



EUROPEAN CENTRAL BANK  
EUROSYSTEM

*COURTESY TRANSLATION*

Mario DRAGHI

*President*

Mr Kostas Chrysogonos  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt, 15 December 2014

L/MD/14/530

**Re: Your letter (QZ37)**

Honourable Member of the European Parliament, dear Mr Chrysogonos,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 30 October 2014.

From an economic perspective, any short-term changes in the distribution of wealth reflect, first and foremost, changes in asset prices. They may also be affected by measurement issues. Furthermore, economic policies have a more direct impact on the distribution of income than on the distribution of wealth. Please also note that, according to the report quoted in your letter, current wealth inequality in Greece, Ireland and Portugal is broadly in line with that in other Member States.

In this context, I would like to emphasise that the social impact of fiscal policy and structural reforms has been an important consideration in the design of all of the adjustment programmes in the euro area. Specifically, the protection of the most vulnerable groups of society is a key objective of the Greek programme. For example, the Greek government's expenditure policy has ensured that cuts to pensions and government wages are smaller for those with the lowest incomes, and the new minimum income guarantee supports the most vulnerable households. Another key component of the efforts to ensure an appropriate distribution of the burden of the economic adjustment process has been tax administration reform with a view to stepping up the fight against tax evasion and fraud. While progress in this respect

has been uneven, this does not reflect an insufficient emphasis on this key area in the programme design, but rather the persistence of strong vested interests and continued interference in tax administration. Another crucial element of the adjustment programmes has been the liberalisation of product and services markets, which targets the privileges and economic rents of vested interests (e.g. through the liberalisation of closed professions).

Overall, the economic adjustment programmes in euro area countries have already achieved important progress in restoring fiscal sustainability and competitiveness, even though further efforts are still required. Most importantly, the adjustment programmes have created the basis for sustained economic growth and employment creation, which can be expected to benefit the wider population and reduce income inequality.

Yours sincerely,

[signed]

Mario Draghi