

Benoît Cœuré: Interview in *Europe 1*

Interview with Mr Benoît Cœuré, Member of the Executive Board of the European Central Bank, in *Europe 1*, conducted by Mr Jean-Pierre Elkabbach on 26 January 2015.

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Welcome, Benoît Cœuré. Good morning.

Good morning.

So, the Greek people have handed a huge victory to Alexis Tsipras, who has promised them an end to austerity and social suffering. Will Greece's €320 billion debt be waived?

I think this is a two-way challenge. There is a dual responsibility. Europe must show that it can adapt to a change in government, even a radical one, in a Member State. This is Europe's democratic responsibility. Equally, Mr Tsipras must comply with the rules of the European game.

So what does this mean for the debt? It will be discussed, but let me remind you that the €40 billion that Greece owes to France is not owed to speculators or the financial markets: it is owed to the French taxpayers. Cancelling this debt would be giving a gift of €40 billion to Greece. Any restructuring of the debt must be meaningful. It must allow Greece to overcome this situation while continuing with reforms.

The French are owed €40 billion? How much are the Germans owed?

Around €60 billion.

So, you are saying that, if the debt can be renegotiated, it will happen soon. But in the meantime is it sufficient for Mr Tsipras to say that he will pay it back, or must he pay it back?

He must pay it back. Those are the rules of the European game. There is no room for behaving unilaterally in Europe. This does not preclude, for example, the restructuring of this debt from being discussed. However, I must stress that this money does not belong to the European Central Bank. This money belongs to governments. This discussion will take place between Mr Tsipras and the European governments.

And should take place very quickly?

It will no doubt start today or tomorrow.

Yes. And do you think that Greece, after this massive victory by Mr Tsipras and the Greek people, must fulfil its commitments whatever happens, in other words that it must pay off its debts?

It is essential for Greece to continue with the reforms, for the Greek economy to pull through. This is what is in the interests of the Greek people.

But how? Today you have been informed that it is the end of austerity and of a number of reforms which have been too painful for the Greek people.

There are certainly different ways of carrying out the reforms. But that does not obviate the need for them. Greece is still financing itself thanks to European money. The country needs to become independent again.

Are you, Benoît Cœuré, as someone at the European Central Bank, able to say that it is the end of austerity in Europe or at least in certain countries that have been practising austerity?

You know, austerity is a very generic term. Each country does it differently. Some countries are not reducing their deficit at all or only reducing it by a little, with France being one of them, while other countries have done a lot. There is room for other policies, provided that they comply with the rules of the European game.

And what if Mr Tsipras says “I’ll stay in the euro area, but I won’t pay”?

If he does not pay, it constitutes a default and, as such, is in breach of the rules of the European game.

Meanwhile, do you think that all aid to Greece should be frozen or suspended? As a result of loan maturity dates?

Europe is in a process of dialogue and cooperation with Greece. That’s what I said earlier. It is necessary to help them. It has to work, which is why the negotiations and discussions are about to start.

And you say that Mr Tsipras has no choice but to involve Brussels, adhere to what the ECB wants, and honour the natural commitments of a Greek government.

Because Europe is a community based on the rule of law. It is co-owned. We manage a single currency together. There are European laws, and what Greece does has an impact on other countries, such as Portugal, Spain, Ireland, France or Germany.

Could there be a chance or risk of contagion in the countries you refer to: Spain, Portugal, Ireland?

I don’t think so, because the financial markets understand very well that the situation is different, and also because the decisions of the European Central Bank itself, the decisions that we have taken, ensure financial conditions that will be very protective for the rest of the euro area.

But, what do you mean, or what do you want to indicate, when you say that it is the French, the French taxpayers, who will pay if Greece does not pay €40 billion. What about the Germans?

The Germans have €60 billion in outstanding loans, or debt securities.

And if it carries on, if this climate continues, could there be tensions?

I don’t think so if everything is – If the discussions take place in a cooperative way, if a process is put in place from today, everyone will understand that all parties want to come to a successful conclusion.

Can we say that you can, you could, extend the maturity on the debt, the repayment of the debt, because you have already done so before?

Once more, it is not up to the central bank to decide. It is taxpayers’ money and it is therefore up to the finance ministers to decide on this.

Benoît Cœuré, the ECB, with Mario Draghi, yourself, Christian Noyer and others has decided to buy assets for an unprecedented, unheard of amount of one thousand four hundred billion between now and September 2016. First, if it does not work, can you continue beyond 2016?

First of all, it will work. It will work because it is a huge sum. It has been implemented quickly and it will be efficient. And we will re-evaluate all that in the course of 2016, and we are prepared to continue further if at that time it is not enough. But I am sure that it will work.

In other words, you are printing banknotes and will keep on printing and printing, endlessly?

We are creating money, and with this money we will buy financial securities. The money should irrigate the economy, as long as the banks play ball, of course.

Yes, because they might not play ball. Might they behave badly? Because some people are saying that they can solve their problem of their dividends, their shareholders, etc., and that they might not pass the money on to the real economy.

The most important thing for me is that at the end of the day people want to invest and consume. So it is a question of confidence. The decision we have taken this week should contribute to the confidence level, and in the end we also need the economic conditions which make people want to invest.

And from when do you think it will have an effect on the economy? You expect results both in terms of inflation and in terms of growth, if it should happen.

There will be more growth in 2015 in any case, given the combination of what we have decided, the lower price of oil, which is good for growth, and the lower exchange rate, which is also good for growth.

Like others, I have tried to do some calculations, Benoît Cœuré. One thousand four hundred billion in 20 months. Many people are wondering why you didn't just send a cheque for €3,500 to every citizen in Europe, directly, instead of going through the banks.

It would be very complicated to do that, and if there are things to be done that target citizens directly, it is up to governments to do it, because doing that looks very much like budgetary or fiscal policy. That is not our work.

So, we should say that the ECB is contributing and each central bank as well. Christian Noyer for the Banque de France. Will the Bundesbank buy German bonds?

It will buy German bonds, absolutely.

Are you saying that there is risk-sharing for these operations between Draghi, Cœuré, Noyer, etc.?

On these 1,100 billion, 20% will be held by the ECB and 80% will be on the balance sheets of national central banks, therefore a risk that will not be shared.

That is not shared? Or that is shared?

That is not shared because there it is a question of taking fiscal risks, risks on governments, and it is not for the ECB to decide on, to create, fiscal union in Europe. I think it is desirable, but it is a democratic debate which takes place in parliaments and in governments. It is not for us to do it.

You are having difficulty convincing Chancellor Merkel, the Bundesbank. Is the ECB independent? And can it remain so?

I think the ECB showed last week that it is independent, and it will remain so. You can rely on us.

What does this commitment mean?

It means that we will take the necessary decisions in the interests of the euro area as a whole and that we will continue, if necessary, to find new instruments, on condition that they are legal, without concerning ourselves with political pressures.

The euro is falling. With the ECB's decisions, it will stay [inaudible] against the dollar. At what level should it stop? Because we see the drop and wonder, « when » ?

You know, economics is not an exact science so I do not know what the right level is. Indeed, what matters is that the euro is stable, and so this « falling dynamic » is economically justified, but at some point it will have to stop and the euro stabilise.

President Hollande, who congratulated the ECB, promises that France will not stop making the necessary reforms. In your opinion, is the Macron Law which is being debated in the National Assembly one of the elements of the reform ? Or is it insufficient?

For us, it is a small step in the right direction. We are going to make investment easier in Europe, but people have to want to invest, and for that it is necessary to have reforms promoting entrepreneurship and which make the economy more flexible, and the Macron Law is going in this direction.

We must continue to reform?

It is necessary to continue to reform – in all the euro area countries, for that matter, not only in France.

Last question on the Troika. Will it make another visit to Greece? Or will it lie low? Because it would not be welcome there at the moment.

I think it would be welcome there because the new Greek government will need and want to talk with Europe. We are waiting to know who our new contacts will be, who the new finance minister in Greece will be. We will know in the days to come.

Isn't he extreme-Left?

He will have his ideas and, in the end, Europe is a compromise of different ideas. That is how it works.