

## **Benoît Cœuré: Interview in Le Journal du Dimanche**

Interview with Mr Benoît Cœuré, Member of the Executive Board of the European Central Bank, in Le Journal du Dimanche, conducted by Ms Bruna Basini on 27 October, and published on 29 October 2017.

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**The reduction in liquidity decided by the ECB is so accommodative that one might wonder if it has become impossible to wean the markets off this source...**

We've decided to halve our asset purchases. From January to September 2018 we will buy €30 billion worth of bonds per month instead of €60 billion, as at present. And our interest rates will remain unchanged. The ECB's monetary policy will remain very accommodative: in particular, our asset purchases will continue until inflation clearly moves towards 2%. This recalibration takes account of the solidity of the recovery and allows it to gain strength. I am hopeful that this will be the last extension.

**Don't we have to fear negative effects?**

We are aware that this policy could create risks on the financial markets. But its first effect is to further stimulate consumption and investment, and to support the fall in unemployment. There's no financial bubble at euro area level. There are price tensions on real estate markets in some countries. In France, corporate debt is also rising very quickly, perhaps too quickly. But nothing at this stage demands action from the ECB.

**How will this policy affect interest rates?**

The ECB's policy will enable households and firms to continue borrowing at historically low levels. The short-term rates set by the ECB are going to remain very low for quite some time, well past September 2018. As for long-term rates, they are set by the financial markets. These rates can be expected to rise as the global economic recovery proceeds. Businesses and governments must prepare for that.

**Prices are not rising very much, wages even less so, whatever happened to inflation, which is levelling off at around 1.5%?**

In Europe wages have tended to stand still because we've endured one blow after another, the financial crisis, then the euro area crisis. One young person in five is unemployed in the euro area. It's no surprise that this affects wages. The nature of the jobs created has also changed. There are many fixed-term and part-time jobs which keep employees in a position of dependence. As the recovery takes hold, the quality of jobs will improve and allow wages to rise, but this will take time.

**Are the reforms undertaken by the euro area countries going in the right direction?**

It's not the ECB's job to give lectures. Our mandate is to protect the purchasing power of the people of Europe. Growth has returned in all the euro area countries and consumer confidence across Europe is at its highest for 16 years. The priority now is to achieve greater convergence between the countries and thus create a more resilient economic bloc. Every country must continue with its reforms: in particular France, but also Germany.

**Does the economic transformation of France promised by Emmanuel Macron go far enough?**

It will enable France to make up for lost time. The return of growth in Europe is offering France a

unique opportunity to pursue a coherent set of reforms in order to rectify its weaknesses: persistent unemployment, inadequate training, deficits in public finance and external trade. But this is happening at a time when globalisation and technological change are creating uncertainty. More flexibility is needed, it's true, but we shouldn't forget those who get left behind by this model.

### **And the level of France's public debt?**

On the budgetary front, France still faces a predicament. Its deficit is falling, but mainly because the economy is growing again. If the economic climate changes, where will the room for manoeuvre be? It's now high time that France, the second-largest economy in the euro area, let go of the ECB's monetary policy.

### **What institutional reforms will be needed to consolidate the euro area?**

That's a matter for the heads of state and government. For a long time I have favoured the establishment of a euro area finance ministry. Provided it was given the right financial tools, this would facilitate the handling of the next crisis without having to rely excessively on the ECB, which was mainly the case these past few years. But for the ministry to come into being, a degree of trust has to be recreated between the countries. In this discussion, the reforms and the serious nature of France's budget are a test case. Let's also prevent the common budget from absolving governments of their budgetary responsibilities.

### **Would a European Monetary Fund make sense?**

I am not one of those who think that Europe should get rid of the International Monetary Fund (IMF). The IMF was there when Ireland, Portugal, Greece and Cyprus were under attack. In an unstable world, the IMF is more necessary than ever. Our crisis management tool, the European Stability Mechanism, deserves to be strengthened. It could become a true European stability fund, with greater resources and an independent advisory capacity. European crises would also have to be managed in a more transparent way, involving the European Parliament more closely.

### **Protectionist and populist movements are gaining support among voters in Europe. How should we respond to this frustration?**

Europe was a great success when it came to building the single market and the euro, and welcoming the former Communist countries. But it was unable to help workers facing globalisation and technological change. We need to take advantage of the return of growth to create a space for European rules which foster the mobility of employees, protect their rights and enable them to be educated and trained across Europe.

### **Why are the ECB and the national central banks ignoring bitcoin and other crypto-currencies, which are being increasingly used for trade?**

We aren't ignoring them. At the moment crypto-currencies don't pose any monetary risk because the amounts involved are marginal. They are speculative financial instruments which create risks of a financial or even criminal nature. The central banks are following their development very closely because they can spread very rapidly, especially in countries which are moving away from banknotes and coins.

### **And if tomorrow the future President of the ECB was a German national, would that be a serious matter?**

The nationality of the ECB's President is irrelevant. What matters is that the person can do the job.