetary policy. When we reach that point, it will be essential for the financial sector to be robust enough to adapt to higher interest rates. We won't stand for our monetary policy being reigned in as a result of concerns that it could pose problems for the banking sector.

***Before the financial crisis central banks were only closely followed by specialists – nowadays central banks are always in the spotlight. Do you find that helpful?***

Sometimes we have to be in the spotlight in order to fulfil our mandate. In the first years of the crisis it was all about maintaining monetary and financial stability. We had a natural role to play in that context and we were at the forefront alongside all the other major central banks. Now the challenge is to create long-term growth and jobs in a sustainable way. The ECB cannot do much in those areas. It is high time for the focus to shift away from central banks.

***What if politics fails?***

We live in democracies and I can't simply assume that democracies will not be able to deliver good solutions to the problems they face. It takes time because the problems our societies face today are exceptionally complex and interrelated.

***The ECB was considered a hero in 2012. Now people frown upon the ECB's zero interest rate policy. How does that feel?***

We don't want to be a hero, and it is not decisive whether or not we are popular. People should trust in the fact that we will achieve price stability. That is why the Treaties made the ECB independent.