3-001

COMISIÓN DE ASUNTOS ECONÓMICOS Y MONETARIOS

DIÁLOGO MONETARIO CON MARIO DRAGHI,

PRESIDENTE DEL BCE

(de conformidad con el artículo 284, apartado 3, del Tratado de Funcionamiento de la Unión Europea)

BRUSELAS, MIÉRCOLES 25 DE ABRIL DE 2012

COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS
MONETARY DIALOGUE WITH MARIO DRAGHI,
PRESIDENT OF THE ECB
(pursuant to Article 284(3) of the Treaty on the Functioning of the European Union)
BRUSSELS, WEDNESDAY, 25 APRIL 2012

COMMISSION ÉCONOMIQUE ET MONÉTAIRE
DIALOGUE MONÉTAIRE AVEC M. MARIO DRAGHI ,
PRÉSIDENT DE LA BCE
(conformément à l'article 284, paragraphe 3, du TFUE)
BRUXELLES, MERCREDI 25 AVRIL 2012

COMMISSIONE PER I PROBLEMI ECONOMICI E MONETARI
DIALOGO MONETARIO CON IL SIG. MARIO DRAGHI,
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(a norma dell'articolo 284, paragrafo 3, del TFUE)
BRUXELLES, MERCOLEDI' 25 APRILE 2012

3-002

IN THE CHAIR: SHARON BOWLES,
Chair of the Committee on Economic and Monetary Affairs

3-003

The meeting opened at 9.10 with various announcements. The committee then rose and observed a minute's silence in memory of Miguel Portas (a member of the Committee on Economic and Monetary Affairs) who had died on 24 April 2012.

3-004

Mario Draghi, *President of the European Central Bank***.** – Madam Chair, honourable members of the Committee on Economic and Monetary Affairs, it is a pleasure to be back here in Parliament and before your committee for our regular exchange of views.

3-005

Sono lieto che ora altri azionisti del fondo si siano offerti di prestare il proprio contributo per incrementarne le risorse.

3-006

Il est maintenant d'une importance cruciale que le mécanisme de stabilité européen soit entièrement opérationnel. La BCE peut y apporter son soutien. Naturellement, même avec un pare-feu important en place, les pays de la zone euro doivent continuer à mettre en œuvre les ajustements budgétaires et structurels qui s'imposent.

3-007

Wie üblich werde ich zuerst auf die aktuelle wirtschaftliche Lage im Eurogebiet eingehen. Danach werde ich mich den Themen zuwenden, die Sie vorgeschlagen haben: Bewertung der Sondermaßnahmen der EZB und Bewertung der wirtschaftlichen Lage in der WWU.

3-008

Let me first focus on economic and monetary developments in the euro area since our previous meeting on 19 December last year.

Available indicators for the first quarter of 2012 broadly confirm a stabilisation in economic activity but at low levels. Latest developments in survey data are mixed, highlighting prevailing uncertainty. Looking ahead, growth should be supported by foreign demand, the very low short-term interest rates as well as our non-standard measures. At the same time, downside risks relate in particular to a renewed intensification of tensions in euro area sovereign debt markets and their potential spill-over to the real economy. Further increases in commodity prices may also hamper economic activity.

Euro area annual inflation was 2.7% in March, unchanged from the previous three months. Inflation is likely to stay above 2% in the course of this year, because of recent increases in energy prices and indirect taxes. The Governing Council continues to expect annual inflation rates to fall below 2% in early 2013.

Looking forward, in an environment of modest growth in the euro area and well-anchored inflation expectations, underlying price pressures should remain modest. Risks to the outlook for price developments are broadly balanced. Upside risks could stem from higher than expected oil prices and further indirect tax increases but downside risks could arise from weaker than expected economic activity.

Let me stress that the Governing Council will pay particular attention to any signs of pass-through from higher energy prices to wages, profits and general price-setting. It is essential that medium-term inflation expectations for the euro area economy continue to be firmly anchored in line with the Governing Council's aim of maintaining inflation rates below, but close to, 2% over the medium term.

The monetary analysis, in particular the subdued pace of underlying money growth, confirms the prospect of price developments remaining in line with price stability over the policy-relevant horizon. Money and credit data up to February point to a stabilisation of financial conditions. At the same time, the demand for credit remains weak in the light of still subdued economic activity and the continuing process of balance sheet adjustment in non-financial sectors.

I consider it of crucial importance that banks strengthen their resilience further, including by retaining earnings and by retaining bonus payments. The soundness of banks' balance sheets will be a key factor in facilitating both an appropriate provision of credit to the economy and the normalisation of their funding channels.

I would now like to turn to the effectiveness of the latest euro system non-standard monetary policy measures, in particular the long-term refinancing operations, otherwise called LTROs. Let me first of all be clear about why we implemented the three-year LTROs.

As you will remember, the second half of 2011 was marked by an intensification of stress in sovereign debt markets and an environment of high uncertainty. This increasingly hampered the access of euro area banks to market-based funding. If no action had been taken, this could have resulted in severe strains on bank lending to firms and households and a generalised selling of assets.

The LTROs contributed to alleviate these very difficult funding conditions. Banks could satisfy their additional liquidity needs, which is reflected by a net liquidity injection of around EUR 520 billion because we take into account the shifting of liquidity out of other operations. Moreover, banks have benefited from more certainty about their medium-term funding due to the longer maturity of the new operations.

I understand that you are particularly interested in the transmission of the LTROs to the real economy and this is indeed a crucial point: ensuring that the ECB's

monetary policy continues to be transmitted effectively to the real economy was a key motivation of the Governing Council decision. It is encouraging to observe that a very large number of small banks have participated in the two LTROs. Small banks are best placed to refinance the real economy, in particular small and medium-sized firms which are the biggest generator of employment in the economy.

We are confident that central bank liquidity has come very close to the real economy. Of course, this does not mean that this will by itself boost lending to firms and households. First, the Central Bank cannot interfere with the banks' use of the liquidity since that is their business decision. But we trust that they will use it to refinance the real economy because that is the role of a banking system.

Second, the future evolution of credit growth will depend essentially on demand. In the current environment, this is likely to remain subdued. Thus, money and credit growth may stay weak for some time before the overall economic situation improves. The bank lending survey, with some new information about financing conditions, will be published at 10 a.m. this morning.

Some of you may worry about the possible inflationary risks arising from these non-standard measures. Let me emphasise that our non-standard measures are not a constraint on setting interest rates in line with what is required to ensure price stability in the medium term. In particular, we should not forget that the interest rate on the three-year LTROs is not fixed but linked to the prevailing main policy interest rate.

Furthermore, for measuring monetary liquidity, it is not the balance sheet of the Eurosystem that is relevant, but the balance sheet of the banking sector itself. Only the latter shows the interaction with the real economy. And this is captured by monetary data and credit data which, as I have mentioned, are still subdued. You can rest assured that the Governing Council will use all the instruments at its disposal to counter possible upside risks to price stability should they materialise.

We also hear concerns that the Eurosystem is exposing itself to excessive risks. I would like to underscore that the expansion of our balance sheet is being managed with extreme prudence. We continually review collateral eligibility and our risk control framework. Furthermore, the application of conservative risk control measures, such as haircuts, in all monetary policy operations protects the soundness of the Eurosystem's financial position.

Let me conclude this point by recalling that all non-standard measures are temporary in nature. Moreover, liquidity support cannot substitute for capital or for sound fiscal and structural policies that bring about sustainable growth and stability in the European economy.

Now, I would like to discuss the second topic selected for our exchange of views, namely macroeconomic imbalances in the euro area.

Of course, divergences of economic developments are a normal feature within a monetary union. Such divergences can also be observed on the other side of the Atlantic. But they should not become of a persistent and structural nature. Unfortunately, very large imbalances were allowed to accumulate over recent years in several European countries. These imbalances stemmed from different sources: insufficient fiscal discipline, financial excesses, failure to implement structural reforms especially, but not exclusively, in the labour and product markets and significant competitiveness losses. All of this necessitates urgent and resolute adjustment.

Clearly, it cannot be the responsibility of the ECB to address these imbalances. From the perspective of monetary policy, our primary objective is to maintain price stability in the euro area as a whole. For that purpose, the ECB continuously monitors all relevant information from the countries and the various business sectors of the euro area. But the monetary policy stance of the ECB has to be focused on the entire euro area. It cannot address divergences among individual euro area countries. That is the task of governments. They must undertake determined policy actions to address major weaknesses in the fiscal, financial and structural domains.

We note that progress is being made in many countries. These measures need to be complemented now by growth-enhancing structural reforms to facilitate entrepreneurial activities, the start-up of new firms and job creation. Here, governments should be more ambitious.

At the European level, there has been substantial progress towards reinforcing the economic governance framework. We have seen a strengthening of the fiscal rules of the Stability and Growth Pact and the introduction of the Fiscal Compact, about which we spoke in Parliament last December. And we are implementing the new focus on correcting macroeconomic imbalances.

The recent crisis has shown that a well-functioning monetary union needs not only a strong institutional set-up for monetary policy at the centre, but also one for economic policies. Ensuring competitiveness of all euro area countries should be seen as a common responsibility. I am sure many of you here in the European Parliament will agree that we need a change in the mindset of how national policy-making is conducted and perceived.

The economic policies of euro area countries are ultimately domestic policies for the euro area. Precisely because of spill-over effects they must be subject to mutual surveillance, and corrected if required in the collective interest of the euro area as a whole. This should apply both to fiscal and macroeconomic policies.

But surveillance alone is not sufficient. Citizens also expect from Europe common answers to the common challenges which all euro area countries are facing. In a context of global competition and ongoing fiscal consolidation, euro area countries should join their forces. Given that they share a single currency, they have even stronger reasons than other countries to work together. This can be in the field of research and development, education or infrastructure; they should strive for cooperation as much as possible.

Let me add that, just like competitiveness, I see financial stability clearly as a common responsibility in a monetary union. During the crisis, we have observed strong negative spill-over effects across euro area countries and between the banking sector and its respective sovereign. National supervisors and treasuries are also confronted with the well-known problem that during good times large banks work as European institutions but in bad times fall on national shoulders. Ensuring a well-functioning European Monetary Union implies strengthening banking supervision and resolution at European level.

European integration has brought peace and prosperity. While I hesitate to sketch out the long-term end-point of the integration process – I hesitate but I consider it very necessary to define it – I am convinced that we need to actively step up our reflections about the long-term vision for Europe as we have done in the past at other defining moments in the history of our Union.

(Applause)

3-009
Pablo Zalba Bidegain (PPE). – Señora Presidenta, señor Draghi, todos, o casi todos, estamos de acuerdo en que la salida de la crisis pasa por consolidación fiscal y reformas estructurales. Algunos Estados miembros están haciendo un esfuerzo a este respecto. España creo que es un claro ejemplo.

Desde diciembre de 2011 España está firmemente comprometida con la consolidación fiscal y las reformas: reforma laboral, reforma del sistema financiero y un largo etcétera. Nunca un país había hecho semejante esfuerzo reformista en tan poco espacio de tiempo. Y no tenga ninguna duda, señor Draghi, de que este proceso reformista va a continuar así.

Estará también de acuerdo conmigo, señor Draghi, en reconocer y demostrar su apoyo a este esfuerzo realizado tanto por España como por otros Estados miembros. Evidentemente, como España no controla su política monetaria, creo que poco más se le puede exigir a países como España. La consolidación fiscal, a corto plazo, tendrá consecuencias negativas en el crecimiento; en cambio, las reformas estructurales darán sus resultados a medio y largo plazo.

No tengo ninguna duda de que todos estos esfuerzos acabarán dando sus resultados y se acabará recuperando la confianza de los mercados, pero, hasta que esto ocurra, algunos países siguen siendo muy vulnerables. Aquellos países que están demostrando ser cumplidores, como España, son merecedores de una actuación más firme y decidida por parte del Banco Central Europeo en el mercado secundario de deuda para reducir sus excesivos costes de financiación.

¿Va a actuar, señor Draghi, como ya lo ha hecho en otros momentos con unas tensiones similares o incluso unas tensiones menores? ¿Va a intervenir en los mercados secundarios de deuda?

3-010
Mario Draghi, *President of the European Central Bank***. –** I should say at the very beginning that I completely agree with you. As you said, the Spanish Government is making an extraordinary effort and certainly remarkable progress has been achieved – and is being achieved – because the reform effort is being undertaken at the present time. We have no reason to doubt the absolute commitment of the Spanish Government to undertake the necessary reforms.

From this viewpoint, I think the whole Union is close to Spain. Certainly the ECB is. We have implemented non-standard policies, the LTROs. I will probably have the opportunity to explain how these have been very timely and useful. The level of our interest rates actually remains very low at the present time. It has been low now for quite a time so that short-term real interest rates are, and continue to be, negative.

You alluded to a possible reactivation of the SMP. What I have always said is that the SMP is neither eternal nor infinite. It has been there but we should not forget that basically the ECB has to act within the limits of its primary mandate and of the Treaty. The limits of the Treaty prohibit monetary financing. The primary mandate of the ECB is assuring price stability in the medium term for the whole of the euro area. I think we have to establish this thin but delicate balance where we want to preserve the credibility of the ECB because it is one of the few things left now. To do so we have to act within the limits of our Treaties. It would not do the Union any good – or the ECB of course, but even more so the Union and the credibility of our integration process – if we were to step out of the limits established by our Treaties and mandates.

3-011
Arlene McCarthy (S&D). – I think you must agree, Mr Draghi, that the eurozone's economic crisis has now become a political crisis: we have seen the fall of the Dutch Government, and I think that the vote in the French election is being widely interpreted as a clear rejection of austerity. You must be quite disappointed because the ECB forecast a gradual economic recovery this year and indeed you rejected calls from the IMF for further action to stimulate growth.

Do you not believe now that growth is too slow; that ECB monetary policy is too tight and that you have over-relied on the three-year loans to inject some confidence into the eurozone and that is clearly not working? Do you not think it is time to change your mind, and indeed to have a change of course for the ECB?

3-012
Mario Draghi, *President of the European Central Bank***.** – No, we do not believe that monetary policy is too tight. We think that monetary policy remains quite accommodative. It is, in fact, somewhat reassuring – perhaps that is putting it too strongly – but some of the news to come out of our bank-lending survey, to which I referred earlier, shows that basically what are called 'constraints' to credit supply from the banking system have significantly declined from the last LTRO to now. Now, the constraints on getting this money that we have injected into the economy through to the actual financing of SMEs come mostly – but not exclusively – from demand. Demand is subdued and therefore demand for credit is subdued. I think that, given enough time, this money will find its way into the economy to stimulate and reactivate growth. As I said, inflationary risks, for the time being, also remain subdued.

I think our monetary policy stance remains accommodative. However, we never pre-commit: we watch and monitor all developments and then we decide.

3-013
Sylvie Goulard (ALDE). – Monsieur le Président, merci d'être là. On se rend compte que cela fait un moment qu'on ne s'est pas vu parce que je trouve que la situation a considérablement changé par rapport à celle qui prévalait avant Noël. Encore une fois, je crois que c'est trop simple de critiquer. Je voudrais vraiment vous interroger sur le changement de contexte.

En gros: avant Noël, on venait d'adopter le *six-pack,* vous aviez réclamé, dans cette maison même, le *fiscal compact*, vous lanciez le LTRO. On avait l'impression que les choses se calmaient.

Aujourd'hui, deux phénomènes concomitants me préoccupent beaucoup. Le premier – je parle aussi au nom d'autres collègues d'autres pays – est qu'il est évident que plusieurs États membres ne sont pas en mesure de respecter les objectifs. Personnellement, je me suis battue pour qu'il y ait de la discipline dans le *six-pack*. Je ne remets donc pas en cause ces objectifs mais je dis que c'est une réalité. C'est une réalité qui touche même des pays comme les Pays-Bas, qui ont été à la pointe de ce combat. Cela doit par conséquent nous amener à réfléchir ensemble au sens de ce que nous avons fait, aux moyens de compléter éventuellement ces mesures.

Deuxièmement, je suis très préoccupée de constater que l'une des conséquences du LTRO, qui n'est peut-être pas voulue, est que les banques ont tendance à acheter de la dette nationale et que l'on observe une sorte de fragmentation: chacun reprend la dette de son pays, ce qui, non seulement, va complètement à l'encontre de ce qu'on a voulu faire depuis des décennies avec le marché intérieur, mais pourrait aussi – je crois que c'est Georges Soros qui l'a souligné – avoir des conséquences catastrophiques le jour où il y aura moins de solidarité de fait, engendrée par le fait qu'on détient des choses ailleurs, si vous voyez ce que je veux dire.

Concrètement, à ce stade et, encore une fois, sans dire qu'il est facile de trouver la bonne solution, comment ces deux évolutions – qui me semblent préoccupantes – peuvent-elles être corrigées ensemble? Les textes du *two-pack* sont en cours d'examen, que peut-on faire concrètement pour tenter d'y remédier?

3-014
Mario Draghi, *President of the European Central Bank***.** – You ask two questions in fact, Mr Goulard. The first one is about austerity. However, let us answer the other question: could fiscal consolidation be avoided? Why did fiscal consolidation start? It started because basically markets decided that they would not finance sovereign debt and because markets perceived the unsustainability of certain debt-to-GDP ratios or certain deficit-to-GDP ratios.

So it was in a sense an unavoidable policy measure to regain market confidence. To deny that fiscal consolidation has some short-term contraction effects would not be correct; it does have. In certain cases I would even go further and say that, if you have hysteresis effects, these contraction effects may not only be short-term but could also be long-term or medium-term. If you have protracted youth unemployment for example, this is not a short-term phenomenon. Many of these young people have been unemployed for quite a long time.

What is the way out? The way out is to implement at the same time structural reforms which free some of the energies where these economies have prospered on other occasions. We are not talking about economies that have never prospered; these economies were competitive some time ago. Some of them have lost competiveness; some of them have lost energies but it is not true that they never had these energies and capacities and abilities to get back into shape.

We have to find the proper set of conditions, once fiscal consolidation has been undertaken. Then you have to have structural reforms and a policy environment where you have both price stability and the right monetary policy, which is where our responsibility lies. We cannot supplement the absence of governments in undertaking structural reforms. That is not the ECB's task, nor would the ECB have the mandate for that.

The other question you asked is whether the LTRO could have unintended consequences in the sense that some of the banks were actually buying their nations' sovereign bonds. Let us not forget what the situation was before the LTROs. First and foremost, it is a bank's business decision. In fact when we launched the LTROs our hope and ambition was that this money would go faster into the real economy. The problem is that the effects of the credit contraction in the last six months of 2011 reverberated and they are still reverberating this year. However, I think that if time is given we will see better conditions. It is a bank's business decision to decide how to use this money.

Before the LTROs, no government debt was being bought in fact – not at all – neither by national banks nor foreign banks. There was a complete withdrawal of foreign investors and both the bond markets and the other credit markets were completely closed and had been closed for quite some time.

What we are observing now is that the banks buy bonds of their own national sovereign and this is something which has to be overcome. I am sure that it will be overcome as soon as the credit markets start to function again. But let me say that on the positive side we have two facts which I would like to draw your attention to.

The first is that the financial market situation has markedly improved now. In the first three months of this year we had bonds issuance equal to the whole of last year. This means that these LTROs have actually liquefied markets and some of the credit channels are now reopening. That is one positive fact. The other positive fact is that, contrary to the general impression, measures of riskiness between national banks and sovereigns have decoupled. In other words, today the sovereigns and the banks are less correlated than they were in November. This is actually another positive fact that goes against the general perception.

3-015
Derk Jan Eppink (ECR). – During our last meeting in December I told you that some people wanted you to become the Santa Claus of Europe. Unfortunately that is precisely what you have become.

You provided about EUR 1 trillion in liquidity to banks, at low rates and with questionable collateral. It did not really help lending to firms and households, as you admitted yourself. Instead, banks used the money to buy government bonds from troubled states. You not only became the lender of last resort but the lender of all resorts.

Three months later all the problems are back. You only bought time. Stress on the euro system may return at any moment, certainly after the election of Mr Hollande, who is living in a state of denial, as President of France.

My question is whether we may expect a third LTRO any time soon? Secondly, when are you going to end the practice of accepting weakened collateral from banks, as the President of the Bundesbank has already called for?

3-016
Mario Draghi, *President of the European Central Bank***. –** I still claim that our LTROs have been quite timely and, all in all, successful. If the only thing we have achieved is buying time – and it is not the only thing – that would in itself be an extraordinary success.

Think about what could have happened: EUR 230 billion-plus of bank bonds due in the first three months of this year and more than that in sovereign funding due, and markets completely closed. We avoided that.

Let me go back to why banks do not lend. Banks do not lend because they are short of either funding or capital or because there is no demand. What we did was to remove the first of these three factors. We cannot substitute for capital that the banks might not have. I should immediately add that, although we have some localised banking problems, generally speaking, as the European Banking Authority (EBA) assessment shows, European banks have gone back to raising capital to some extent. The EBA estimates that 65% of the banks have complied with the objectives they have given.

Buying time is not a minor achievement. We cannot replace the lack of capital but above all, as I said in my introductory statement, we cannot replace the lack of demand.

On the question of the next LTRO, I should give you my standard answer: we never pre-commit.

3-017
Pascal Canfin (Verts/ALE). – Monsieur le Président, effectivement, on considère que le LTRO était nécessaire, comme la morphine est nécessaire à un malade pour atténuer ses douleurs et faire en sorte qu'il puisse gagner du temps. Mais cela ne règle effectivement aucun des problèmes structurels existants qui ont été évoqués par les différents collègues.

Je voudrais, dans un premier temps, revenir sur le LTRO et l'utilisation qui en a été faite. D'un point de vue démocratique, il est parfaitement légitime de savoir ce que sont devenus ces 1 000 milliards d'euros. Ont-ils été utilisés pour financer l'économie réelle, pour acheter des dettes souveraines, pour autre chose? Ont-ils été mis en dépôt à la Banque centrale? Je crois vraiment que la transparence sur l'utilisation de ces 1 000 milliards d'euros est une des conditions de la qualité du débat, mais c'est aussi une des conditions de la confiance qu'on peut avoir dans l'action de la Banque centrale. En effet, comment demander au citoyen de se serrer la ceinture si, par ailleurs, il a la perception que 1 000 milliards d'euros sont partis dans la nature sans contrôle, sans transparence, sans traçabilité.

Par conséquent, quand allez-vous produire, vous la Banque des règlements internationaux, des chiffres officiels qui ne sont pas simplement des estimations partielles provenant de certaines banques dont on ne sait pas quels sont leurs intérêts à divulguer certains chiffres?

Ma deuxième question porte sur ce que vous avez dit dans votre discours introductif. Vous vous refusez à assortir de conditions l'utilisation que font les banques de cette liquidité. Pourquoi? Pourquoi accorder ces mille milliards – ce qui est nécessaire pour les raisons que vous avez évoquées –, sans contrepartie quand, dans le même temps, à chaque fois que la Banque centrale a été amenée à acheter des dettes souveraines – en Espagne, en Italie ou ailleurs –, elle a demandé des contreparties? J'avoue par conséquent ne pas comprendre ce "deux poids/deux mesures" qui est, à mon avis, vraiment dommageable pour la confiance que l'on peut avoir dans l'action de la Banque centrale.

3-018

Mario Draghi, *President of the European Central Bank***.** – I would say at once that you should continue to trust the ECB. Your trust in our institution is one of the greatest assets that we have. Let me give some reasons why you should continue to trust the ECB.

The three-year LTRO has been welcomed as a measure that – as I said before – restored some of the functioning of the financial markets for the precise reason that it was for three years rather than three one-year operations. This is something that should probably be taken into account. In a sense it is the insurance that banks will have this money for three years. It is a reassurance that they will not again be short of liquidity in six or seven months' time. This probably was the most important fact in this operation, which admittedly is unprecedented for the ECB.

We then asked ourselves – as you can imagine – where this money was going. What we immediately noticed from the first LTRO was that the identity of the banks borrowing was by and large different from the identity of the banks that were redepositing this facility with the Central Bank. Why is this? It shows that this liquidity is not simply the sum – as many said at the beginning – taken and redeposited at the penalty rate with the ECB, but it actually goes around the system and then other banks that do not need this liquidity redeposit it with the ECB. So the first evidence we had was that this liquidity was actually going through the economy, which frankly was our main worry.

But can we ourselves understand where it is actually going? Our Central Bank balance sheet does not show this. It only shows that, by definition, if we create liquidity this immediately goes back into the deposit facility or into a required reserves level, but mostly immediately to the deposit facility. It will take time for required results to go up. But how and where it goes in the economy we can only learn by looking at the consolidated commercial banks' balance sheets in different countries. That is what we are actually following, day by day, week by week and month by month. But from our data we would not observe how much of this has gone into credits or into purchases of government bonds. We have to gather data from the commercial banks. I am sure that in a couple of months we will be able to give you a more detailed picture of how this money is being used and where it is actually going.

We have seen banks' portfolios of government bonds going up, especially for Italian, Spanish, French and other banks. Given the situation at the time, this was one of the reasons but most of our evidence is actually indirect. As I was saying before, we have seen credit markets and funding markets reopening. Think about the senior unsecured bond issuance that has taken place so far. These are all symptoms of a reality which we will know more about in a couple of months, looking at the consolidated data. From the point of view of transparency, I doubt that the information will be fully given and fully transparent. We will do our best to this extent. But our balance sheet as such does not show it immediately. If you disagree with that; let me know.

You raised another point. You asked whether it is possible that we are not asking the banks to comply with any condition on the use of this money, while at the same time we, in our use of the SMP, the bond purchases programme, asked the countries to comply with these conditions. The second part of this statement is not literally correct because the reason for activating the SMP was that the monetary policy transmission channels had been clogged. Last year we were seeing that the monetary policy had no effect in certain countries. We wanted to restore the conditions for these transmission channels to work. We did not ask directly but said to some countries that, if they were not going to fiscally consolidate and if they were not going to take structural reforms, it was unlikely that their monetary policy transmission channels could be reactivated. We could intervene if needed but it would have no effect if markets perceived that they were not acting to improve market access. So that was not exactly a quid pro quo.

But why are we not asking banks for conditions? Because actually the European Union works on a free market, treaty-based, environment. We cannot actually direct credit as in a planned economy. We cannot do that. If anything the national central banks are in a much better position because they are closer to their national banks than we are.

3-019
Jürgen Klute (GUE/NGL). – Herr Draghi, ich kann nur anknüpfen an das, was bisher gefragt worden ist. Wenn Sie als Politiker mit Ihren Wählern und Wählerinnen in Kontakt sind, dann werden Sie regelmäßig gefragt, wo das Geld der EZB geblieben ist. Die Frage haben Sie natürlich jetzt schon ein paar Mal gestellt bekommen, ich will sie jetzt nicht wiederholen. Aber ich möchte dies noch einmal unterstreichen. Das werden Sie eben gefragt von den Bürgern und Bürgerinnen. Und warum es für die Banken keine Auflagen gibt – also die Frage von Pascal Canfin –, kann ich auch nur noch einmal unterstreichen. Für viele Bürger ist das schwer nachzuvollziehen!

Nun haben Sie kürzlich gesagt – zumindest ist das in deutschsprachigen Medien kommuniziert worden –, dass umgekehrt der Sozialstaat am Ende ist, dass also die Krise nur zu bewältigen ist, wenn man sich vom Sozialstaat mit seiner Arbeitsplatzgarantie und mit seinem generellen Sicherheitsnetz verabschiedet. Für Bürger und Bürgerinnen heißt das übersetzt: Die Banken werden gerettet, ohne dass ihnen Bedingungen gestellt werden, die Bürger und Bürgerinnen müssen dafür bezahlen, bekommen strikteste Auflagen gemacht und müssen auf Sicherheiten generell verzichten, d. h. auf Arbeitsplatzgarantien verzichten, auf soziale Sicherungen verzichten, auf sichere Renten verzichten.

Das ist ein großes politisches Problem, zumindest in meinem Land. Aber ich glaube auch in anderen Ländern wird das schon sehr stark auch als eine Belastung und

Infragestellung der europäischen Demokratien verstanden. Insofern würde mich nochmals interessieren, wie Sie dazu stehen, wie Sie den Bürgern und Bürgerinnen auf diese grundlegenden Fragen bezüglich des Umgehens mit Banken einerseits und den Bürgern auf der anderen Seite und bezüglich der Relevanz für die Zukunft unserer Demokratie antworten.

3-020
Mario Draghi, *President of the European Central Bank***.** **–** I think you asked two questions, the first of which was 'where has this money gone?' The liquidity is now mostly with the ECB. As I was saying, it is an arithmetical fact that it goes back, but in the meantime the identity of the banks concerned has changed, and so it has gone through the economy. We will be in a better position in a couple of months' time to tell you how much of it has gone into actual credit or sovereign bonds. What we observe now, as I said before, is that banks' portfolios of government bonds have increased.

Let me make one thing clear about banks, however: banks are an essential channel in Europe. More than 80% of our credit is intermediated by banks, unlike the situation in the United States where the corresponding figure is as low as 30% and the rest is accounted for by the capital markets. If you want to restart the credit process in Europe, you have to go through banks; you are not in the US. That is the big difference, and I did not stress sufficiently that the results of our bank lending survey, which will be available shortly, are actually encouraging in the sense that banks' credit supply constraints – i.e. when people ask for credit and are told 'No, I am not going to give you any credit' – have now decreased considerably. What we are left with now is the other big problem: namely, are people asking for credit? We see that the demand for credit is still very weak.

That is one question. The second question refers, I suspect, to a statement of mine in which I said that the European social model is dead. Well, let me clarify that: the assertion in question was a quote from a newspaper but the article was actually much clearer. The values of social inclusion and solidarity have always been part of my culture. The problem is that not every social model is sustainable. Social models which are built on high debt become unsustainable. So what I was saying is 'yes' to the European social model, but that it should be sustainable and, therefore, in some parts of the euro area, it should be corrected. That is the statement I made: I am not at all against having a European social model.

3-021
Godfrey Bloom (EFD). **–** Thank you for that, Mr Draghi. As I understand it, the ECB's long-term refinancing operation was to keep banks well funded. I have to press Mr Eppink's point on this: President Sarkozy's idea that a sovereign state can turn to its banks. But Spanish and Italian economies do not generate enough surpluses to finance their governments.

Now, tell me if I have got my numbers wrong. With regard to market estimates – you have lent Spanish banks EUR 200 billion. Government bond purchase, debt repayment and withdrawal from deposits, as I understand it, run at about EUR 65 billion. This leaves EUR 21 billion, which is less than half of what Spain needs to borrow this year. The Italian Government needs EUR 150 billion of bonds to get away this year. So it is inconceivable to me that you will not have to issue another round of loans again this year.

You mentioned timing. You say you have bought time but you have bought hours, maybe days, but not much more. This brings into the question, does it not, the spirit of the Maastricht Treaty, which has been kicked into the long grass? May I draw your attention to Article 104. I would suggest that the way the ECB is behaving is not only against the spirit of Maastricht but significantly against Article 104 of your founding treaty. You talk about trust in the Central Bank. I spent 35 years in the City and I can tell you I have never trusted central banks: the Bank of England, the FED or the ECB. Do not take it personally but I do not trust you one inch.

3-022
Mario Draghi, *President of the European Central Bank***.** **–** So what is the question?

(Laughter and applause)

3-023
Godfrey Bloom (EFD). **–** Have you read your own charter?

3-024
Mario Draghi, *President of the European Central Bank***.** **–** The answer is yes.

I do not have your numbers exactly but the point is: should we fund the banks to the extent that they can buy any amount of government bonds issued? The answer is no. Banks can fund themselves. We have to restore the market conditions so that the banks can fund themselves. That is the main purpose of our operations; it is not to give out money so the banks can circumvent Article 123. This is to be kept in mind.

3-025
Hans-Peter Martin (NI). **–** Herr Präsident! Ich habe zwei Fragen. Die eine ist: Es ist ja absehbar, dass in Frankreich einer der zwei verbliebenen Kandidaten gute Chancen hat, Präsident zu werden, und der hat angekündigt, dass er den Fiskalpakt zumindest nachverhandeln will. Rechnen Sie da mit neuen Turbulenzen auf den Finanzmärkten, und wenn ja, wie ist die EZB darauf vorbereitet? Oder glauben Sie, dass die sich daraus ergebenden Konsequenzen ohnehin schon in den Märkten und auch in der Bewertung des Euro eingepreist sind?

Die zweite Frage betrifft mein Heimatland. Können Sie uns Auskunft geben, ob bereits österreichische Staatsanleihen von der EZB aufgekauft worden sind, und wenn ja, in welchem Umfang? Und wie schätzen Sie die Situation der Banken in diesem Land mit einer sehr, sehr hohen Ostexposition ein unter Berücksichtigung der Tatsache, dass es bereits zu Herabstufungen bei Ratingagenturen gekommen ist, und welche Konsequenzen kann das noch für das Verhalten der EZB haben?

3-026

Mario Draghi, *President of the European Central Bank***.** – What the future has in store for us is still an open question. Let me just try to speculate.

I think that we all agree that disagreements, discord and division are not good for the euro. As we all agree about that, I am sure that the main actors in this political process, where the people are sovereign, hopefully understand this is as well. I am quite confident that, despite any differences in the initial positions, an agreement will emerge from which the euro and monetary union will come out stronger. Let me also add – as I hinted at the end of my introductory statement – that I think it is high time now to think about the longer term. We should ask ourselves where we want to go and what conditions need to be satisfied in order to reach this ultimate objective.

Regarding the more specific question about whether or not we buy Austrian bonds, I am sorry but I cannot answer as we do not disclose which country's bonds we buy.

3-027

Werner Langen (PPE). – Herr Präsident! Am nächsten Dienstag sind Sie ein halbes Jahr im Amt und ich möchte Ihnen nach der Kritik, die hier geäußert wurde, Anerkennung und Lob aussprechen. Sie haben in diesem halben Jahr mit klarem Blick versucht, die Versäumnisse und Fehler der Politik auszubügeln, und das hat ein Lob verdient. Denn auch die Bereitstellung großer Kreditlinien für die Banken ist ja nur deshalb notwendig geworden, weil die Politik zu langsam reagiert und zu wenig Entschlossenheit gezeigt hat und weil die Prozesse zu lange dauern.

Es bleiben trotzdem Fragen hinsichtlich der Inflation: Sie haben gesagt, das Inflationsrisiko ist gering. Das wird in großen Teilen der Öffentlichkeit anders eingeschätzt. Vielleicht können Sie sagen, warum Sie es gering einschätzen.

Das Zweite ist die Frage: Dass EZB-Kredite nicht die strukturellen Probleme im Bankensektor lösen können, darauf haben Sie bereits hingewiesen. Sind aber zum Beispiel die neuen Linien für die Sicherheiten eine Lösung, die Sie für die 17 Zentralbanken beschlossen haben, wonach jede Zentralbank in Zukunft individuelle Richtlinien für die zu hinterlegenden Sicherheiten vorsehen kann? Oder welche Notwendigkeit sehen Sie im Bankensektor?

Die letzte Frage: Wird die EZB auch in Zukunft das Instrument des Ankaufs von Staatsanleihen auf dem Sekundärmarkt nutzen oder haben Sie mit den Kreditlinien beschlossen, dass es auslaufen soll?

Und die Schlussfrage: Wir befassen uns im Augenblick mit den Eigenkapitalvorschriften nach Basel III. Dort haben die Zentralbanken das Risikogewicht für Staatsanleihen weiter auf null gesetzt. Der Fall Griechenland zeigt aber, dass das offensichtlich nicht unproblematisch ist. Sehen Sie im mittelfristigen Zeitraum eine angemessene Gewichtung für Staatsanleihen im Rahmen der Eigenkapitalvorschriften?

3-028

Mario Draghi, *President of the European Central Bank***.** – First of all, let me thank you for that scarce commodity which is praise. Then let me come to your specific questions.

On inflation, what I said is that risks to inflation are broadly balanced. We have upside risks, from higher oil prices or further indirect tax increases, and we also have downside risks, given the weakness of economic activity in the euro area with the possible exception of Germany. So the risks are broadly balanced. We see right now that inflation is above 2%, at 2.7%. We expect it to go down to 2% or less by 2013, assuming that we do not have further increases in commodity prices or indirect taxes, and assuming that inflation expectations remain solidly anchored.

That is why I said we are extremely attentive to any sign of pass-through into wages and wage negotiations because we want to make sure that inflation expectations do remain anchored.

On the second point, it is going too far to say that each national central bank is free to decide what collateral is going to be accepted. That is not correct: it is not the way it works. We have a common framework; we have common rules. The Governing Council decides on these common rules and national central banks propose these claims. Someone said that the euro area would become like a rouble area – the old Soviet Union currency – but this is not true. It is not fragmented in that way. The role of national central banks has always been active in assessing the quality of collateral, so it is not a new thing and it has always been done in compliance with common rules.

With regard to the SMP, the bond purchase programme has been inactive now for something like five or six weeks: as I said it is neither eternal nor infinite but we do not want to pre-commit. Frankly there is also another reason why we abstain from making announcements in either direction now. The reason is that uncertainty about the present situation is very high and, as I said last time at the press conference, I think any exit strategy is premature, given the current economic situation.

You also had another question about the zero risk rate on sovereign debt. This is the CRD IV proposal, is it not?

3-029

Chair. – It is not the view of many Members, as you might discover if you look at the amendments, but it is something that has attracted attention in the Parliament for some time as to whether it is appropriate any more.

3-030

Mario Draghi, *President of the European Central Bank***.** – Speaking of fragmentation, if we were to have different risk weights for different sovereigns, we would have a credit market which would be naturally

fragmented and we would have an impact on monetary policy. So we would have to think seriously about that. I am not sure whether the ECB has actually worked through this carefully and studied this problem.

3-031
Chair. – It might be interesting if you could think about it and let us know.

3-032
Leonardo Domenici (S&D). – Presidente Draghi, io non formulerò una domanda, ma farò tre brevi affermazioni – e Lei potrà dirmi se è d'accordo oppure no.

La prima affermazione è: il consolidamento fiscale non può essere evitato, ma molto dipende da come lo si applica e lo si attua. Ciò significa prevedere una capacità di adattamento di questa politica di consolidamento che tenga conto del realismo degli obiettivi, dell'andamento del ciclo economico, della specificità delle situazioni e condizioni concrete di un paese, anche di paesi ritenuti ampiamente solventi.

Seconda affermazione: l'operazione *LTRO* è rischiosa e intelligente al tempo stesso, tuttavia non sarà sufficiente a scongiurare il *deleveraging* delle banche – si veda il recente *Globale Financial Stability Report* – in una situazione di crisi del mercato interbancario. Sarà quindi necessario trovare nuove risposte e avanzare nuove proposte da parte della BCE e del sistema delle banche centrali per affrontare questo problema.

Terza ed ultima affermazione: dobbiamo rilanciare una visione a lungo termine dell'Europa, in questa visione deve esserci spazio per un nuovo ruolo della BCE, con un mandato più ampio, al fine di condividere la responsabilità della politica e della governance economica.

Se Lei è d'accordo con tutt'e tre queste affermazioni, guadagniamo tempo ed io mi dichiarerò totalmente soddisfatto. Grazie.

3-033
Mario Draghi, *Banca centrale europea***. –** Sono d'accordo al 50%, come diceva un famoso allenatore. La prima cosa è sul consolidamento fiscale: un consolidamento fiscale attuato esclusivamente sulla base di un aumento di tasse è sicuramente recessivo. Idealmente, il consolidamento fiscale dovrebbe essere attuato sulla base della riduzione di spese correnti e tra queste ovviamente quelle più improduttive.

Quindi, non ridurre le spese per infrastrutture, le spese per investimento ma ridurre le spese correnti e non centrarlo sulle tasse. Quel che succede è che spesso in condizioni di urgenza, in condizioni di estrema tensione, si aumentano le tasse – perché questo? Perché è più facile aumentare le tasse che ridurre le spese ed più facile ridurre le spese in conto capitale che ridurre le spese correnti. Questo è quello che stiamo vedendo.

Quindi, parte degli effetti recessivi dipendono anche dal modo in cui il consolidamento fiscale viene attuato. Sul *deleveraging* nelle banche ricordiamoci che ci sono alcune situazioni bancarie in alcuni paesi dell'area dell'euro che devono fare il *deleveraging*, perché hanno accumulato una quantità di *asset* o di investimenti sbagliati che pesano sul loro bilancio e immobilizzano la loro attività. Quindi devono per forza liquidarli.

Allora, quello che le operazioni di LTRO hanno permesso, hanno dato spazio per poter fare questa liquidazione di *asset* in tempi ragionevoli, senza generare una caduta dei prezzi e quindi ulteriori perdite nei bilanci delle banche. Hanno permesso, in altre parole di acquistare tempo, di guadagnar tempo, nel far questo. Ma il *deleveraging* in parte deve avvenire.

La BCE non può sostituirsi a queste azioni, queste azioni devono essere intraprese, allora sì che avrebbero ragione quelli che dicono che la BCE aiuta le banche *zombi* a sopravvivere quando non ci sono le condizioni perché esse sopravvivano.

Sul ruolo della BCE noi non facciamo ipotesi, è nelle mani dei legislatori. Credo, come vedete voi, credo che avere un mandato come quello di assicurare la stabilità dei prezzi è già molto complicato.

3-034
Olle Schmidt (ALDE). – I have two questions and one appeal. In the election campaign in France – as has been stated here before – there is a huge discussion about what the ECB is doing. Many economists are also saying that, even if you are not doing everything wrong, at least the majority of what you are doing is wrong. A lot of colleagues here are demanding growth. Could you comment on the claim that you are not doing enough for growth and on that demand?

My second question is easier. It is not directly related to the topic today. Later today we are voting on the financial transaction tax. If you could give me some advice, should I support an FTT in Europe and would that enhance growth?

My last question – and this is a serious one – is an appeal. I come from a country outside the eurozone. Almost every week I try to advocate that my country and its citizens try to understand that it would be beneficial for them to join the eurozone. I appeal to you, Mr Draghi as perhaps the only European in Europe at the moment who is trying to explain why it is so vital and beneficial for Europe to have the common currency. At the present time, at least in my country, it is almost impossible to try to explain why my country, Sweden, should join the eurozone. Sometimes I think it would perhaps have been better for the eurozone if Sweden actually had joined. Perhaps that could have brought more stability and perhaps also shown solidarity. But please do not forget that. Do not try only to defend what is happening today. You have a vision and a mission for the other ten countries.

3-035
Mario Draghi, *President of the European Central Bank***. –** The first question: are we doing everything we can for growth? Let me say that this is not our task. Our task is to ensure price stability and through this contribute to growth. I think we are delivering that. On top of this,

however, our actions have contributed to financial stability and growth. Our monetary policy, geared as I said to price stability, has also contributed and is contributing to growth. I do not think I have much more to add. Growth, as you know well, depends on many other things. One is sovereigns; another is the real actors in growth – the corporates, the SMEs, the consumers, the investors. They have to regain confidence: business confidence, consumer confidence.

Financial stability is important; fiscal stability is important, price stability is important but we also have to free the energies, the entrepreneurial energies that all these people have shown they are capable of in the past. I think it is a very complex thing for the ECB to ensure the overall policy conditions where this reactivation can take place.

On the financial transaction tax, we are in a fiscal domain and it is not the ECB's task to express views about fiscal actions and special taxes. In the past I have said that first of all a financial transaction tax has to be practical; it will have to be undertaken by all countries because otherwise you would have a displacement of industry towards the countries which do not have such a tax or, even worse, a displacement from industry to the shadow banking system, where you do not actually see these transactions. That is one precondition.

Second, in the market view, that basically tends to reduce liquidity and increase volatility. That is to say it would in a sense increase the gains from speculation because the higher the volatility, the higher the gains from trading and speculation. That is an approximation but it tends to be often true.

Third, it certainly impacts on certain of our monetary policy instruments, especially the repo market. So we have to bear all these constraints in mind when we think about a financial transaction tax.

There is also a more general consideration that comes to mind. We are in a period where most of the foreign investors, the foreign sources of funding for governments and business, have left a greater part of the euro area. We want them to come back so one wonders whether a financial transaction tax is actually the best way to attract these foreign investors back to the euro area. As I said, these are the opinions of someone who does not have a mandate to express a view on that.

The appeal – to explain why having a common currency is beneficial – is actually very important. The benefits have been listed endless times in the past. You are right: it is not the time to defend the existing situation. It is the time to project what our future design is going to be; it is the time to give a long-term objective to our vision and to say at the same time what conditions have to be implemented in order for this vision to become reality. It has been done before; it was done at the time of the Maastricht Treaty; it was done at the time of the euro. People established a path ten or fifteen years in advance and then listed the conditions that ought to be satisfied to reach the end of this path. I think we are in a similar situation.

3-036

Roberts Zīle (ECR). – My question concerns a small issue for Europe but a very important issue for one Member State. This Member State is not Sweden – although it is not very far from Sweden – it is Latvia. At the beginning of this month, Latvia's Prime Minister, Valdis Dombrovskis, was quoted by the AFP news agency as accusing the ECB of 'gerrymandering' the Maastricht criteria. The Latvian Prime Minister claims that the ECB compares Latvia to eurozone countries receiving financial assistance, such as Greece, Portugal and Ireland, which are subject to deflationary austerity drives. Yet when it comes to the long-term interest rate criterion, Latvia was measured against only one country and this country is a non-eurozone country – again Sweden.

So assuming that only one – or a maximum of two – Member States will apply to join the eurozone after 2014, my question is: would you assure us that the ECB, when considering Latvia's – or for that matter any other country's – readiness to join the Monetary Union, will always seek official convergence criteria and measuring methodology or can we expect any kind of extraordinary or unconventional approach?

3-037

Mario Draghi, *President of the European Central Bank***. –** I can assure you that we will assess the convergence criteria as we have always done in the past. There is not going to be any selective application or discrimination.

3-038

Mario Mauro (PPE). – *Ευχαριστώ*, ho preferito ringraziarLa anticipatamente in greco, signor Presidente della Banca centrale europea perché sono cosciente che Lei conosce il greco tanto quanto conosce il tedesco.

Vorrei farLe una domanda con riferimento a un passaggio che ha fatto all'inizio del suo intervento che mi ha molto colpito: quando, Lei cioè ha fatto cenno alla flessibilità o a una nuova flessibilità della Banca centrale europea. Mi colpisce perché in un momento in cui, a fronte della gravissima crisi economica e finanziaria, i governi sono molto rigidi rispetto alle possibili innovazioni sul piano istituzionale del progetto europeo.

Questa flessibilità della Banca centrale europea mi sembra l'unico margine operativo vero che abbiamo a disposizione per far crescere il nostro continente e mi sembra anche che, per esempio, il governo tedesco – che è molto rigido su fatti come gli *eurobond* – abbia mostrato molto interesse d'apertura nei confronti di questa flessibilità della Banca centrale europea.

Senza chiederLe di commentare però questo mio giudizio, Le chiedo: può tornare sul concetto, che cos'è questa flessibilità o nuova flessibilità della Banca centrale europea?

3-039

Mario Draghi, *Banca centrale europea***. –** Non ho capito, credo che da parte mia ci sia stata mancanza di chiarezza, non mi ricordo quando ho parlato di flessibilità della BCE.

3-040
Mario Mauro (PPE). – All'inizio del suo intervento Presidente.

3-041
Mario Draghi, *Banca centrale europea***. –** Mi dispiace ma …ci deve essere stato qualche problema con la traduzione perché non credo di aver usato la parola flessibilità; è abbastanza sintomatico questo, ma non credo di averla usata. Ok, controlliamo, ora.

3-042
Liem Hoang Ngoc (S&D). – Merci Sharon. Je suis élu de France mais je ne vous ferai pas le mauvais procès d'accuser la BCE de ne pas se soucier de croissance, compte tenu des mesures non conventionnelles que vous avez prises, au risque de susciter des comportements d'aléa moral, comme l'a souligné mon ami Canfin.

Le vrai débat porte sur la stratégie pour stimuler la croissance aujourd'hui en Europe. Comme vous l'avez dit vous-même, cela ne dépend pas que de la politique monétaire mais du bon *policy mix* et ce sera vraiment l'objet de la renégociation du traité que la France engagera s'il y a un changement le 6 mai, à la suite des élections.

Je qualifierai la ligne que vous semblez défendre de ligne des Trésors européens, en référence à ce que Keynes expliquait devant la commission Macmillan. Vous êtes un fin connaisseur de la littérature économique, vous voyez de quoi je veux parler. Cette ligne des Trésors consiste à soutenir une politique monétaire finalement expansionniste et à mener une politique restrictive du point de vue budgétaire, combinée à des politiques d'ajustement structurel. Elle est menée depuis maintenant un an, avec des effets peu probants puisque les instituts de conjoncture nous annoncent une récession dans la zone euro pour l'année prochaine. En effet, on se rend compte que l'investissement n'est pas sensible à la politique monétaire, ni à la baisse du coût du travail. L'investissement semble sensible aujourd'hui à la demande et c'est la raison pour laquelle la demande de crédit est faible, parce qu'il n'y a pas d'investissement et que les entreprises ne demandent pas de crédits.

Dans ces conditions, la question que je veux vous poser est la suivante: la politique monétaire suffit-elle en période de récession? Peut-on aujourd'hui se priver de politique budgétaire?

Vous allez me répondre qu'il n'y a pas de marge de manœuvre de politique budgétaire, mais vous connaissez – et vous y avez fait référence tout à l'heure – la distinction que Keynes établissait justement dans la commission Macmillan entre le budget de fonctionnement, qui doit être équilibré, et le budget de capital, qui peut faire l'objet d'emprunts pour financer les dépenses porteuses d'avenir et l'investissement, notamment de façon contracyclique. Ma question est la suivante: quelle sera votre attitude si, en cas de changement électoral, la France proposait d'exclure du calcul des déficits publics, les dépenses d'investissement public?

3-043
Mario Draghi, *President of the European Central Bank***. –** As I said, I am confident that the actors in the political change will find a common route for the sake of the euro.

Specifically to your question, let us not forget that the issue of excluding capital expenditure from the Maastricht accounting was discussed at the time of the Maastricht Treaty in 1992 and at the time of the Stability and Growth Pact. On both occasions it was deemed to be too difficult and too ambiguous a concept to assess the feasibility of this exclusion. That was just a historical reminder about this; that is the history. Let us see what the actors in this process will do.

I would like to add one other thing. You say that we have now had a contractionary fiscal policy for one year. Well, this is actually not true for some countries. For some countries – which are actually making a lot of progress now – the contractual and fiscal policies started to be implemented much more recently by, say, September or October of last year. In other countries you are absolutely right. In other countries it is even more than a year. So the situation is quite heterogeneous.

Let me give you the results of the 2012 bank lending survey that have just been published. Overall they are positive. The sharp acceleration of tightening standards in the third and fourth quarter of last year has been reversed and banks expect a further easing in the second quarter. Banks have reported improvements in access to retail and wholesale funding across all funding categories, particularly for debt securities and money markets. Likewise, in the outlook for the second quarter of 2012, further – albeit more moderate – improvements were expected. The survey also indicates that, in the perception of the banks, the impact – and this goes back to one of the questions – of the sovereign debt crisis on funding conditions has decreased. However, let me caution that it will take, as I said before, some time to see this feeding through into the perception of firms and households, also given the subdued overall demand for credit. I thought I should give you this news after the embargo time had expired.

3-044
Corien Wortmann-Kool (PPE). – Mr Draghi, first I would like to underline that I really admire the wise way you preside over the European Central Bank in this time of crisis.

3-045
…, omdat ik een Nederlandse europarlementariër ben, en ik zou u vooral willen wijzen op wat u gezegd heeft, nl. dat de Europese Centrale Bank niet kan inspringen voor lidstaten die niet leveren.

In december was de situatie heel kritiek. Toen hadden de lidstaten, de regeringsleiders, zich verbonden aan begrotingsdiscipline, het *six-pack* en het *fiscal compact*;

hierbij gaat het om hervormingen en het op orde brengen van de begroting om de groei aan te jagen. Maar nu lijkt het alsof Frankrijk en Nederland niet willen leveren. De politieke instabiliteit in Nederland draagt daaraan bij. Misschien zou u daar toch nog wat nader op in willen gaan. Wat verwacht u in deze crisistijd van Nederland en Frankrijk? Hoe kunt u als Europese Centrale Bank in het eurogebied een monetair beleid voeren in de komende jaren, als lidstaten niet bereid zijn om aan de EMU-criteria, aan de convergentiecriteria te voldoen?

En, mocht de spanning verder oplopen - u bent namelijk erg terughoudend om in te springen - betekent dat dan dat er een groter noodfonds moet komen met steun van belastinggeld, ook van de Nederlandse belastingbetaler? U was zojuist aan het speculeren… Ik ben benieuwd wat u vindt van de situatie in Nederland en Frankrijk; wat betekent dit alles voor u?

3-046
Mario Draghi, *President of the European Central Bank***.** **–** First of all, thank you for the praise. As I said before, it is not an easy question because it involves, firstly, political outcomes that have not yet developed fully, and, secondly, political decisions that have not been taken yet. So it is very difficult for me to anticipate both the outcomes and the decisions and then to build on those anticipations.

However, what one can say in general terms is that the euro area must continue to be a credible area of price stability, fiscal stability and growth. This is something that all those actively involved should bear in mind: a credible area of price stability, fiscal stability and growth. If all of these elements are not present, the credibility of the euro area will diminish. Like all common currency areas, we are based to a great extent on being credible to the rest of the world. So far, by and large and with recent exceptions, these requisites have been in place. On average they have been in place, albeit with exceptions and deviations here and there. We must continue to strengthen our credibility.

3-047
Antolín Sánchez Presedo (S&D). – Señora Presidenta, en cuanto a la credibilidad del Banco Central Europeo, yo creo que consiste en su capacidad de responder a los problemas que debe resolver como Banco Central Europeo, nada en el Tratado le impide al Banco Central Europeo ser un Banco Central; lo único que se establece es una serie de procedimientos. Por lo tanto, ahí es donde debe calar la credibilidad.

Dos cuestiones: primero sobre la deuda privada. La deuda privada es una deuda muy importante, está muy ligada al funcionamiento de la Unión Europea y la eurozona, al movimiento de capitales, a las políticas monetarias que en ocasiones han sido demasiado laxas para algunos Estados miembros y a la dificultad de restablecer la competitividad a través de los tipos de cambio.

Por lo tanto, la deuda privada tiene un componente europeo. ¿No cree usted que, tal como existe un *fiscal compact* para que los Estados miembros asuman unas reglas -yo creo que usted se ha pronunciado a favor de un *financial compact*, es decir, de un pacto financiero- y ahora que tenemos una autoridad europea en el ámbito de la supervisión, también deberíamos tener una autoridad con capacidad de afrontar los problemas de resolución en el ámbito financiero a nivel europeo, que es una deuda muy vinculada al funcionamiento sistémico de la Unión Europea?

Y, en segundo lugar, un comentario sobre la tasa de transacciones financieras y la atracción de capitales, de que usted ha hablado. Aquí, al final, de lo que se trata es de lo siguiente: ¿por qué la industria financiera y los consumidores de productos financieros tienen que tener ventajas sobre la industria productiva y los consumidores de productos que no son puramente financieros? Porque al final es simplemente un arbitraje y yo creo que la industria productiva europea y los consumidores europeos se merecen un tratamiento también equitativo y no estar siempre subordinados al sistema financiero.

3-048
Mario Draghi, *President of the European Central Bank***.** **–** You are right: we have had a Fiscal Compact, but what, to my mind, is most pressing now is to have a growth compact. That was anticipated to some extent by the six-pack, so we need to go back and make it a compact. That is very important.

On the private debt issue, I think that what we really need now – and I hinted at it in my introductory statement – is to move forward with financial supervision at European level. One further source of fragmentation today is the different ways in which national supervisors apply the common rules.

On tax advantages for the banking system, I would not want to focus on a specific tax. I agree with you that there should not be any advantage for any industry, but equality of treatment can be achieved in different ways, with different types of tax which have varying effects. However, I agree with you that there should be no favourable treatment of the financial services industry and the banking industry.

3-049
Gay Mitchell (PPE). – I am very impressed at what you said this morning about the bank resolution in the future and also what you said about the growth compact. First of all, can I ask you to internalise the following; I do not really expect you to reply to it. We need to stop the language of austerity. I was director of elections for four pro-European referenda in Ireland; I am a Member of the European Parliament. I ran for high office last year – and all I can tell you is this was a great liability. The European Union has taken on the mantle of the IMF in the way it used to be seen as having no empathy – or as being slightly more popular than the measles. We need to realise that. We need to explain: why austerity? What is the purpose of it? That needs to become part of the vocabulary. We need to hear more talk about jobs, future, hope – please! We have had enough of the

austerity. In relation to the language, it has to become more empathetic. The IMF has learned that.

In Ireland we have two issues: cash flow and confidence. There is reason to believe – seeing the increase in foreign direct investment in Ireland recently – that confidence is returning. Cash flow remains a problem. Our debt-GNP ratio has gone up from 30% of GNI and it will probably peak at 130% of GNI because we have taken all this private debt onto the public balance sheet. We have cut pay – public sector, private sector – and increased charges. So I want to ask you this in relation to cash flow. Do you really expect in all of those circumstances that we can continue to meet the commitments of the promissory note? Is it not time that they were recast and that we were given some opportunity to deal with them over a longer period so the cash flow issue, as well as the confidence issue, can be addressed and we can return to growth?

3-050
Mario Draghi, *President of the European Central Bank***.** **–** What we have seen in Ireland is a strong commitment to implement the programme policies. I think that everything the Irish Government has done so far puts fiscal policy on a sustainable path and continues the financial sector reform. Nonetheless, challenges remain and the restructuring of the Irish banking sector needs to be completed. Banks' balance sheets need to be strengthened and, especially, Ireland needs to regain market access.

More specifically, to answer your question about whether the ECB plans to do anything about the existing terms of contract, the answer is no. The existing terms of contract are the terms of contract. We have undertaken certain steps. We will continue to reflect on this issue with a forthcoming attitude, but at the present time we have these terms of contract.

3-051
Peter Simon (S&D). – Herr Präsident Draghi! Die aus dem Zahlungsverkehrssystem TARGET2 resultierenden Forderungen der Deutschen Bundesbank gegen das Europäische Zentralbankensystem sind im März im Vergleich zum Februar um 12 % auf einen Wert von jetzt insgesamt 616 Milliarden gestiegen. Das ist ungefähr das Doppelte der jährlichen Ausgaben im deutschen Bundeshaushalt. Eine Zahl, die bei manchen in Deutschland Sorge auslöst! Zwar werden von den einen die Ungleichgewichte lediglich als Konsequenz eines gemeinsamen Währungsraums und nur bei Ausfall eines Mitglieds als relevant angesehen, auf der anderen Seite warnen andere jedoch seit Monaten immer wieder davor, dass diese Ungleichgewichte ein Zeichen für wachsende Risiken in der Eurozone seien. So hat vergangene Woche ein deutscher Professor für Wirtschaftsstrafrecht beispielsweise den Vorstand der Deutschen Bundesbank wegen Untreue angezeigt, da er hinter den hohen Forderungen einen versteckten Rettungsschirm vermutet.

Handelt es sich Ihrer Meinung nach bei den immer größer werdenden Ungleichgewichten im Zahlungsverkehrssystem TARGET2 lediglich um technische Details oder können diese ein erstes Anzeichen für weitere Herausforderungen in der Eurozone sein?

3-052
Mario Draghi, *President of the European Central Bank***.** **–** I think the target 2 balances are an ordinary feature of a payment system. They basically reflect inter-bank and cross-country payment flows. Under normal conditions we would not see such high balances in favour of one country, with most of the other countries as debtors to this country. So the target 2 balances are the symptoms of an underlying condition. We should not address the symptoms, because they are part and parcel of our payment system, but we should squarely address the underlying illness. This has to do with different degrees of competitiveness across various countries – different degrees of market access between different countries and therefore fiscal sustainability and growth in different countries.

Let us not forget that up to five years ago these balances were basically nothing to be concerned about. If fiscal consolidation is undertaken in the countries that are debtors, if growth is restored, if competitiveness is regained, we will see these target 2 balances – or, better, target 2 imbalances – disappear. That is the situation. Frankly, to consider them risky for the creditors is not right because we are a Union and we all stay together. In a payments system the various parties are not at greater risk if it stays together.

3-053
Markus Ferber (PPE). – Herr Präsident Draghi! Sie hatten in Ihrem Eingangsstatement eine engere wirtschaftspolitische Kooperation innerhalb der Eurozone angemahnt. Jetzt ist es aber so, dass es auch innerhalb einzelner Mitgliedstaaten große ökonomische und soziale Disparitäten gibt, obwohl die Mitgliedstaaten eine einheitliche Wirtschaftspolitik haben: hier in Belgien zwischen dem nördlichen und dem südlichen Teil, in Italien zwischen Nord- und Süditalien, in Spanien zwischen den reichen und den armen Regionen. Ich könnte noch beliebig fortsetzen: Ungarn, Westen - Osten, usw.

Jetzt fehlen uns aber auf Euroebene die berühmten Stabilisatoren, die ja auch einen Beitrag dazu leisten, dass wirtschaftliche Disparitäten ausgeglichen werden. Fordern Sie dann in dem Maße, in dem Sie mehr Zusammenarbeit in der Wirtschaftspolitik eingefordert haben, auch eine Stärkung oder Europäisierung der wirtschaftlichen Stabilisatoren, oder wie darf man Ihre Aussage verstehen?

3-054
Mario Draghi, *President of the European Central Bank***.** **–** My statement ought to be understood in relation to what I have been saying repeatedly. We are in a union and we have to move further. We have to have a path and an arrival point, and we have to explain what conditions must be put in place before we can go forward.

One condition certainly is that we cannot start from a transfer union: we have to start by showing that countries are able to stand on their own. That is what I

was referring to when I said that we have to explain clearly what conditions must be put in place. But we also have to provide a sense that we are moving forward and that we are not stuck in a static system. That is what I think and recent reality makes me more and more convinced on that score: we must again provide a sense of movement.

3-055
Gunnar Hökmark (PPE). – Besides the fact that I would wholeheartedly agree with my Swedish colleague Olle Schmidt about the fact that the financial transaction tax is a very odd way of decisively shooting yourself in the foot, I would like to raise the question of the LTROs which you mentioned earlier.

If there is one thing we have seen in the European economy, it is that you do not stimulate economies and growth by deficits as such. If we look at the European economies today, you might say that they are stimulated by the deficits we have, but if deficits were the way to solve the problems, we would have no problems at all. It is important to keep understanding this, and it is from this perspective that I would like to discuss the LTROs because they are, of course, a sort of bail-out and are also meant to ease the financing of deficits. As you say, however, it is way of buying time: I think that is fair.

The crucial test is not whether it is good to buy time, but rather how we use the time, because when you buy time that implies some costs, which brings us to the cost-benefit analysis. Have we achieved a situation that is better? The fact is that deficits are, in many cases, deepening and worsening the structural problems, and adding debt burdens. Do you see that the time has been used to strengthen competitiveness and to solve structural problems, and has it increased our ability to deal with the huge imbalances we have in the economy? That, surely, is the real test of whether the LTROs have been worthwhile or not.

3-056
Mario Draghi, *President of the European Central Bank***.** – I think I would agree with all you have said. Of course the counterfactual question is always very difficult; would countries and banks be in a better position today to address their respective budget problems – growth, structural problems for the countries and capital position for the banks – if there had been no LTROs but a big funding crisis instead?

The answer we gave at the time when we decided to undertake these operations was no. A funding crisis, a bank crash and various bankruptcies would not create a better situation for addressing our problems, neither for countries nor for banks. I think that is how we will have to judge it.

Certainly the ball is now squarely in the court of governments and banks, so they have to use this time. They have to show evidence and they are doing so. As I said at the beginning, governments and banks are showing some evidence that they are actually using this time in a productive way, each one for its own tasks. We have to continue seeing this evidence and we will soon see whether this process will continue. But, if I have to judge the LTROs, I would judge them on the basis of this counterfactual question.

3-057
Jean-Paul Gauzès (PPE). – Monsieur le Président, il n'était pas prévu que je prenne la parole, mais il reste un *slot* disponible.

Permettez-moi tout d'abord, Monsieur le Président, de vous dire que j'ai apprécié la vigueur et le courage de vos propos. J'en profite néanmoins pour vous poser une question impertinente. Dans les débats, et notamment les débats électoraux actuels dans certains pays, les mots de croissance, de rigueur, de compétitivité reviennent sans arrêt de façon incantatoire. Mais finalement, ce que nous demandent nos concitoyens, c'est comment parvenir à la croissance, comment parvenir à une meilleure compétitivité, comment parvenir à moins de rigueur. Or, il n'y a aucune réponse concrète à ces questions. C'est chaque fois le même discours qui est repris, affirmant qu'un grand nombre de choses sont faites. Mais, visiblement, le citoyen ne s'en aperçoit pas quand on regarde certains résultats récents, qui sont des sondages grandeur nature.

Alors voilà ma question impertinente: que dire de plus concret que ces expressions de croissance, de compétitivité, de moins de rigueur, etc.?

3-058
Mario Draghi, *President of the European Central Bank***.** – I think we are collectively on a good track; we are probably in the most difficult phases of our process where austerity – I am sorry for using this word – but basically fiscal consolidation (you are right incidentally: I think I would agree with you) has been or is being undertaken and its contracting effects are now starting to reverberate. We have not yet seen the benefits of this and at the same time we are convinced that we have to persevere; to continue on that path.

Structural reforms – each country has its own list and one cannot actually write a blue-print – are good for all countries. But structural reforms hit consolidated vested interests; otherwise they would have been undertaken a long time ago. They hit vested interests and so they change profoundly the societies in which we are living. This, by itself, is a source of pain. We are seeing this; we are just in the middle of the river that we are crossing. The only answer to this is to persevere and for the ECB to create an environment as forthcoming and as favourable to this process as possible.

3-059
Roberto Gualtieri (S&D). – Io volevo tornare su un'affermazione corretta che lei ha fatto circa i problemi, dicendo che non è il problema che manca la liquidità, difendendo la politica monetaria – che non è troppo restrittiva a suo giudizio – il problema è la domanda, ecco, ma se il problema è la domanda; come possono, in questa congiuntura, le sole riforme cosiddette strutturali

evitare che si precipiti in un circolo vizioso recessivo che può portare anche a una depressione?

Non ritiene, da un punto di vista puramente analitico – perche come già chiarito, i compiti della BCE sono specifici e delimitati – ma da un punto di vista analitico non è insufficiente la risposta di una politica monetaria efficace e di riforme strutturali di fronte a un avvitamento recessivo potenzialmente depressivo e quindi il tema di nuovo della domanda aggregata e degli investimenti non è un tema ormai ineludibile?

3-060

Mario Draghi, *Banca centrale europea***.** – Lo sviluppo non verrà, non viene solo dalle riforme strutturali, ma anche dalla domanda globale che è rimasta abbastanza solida e infatti le nostre esportazioni stanno aumentando e le esportazioni dell'area dell'euro anche. Viene anche dal fatto che i tassi di interesse sono a livelli storicamente bassi: i tassi d'interesse reali – come dicevo prima – sono negativi e sono negativi da diverso tempo.

Il fatto è che – come è stato detto un attimo fa – se uno pensasse di creare domanda aumentando il deficit, beh, insomma, abbiamo dei deficit in generale così alti, che uno si chiede come mai la domanda non c'è, evidentemente, due anni fa. Tenete presente che ci sono paesi dove il deficit è stato alto e basso, dove i tassi di interesse sono stati alti e bassi, e non sono mai cresciuti. Il loro tasso di crescita è piatto, qualunque fossero le condizioni monetarie e fiscali.

Quindi la radice di questa mancanza di sviluppo sta altrove e questa va affrontata prima di poter dire che bisogna cercare spazio nelle politiche monetarie e fiscali; perché l'esperienza dei paesi che hanno perso competitività negli ultimi anni è questa: non è la perdita di un anno, in cui uno può identificare una certa politica monetaria, una certa politica fiscale, come la fonte della non crescita, della mancata crescita per quell'anno. È un processo che ha preso molti anni, da dieci a quindici anni per alcuni paesi, in cui ci sono state tutte le politiche, espansive e non espansive, eppure non sono cresciuti. Quindi è lì dove dobbiamo concentrare la nostra attenzione in questo momento!

Però, detto questo, lo sviluppo non viene solo dalle riforme strutturali, alcune delle quali producono sviluppo nel breve termine, ma alcune delle quali producono sviluppo nel medio, lungo termine, perché sono riforme che cambiano in profondità il funzionamento di alcuni meccanismi della società, e sono diverse da paese a paese. Ma dicevo, la domanda viene anche dalla crescita mondiale e dal livello dei tassi di interesse.

L'altra cosa che può cambiare è che indubbiamente gran parte della crisi attuale viene dal fatto che l'avversione al rischio è aumentata straordinariamente dopo la crisi e quindi c'è avversione, c'è desiderio – in alcuni paesi – di non investire o di investire altrove. Bisogna fare in modo che questa avversione al rischio da parte di coloro che investono, in sostanza, ritorni non ai livelli di prima – perché non tornerà ai livelli di prima – ma comunque torni ai livelli tali da generare un certo investimento.

Per far questo occorre creare un clima favorevole all'investimento e un clima di certezza, un clima di credibilità: certezza nelle istituzioni, credibilità nelle istituzioni; e allora vedremo che l'avversione al rischio andrà anch'essa giù. Grazie

3-061

Chair. – Thank you very much indeed, Mr Draghi. It is always entertaining as well as informative to have you here. With regard to feeling you have had criticism, I seem to recall that Presidents of the ECB normally come in for criticism and then, as their tenure proceeds, people come round to recognising the difficulties of the job. So by the end maybe you can have all the adulation and other rewards. Who knows? You have certainly had to take over at a very difficult time and it has been a baptism of fire. It seems to me that you have stepped up to the plate to do those things that you have had to do.

(Applause)

(The meeting closed at 11.15)