

1-001-0000

**COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS
MONETARY DIALOGUE WITH CHRISTINE LAGARDE,
PRESIDENT OF THE EUROPEAN CENTRAL BANK
(pursuant to Article 284(3) TFEU) BRUSSELS,
THURSDAY, 6 FEBRUARY 2020**

1-002-0000

IN THE CHAIR: IRENE TINAGLI
Chair of the Committee on Economic and Monetary Affairs

(The meeting opened at 09.10)

1-003-0000

Chair. – We can now start the monetary dialogue with Christine Lagarde, President of the European Central Bank, whom I welcome here. Since the last monetary dialogue that took place at the beginning of December, the economic outlook has not changed much. The incoming data are in line with an ongoing but moderate growth of the euro area economy. This pattern of moderate growth reflects the ongoing weakness of international trade in an environment of continued global uncertainty, which has particularly affected the euro area manufacturing sector and has helped dampen investment growth. However, ongoing – albeit decelerating – employment growth and increasing wages continue to support the resilience of the euro area economy.

While inflation developments remain subdued overall, there are some signs of a moderate increase in underlying inflation, reflecting mainly higher energy price inflation. Although indicators of inflation expectations remain at low levels, recently they have either stabilised or ticked up slightly.

Over the medium term, inflation is expected to increase – supported by our monetary policy measures, the ongoing economic expansion and solid wage growth. Against this backdrop, the last ECB Governing Council decided that the interest rates will remain unchanged as long as it has seen the inflation outlook robustly converge to a level sufficiently close to its target. Moreover, the ECB Governing Council will continue to make net purchases under its asset purchase programme at a monthly pace of 20 billion as long as necessary to reinforce the accommodative impact of its policy rates and to end shortly before it starts raising the key ECB interest rates.

In the light of the long-term decline in the trend in growth, slowing productivity and an ageing population, as well as challenges to environmental sustainability, rapid digitalisation, globalisation and evolving financial structures, the Governing Council decided to launch a review of the ECB's monetary policy strategy adopted in 1998 and further clarified in 2003. The review, based on thorough analysis, will include quantitative formulation of price stability, monetary policy toolkit, economic and monetary analysis and communication practices, while other considerations such as financial stability, employment and environmental sustainability will be also part of the review. The review will be conducted in full respect of the ECB's price stability mandate as laid down in the Treaty, and it is expected to be concluded by the end of 2020.

We all appreciate that you already dealt with this issue during your hearing last September and during the last monetary dialogue. Although there will certainly be different opinions as regards the desirable scope and the format of the review, I believe I interpret prevailing opinion here in reiterating once more the importance of the role of the European Parliament and of this committee in particular in this process.

So today President Lagarde will present the ECB's perspective on economic and monetary developments. She will also discuss the two topics that were selected by the Committee on Economic and Monetary Affairs coordinators in preparation for this monetary dialogue, namely the assessment of risks related to financial stability in the euro area, and central banking communication. We have done some preparatory work on these two items with the contribution of distinguished scholars. The papers are available on the website of the European Parliament. We have a lot of interesting topics to discuss and we have many expectations from this first exchange of views. Ms Lagarde, I give you the floor.

1-004-0000

Christine Lagarde, *President of the European Central Bank*. – Madam Chair, honourable members of the Economic and Monetary Affairs Committee, ladies and gentlemen, good morning. It's a pleasure to be back here and to appear before you after the first Governing Council meeting of 2020, just recently, during which the ECB and the euro system at large decided to launch its strategy review – its monetary strategy review, to be very specific.

It has been 16 years since the ECB has conducted a monetary policy strategy review and, as we discussed in December, in 2003 the world looked very different and many things have changed in between, which clearly warrants the fact that the monetary policy strategy will be reviewed by the ECB. Structural changes that have profoundly affected our environment from an economic as well as other standpoints, and this will continue to be so. More specifically, in the field that is of concern to us, declining growth trend on the back of slowing productivity growth, an ageing population and the legacy of the financial crisis have driven interest rates down. This low interest rate and low inflation environment has significantly reduced the scope for the ECB and other central banks worldwide to ease monetary policy in the face of an economic downturn. Structural challenges, such as new threats to environmental sustainability, rapid digitalisation, globalisation and evolving financial structures have also affected price developments and, therefore, the environment that central banks have a duty to monitor, where they forecast and need to factor into their policies. In the light of these changes, now is the appropriate time for us to conduct that strategy review – with a broad scope – to ensure that we continue to deliver on our mandate in the best interest of Europeans.

During my last meeting before this committee, I made a commitment to listen to people's expectations and better understand their economic concerns. By the way, I have read with great interest some of the papers that you had commissioned to inform us better about communication of central banks and how people are or are not attentive or sensitive to this. This Parliament and your committee, obviously, will be the primary forum for this listening exercise and for putting into practice the principle of two-way communication as I outlined it at our last meeting.

I'm very happy that you have asked me to discuss specifically central bank communication today, but before I get to that, allow me to first provide an overview of the current economic situation in the euro area, and I'm not going to say anything very different from what you have just outlined, Madam Chair.

Broadly in line with our expectations, the euro area economy continues to grow, though still with modest momentum.

The domestic economy remains relatively resilient. Private consumption, for instance, increased by 0.5% in the third quarter of 2019 on the back of further improvements in labour market conditions. The unemployment rate stands at 7.4%, which is its lowest rate since July 2008. The number of people employed keeps increasing and has increased by more than 11 million since mid-2013. The more domestically oriented services and construction sectors also continue to hold up well.

Yet, global factors weigh on euro area growth. To be sure, there are tentative signs of stabilisation. Forward-looking indicators have become slightly more optimistic, as the Purchasing Managers' Index on manufacturing business expectations in 12 months' time have increased in five consecutive months through January to their highest levels in 18 months. Moreover, while uncertainties surrounding the global economic environment remain elevated, those related to trade tensions between the United States and China are receding. Other risks, however, are still lingering or – as with the uncertainty surrounding the impact of coronavirus – are a renewed source of concern.

The overall moderate growth performance is delaying the pass-through from wage increases to prices and inflation developments. Inflation measured by the flash Harmonised Index of Consumer Prices stood at 1.4% in January, in line with our expectations and better than in the previous month.

The euro area economy therefore continues to require support from our monetary policy, which provides a shield against global headwinds. We see that our policy stimulus is being passed on to the financing conditions most relevant to the real economy. According to the latest data, lending rates for businesses are almost 10 basis points lower than they were one year ago, and for households, for house purchases, they are almost 40 basis points lower and close to their historical lows. These favourable financing conditions, in turn, continue to support business investment and consumer and construction spending in the euro area, partially offsetting the negative impact from sluggish development in global demand. At the same time, obviously, we continue to closely monitor the potential side effects of those measures.

Low interest rates bring a lot of benefits to the euro area economy. That being said, low funding costs appear to have also encouraged more borrowing by highly leveraged firms and greater risk-taking by non-banks, such as investment funds, insurance companies and pension funds. In addition, property markets in a number of euro area countries have seen persistently rising prices, although the low interest rate environment is only one among many factors influencing the choice to borrow for house purchases.

In this environment, authorities should continue to use targeted macroprudential measures to address the associated risks to financial stability. At the same time, fiscal and structural policies also have an important role to play in a low interest rate environment. They can lift the growth momentum and boost potential through higher productivity growth. This would, in turn, support the effectiveness of our measures and also help interest rates to rise again in due course.

Let me now turn to the topic of central bank communication.

Those who observe central banks will agree with me that central banks have come a long way in how they communicate. Public institutions, including the ECB, have moved in the direction of disclosing more information and better explaining policy, also, by the way, in response to Parliament demands and public requests.

This Parliament, your Parliament, has encouraged the ECB to follow this path from the very beginning. One of the topics chosen for the first Economic and Monetary Affairs (ECON) meeting in 1999 was the ECB's communication and transparency policy. Good communication forms the bedrock of the ECB's credibility and underpins our legitimacy in the eyes of the people that we serve. But as central bankers, it's also in our interest to communicate effectively: being open and clear is essential to make our policy more effective. Carefully calibrated communication – think, for instance, of forward guidance, which you have alluded to actually Madam Chair – has itself become a tool of central bank policy.

Traditionally, as central bankers, we have been more comfortable speaking to experts and markets than to the general public. Markets closely follow what we do, what we say, what we don't say, and surveys and studies find that we are generally well understood by them. We are very attentive to how markets interpret, misinterpret or over-interpret our actions.

But we have to remain vigilant that we do not focus too narrowly on communicating to markets and create our own echo chamber. This is why in my confirmatory hearing before you, I announced that one of the priorities of my Presidency would be to reinforce our bridge with the public and those who represent them.

Our own research finds that even though many Europeans have heard of the ECB, very few have a deeper understanding of what we actually do, and certainly not of why we do it or how the work that we do serves the common good. So we need to improve this, not for the sake of being popular – this is not the point – but so that European people understand what we do and how we do it for them.

We have just started to develop a new survey in which we ask consumers about their expectations on inflation, on housing, on consumption, on saving and on the labour market. We need to understand better, not least because they can vary significantly across different regions and groups in society, rural versus urban. But after all, it is the everyday economic decisions of people and companies that we seek to influence with our policy and communication in order to deliver on our mandate. If our language is obscure, is not accessible, can't be understood then our policy will be less effective and our ability to deliver on our mandate will be impaired.

We also know that people will only come to trust us more – and genuinely see the ECB as their bank – if they better understand our decisions, why they matter to them, and what impact they have on their day-to-day lives. That is why the Governing Council agreed that the strategy review that was approved at our last meeting in January would also look at how we communicate our policy.

Communication is all too often mistaken as a one-way street, with most efforts spent on broadcasting messages. We are all focused on speaking. We love to speak and hear the sound of our own voices, but we need to be at least, in my view, equally focused on listening to people. As US Chief Justice John Marshall observed already in the early 1800s, to listen well is as powerful a means of communication as to talk well. Epictetus said something very similar way back, referring to the fact that we have two ears and one mouth and that we should use them appropriately and in due proportion.

For that reason, a key element of our strategy review, but also more generally, will be to incorporate elements of listening into our framework on a structural basis. Clearly, the dialogue with this committee is already a core component. Beyond that, I am looking forward to a new series of listening events which we will launch as part of our strategy review. We will run these

across the entire euro area, together with our colleagues from the national central banks, so that the entire euro system is included and the dialogue is to be had in the national languages that are spoken by the people. We will be keen to hear the views of a wide range of stakeholders, including academics, financial sector representatives, civil society organisations, students and a whole range of people from all categories.

Our first such listening ECB event will take place here in Brussels in late March, where I hope to engage with representatives of EU-level civil society organisations with a wide range of perspectives, and you will all be invited to participate if you so wish. We will also have an online portal on the ECB website where all the information on the strategy review will be available for the general public and, to the largest extent possible, also in official languages. There is a lot of work that is already ongoing and that will see the publication of multiple papers.

Through these channels, we aim to learn directly from civil society organisations and the people who represent them and those who matter most to them – be that on rising rents and house prices, on job uncertainty, on climate change or on digitalisation – and we will assess how we can best take these concerns into account in our actions and our communication, within the limits of our mandate.

The review we have just started will be a thorough and intense process. Over the next 11 months, the dialogue between our institutions will be frequent and deep. The regular ECON hearings will provide the backbone for this discussion, but our discussion will not be limited to these hearings alone. In fact, we will have further opportunities to continue our dialogue very soon: I am looking forward to the visit of a delegation of this committee this coming Monday in Frankfurt, and to meeting you again in Strasbourg on Tuesday, the following day. So it's a very intense moment of communication with you all and with your colleagues.

I thank you for your attention and I am now very happy to take questions as you see fit, Madam Chair.

1-005-0000

Markus Ferber (PPE). – Frau Vorsitzende! Frau Präsidentin, wenn Sie gestatten, werde ich Deutsch reden. Sie haben ja den *monetary policy review* angesprochen, der ein bisschen in die Jahre gekommen ist. Ihr eigenes zuständiges Direktoriumsmitglied für den ökonomischen Ausblick, Herr Lane, hat ja gesagt, dass wir aufgrund verschiedener Faktoren, die Sie ja auch kurz angerissen haben, dauerhaft mit einer Wachstumsschwäche oder mit einem geringeren Wachstum in Europa rechnen müssen. Insofern stellt sich ja schon die Frage, ob Sie überhaupt noch in der Lage sind, das sich selbst gesetzte Ziel der Inflation von nahe bei, aber knapp unter 2 % zu erreichen, wenn der ökonomische Ausblick ja der ist, dass das Wachstum eher deutlich unter 2 % liegen wird. Also insofern ist ja die Frage, wie Inflationserwartungen und ökonomische Wachstumserwartung noch miteinander korrelieren. Damit geht natürlich Ihr jüngster *financial stability review* aus dem November letzten Jahres einher, wo Sie eine Reihe von Risiken beschrieben haben, die in der letzten Zeit zugenommen haben. Das heißt, die Risiken wären größer geworden, wenn ich Ihren Bericht richtig verstanden habe. Ich bin schon der Meinung, dass eine ganze Reihe dieser Risiken auch mit dem Niedrigzinsumfeld verknüpft sind. Das heißt, die lockere Geldpolitik treibt einerseits Assetpreise in die Höhe – Sie haben ja auch über die Zinsentwicklung gesprochen –, drückt auf die Profitabilität der Banken und setzt dann natürlich wieder Anreize, höhere Risiken einzugehen. In diesem Kontext die Frage: Wie sehen Sie die Fähigkeit der Europäischen Zentralbank, in der Eurozone auf ein solches stärkeres Risikoszenario überhaupt reagieren zu können, wenn sich diese Risiken materialisieren sollten?

1-006-0000

Christine Lagarde, *President of the European Central Bank*. – In response to your questions, there are two key points that I would like to clarify.

Number one, our strategy review is going to look at all aspects of our monetary policy and will take time. So we have set for ourselves an expected completion date of December 2020. But before that, we're going to have Governing Council meetings that will look at our monetary policy and determine on the basis of facts, numbers, economic developments, our monetary policy stance.

So we will continue doing that on the basis of our current principles, and our current criteria, going forward, until our strategy review is indeed completed. And we will continue – undeterred by our strategy review – with the normal determination of our monetary policy, going forward.

As part of that, clearly we need to look at all the effects of our monetary policy. We have to start from the impact that it has had, and look at the impact that it has. If I look at the impact that it has had, the fact that we included – both at the conventional level and at the unconventional levels – the tools that we have used has actually produced very positive results. We keep referring to the creation of jobs, and I'm not going to use the 11 million jobs created since 2013, because monetary policy was only one of the several contributing factors, but clearly monetary policy as it stands can claim a portion of those job creations.

Equally, monetary policy can claim the benefit of having contributed to increased growth since 2013, and in the same vein has contributed also to raising inflation a little bit over the course of these years.

So we have to look at those effects and see what impact it has had on companies' life, on people's life, on job creation, and see for ourselves that it has been efficient.

Now we also need to look at those items that you've just mentioned to see whether it has had those side effects, and do a cost-benefit analysis of the positive – and potential other – effects of those monetary policies.

I wouldn't draw the conclusion that our current monetary policy has actually been the main factor in the rise of housing prices, has actually been the main factor in the declining profitability of some of the banks in some of the countries in the euro area. It may have contributed, but I don't think it's a given conclusion because when you compare with other environments where, for instance, interest rates were low, the same effects were not necessarily visible. I would also caution against an overall conclusion that housing prices have increased generally. It's very differently distributed across the euro area, depending on the rural versus urban and – as I said earlier in my introductory statement – it's not entirely attributable to interest rates and the very low financing cost environment that we have at the moment. But we do pay close attention to side effects, and we will continue to do so as we move forward.

1-007-0000

Jonás Fernández (S&D). – Señora presidenta, en su comparecencia, hace algunos meses, en esta comisión, en el proceso de elección del nuevo presidente del Banco Central Europeo, le pregunté por la posibilidad de iniciar esa revisión del marco estratégico de la acción de la política monetaria. Veo que su institución se ha puesto a ello y quería, en primer lugar, felicitarle por abrir este debate.

Concretamente, con respecto al debate que acaban de iniciar sobre la revisión de la política monetaria, yo creo que hay una parte sobre la comunicación que usted ha explicado bien en esta

comparecencia, pero me gustaría, de alguna manera, transmitirle la, en mi opinión, necesaria prudencia en este camino. Porque es cierto —y yo creo que es loable— que el BCE quiere explicar mejor sus políticas, quiere estar más cerca de los ciudadanos, pero también es verdad que, si hacemos del BCE —institución que, por su propia naturaleza, tiene que mantener la necesaria independencia— un elemento del debate político, del día a día de los hogares o de las conversaciones de los ciudadanos, ciertamente, tengo algo de miedo de que se pueda perder el carácter de independencia, ese carácter de autonomía de la institución.

Yo creo que hay que tener cuidado, y la felicito por intentar mejorar la comunicación, pero es un camino delicado, porque nuestro dinero solamente se basa en la confianza. No hay nada detrás de ello, y la confianza se gana con la cercanía al público, pero también estando un poco fuera del debate político de cada día. Y quiero transmitirle cierta inquietud.

Entrando ya en la revisión de los objetivos y de los instrumentos de la política monetaria, en los últimos días se ha trasladado la posibilidad de introducir en el índice de inflación la posibilidad de que los precios de algunos activos, especialmente de los activos de la vivienda, pasen a formar parte del índice objetivo. Ciertamente, esto abre algún interrogante, porque si queremos tener un objetivo claro de inflación, ese 2 % que yo creo que es necesario revisar para que la simetría quede absolutamente clara; si hay problemas porque parece que no llegamos al 2 % —como decía el diputado Ferber— y de lo que se trata es de reformar la elaboración del índice para sumar dos décimas introduciendo el coste de la vivienda, pues bueno, el proceso de revisión es un camino que no es honesto.

Y realmente, para evitar los efectos laterales de la actual política monetaria, quizá es necesario que revisemos la política fiscal. Y me gustaría saber su opinión sobre la comunicación de la Comisión de ayer para permitir que la política fiscal le ayude a usted.

1-008-0000

Christine Lagarde, *President of the European Central Bank*. – Thank you so much both on account of your recommendation on communication, which I take seriously – and I'll say a word on that – and for your question about housing costs.

On communication, I hear what you say, and I think that we will have to err on the side of caution while also being mindful of being capable of listening as much as one can. As we will listen, we will also need to explain a bit what we do, because it was very surprising to me to see how little people in general know about the ECB and what it does. Let's face it, when you start talking about the euro system, then you have big eyes opening and get 'the euro system, what is this?'

I think we owe it to the European citizens to explain what we do and why what we do matters – why we are the custodian of a currency that they all relate to, regard as one unifying factor. The euro is highly respected in general in many, many corners of the euro area. I think we need to do that and we really want to listen.

But erring on the side of caution, I agree with you, I think one of those components will be not to raise expectations, and not to tell anyone, including the people with whom we communicate, that we could do more than we can actually deliver. I'm particularly concerned about that, because I think one of the elements of trust and credibility is to actually do what you say and say what you do, but not go beyond that because otherwise expectations are unnecessarily raised and disappointment follows, and then trust is undermined, so I take your comment very seriously.

On the housing front, at the moment, the HICP, the inflation measurements, here in Europe does not take into account the housing costs associated with being the owner of your property. My

recollection is that in the entire indice, housing costs represent 6.5% of the total cost. If you ask anyone – family, friends and beyond – 6.5% is on the low side, to say the least.

So how do we respond to that, without being accused, or without running the risk, of changing the goalposts, because that's what people could argue about: you measured for a period of time against a particular structure and now you're proposing to change the structure.

Equally, I think we have to be mindful of being true to what people regard as their cost structure, and if housing costs represents that little we have to question and wonder whether that is legitimate or not.

Added to which, we will be facing difficulties about the value of the occupying of the house of which you are the owner and the running costs of that, and the running value of that, relative to the initial investment. So it's not without technical difficulties anyway, but I think we owe it to a true reflection of costs incurred to at least ask ourselves the questions and see how we can address it best in order to be true to both the principles as well as the actual expenses borne by people.

1-009-0000

Chair. – Before moving to the next speaker, please let me remind you that we have five-minute slots. I would kindly ask you to stay within the two minutes for the questions as an act of courtesy not just for the next speakers, but also for Ms Lagarde so that she can have the time to answer properly.

1-010-0000

Luis Garicano (Renew). – Madame Lagarde, you took me back in time. In 1992-93, I spent a full year working on harmonising the price index at Eurostat, and owner-occupied accommodation was the problem. So good luck with trying to deal with it. That was a long way back.

As policymakers, we haven't done enough to complete the work on the banking crisis, not just because of what is missing, but also because what is there is not quite working. I fear that the vicious feedback loop between states and banks is still very much alive. I want to focus on one particular aspect of that, which is the loop between the banks and the states – the banking rescues.

We created a Single Supervisory Mechanism (SSM) and the Single Resolution Board (SRB) to try to solve that problem. Cases like NORD/LB recently and Italian bank rescues have called all that into question. On NORD/LB, the SSM, under the supervision of the European Central Bank, has let the NORD/LB be for a very long time – over a year – under its minimum capital without actually calling foul there, saying it was in trouble and forcing it to do something on its capital position. The SRB has allowed all this money to pour into this case and other banking rescue cases.

So the question is: do we think the mechanism is working? Do you think that regulatory forbearance goes too far so that we are keeping banks alive without actually saying that they are failing or likely to fail? Do you think the SRB – so I guess that's the SSM and the SRB – is actually doing its job, or is it using the public interest assessment in a very restrictive way to let all these banks absorb a lot of state money? Because what happens when state money gets used is that the state's finances are put at risk. Do we need to change the regulatory framework here, from Parliament?

1-011-0000

Christine Lagarde, President of the European Central Bank. – I think the ECB agrees that the resolution framework could be improved, and that a stronger role for the Single Resolution Board (SRB) could support a level playing field across the Banking Union. As an additional option, a targeted harmonisation of insolvency regimes should, however, also remain on the table. By the

way, I think it would also have a serious impact and a positive one on the capital markets union, which I'm very keen to see making progress for multiple reasons.

On the European Deposit Insurance Scheme, if you want to just also hear about that, because I think it's a compliment to the SRB, the proposal for differentiated sizes of national deposit insurance schemes during a transition phase warrants further analysis, and I'd like to thank you for your own contribution to that work.

In line with the objective of a true banking union, national compartments should be phased out over time and risk-based contributions, calculated at Banking Union level, should become the main tool to mitigate moral hazard. While liquidity coverage could be a first starting point, the end goal should be a fully fledged European Deposit Insurance Scheme (EDIS) that provides full coverage of both liquidity needs and losses.

I think that addresses the concerns that you raised.

1-012-0000

Jörg Meuthen (ID). – Frau Präsidentin! Die öffentliche Debatte in Deutschland ist ja inzwischen so weit aufgeklärt, von der EZB nichts mehr weiter zu erwarten als den fortgesetzten Angriff auf die Ersparnisse der Bürger. Sie haben ja bereits mehrfach festgestellt, dass Sie diese Politik der permanenten Enteignung durch Niedrigzinsen, Minuszinsen und Geldmengenausweitung fortzusetzen gedenken. Ich gehe davon aus, dass Sie zukünftig diese in ihren Konsequenzen asoziale Politik in den schönsten Farben weichzeichnen werden. Ihnen müsste ja bewusst sein, dass Ihre als Geldpolitik verbrämte Fiskalpolitik massiv umverteilende Wirkung besitzt und negative Anreize en masse setzt.

Das ist so offensichtlich, dass es weder der Wissenschaft verborgen geblieben ist noch den Deutschen, die dem Abschmelzen ihrer Ersparnisse auf den Konten täglich zuschauen können. Meine erste Frage ist nun angesichts des Umstandes, dass der Fokus Ihrer Amtszeit nicht auf einer Rückkehr zu stabilem Geld, sondern auf besserer PR für den unter Draghi eingeschlagenen Kurs in Richtung eines völligen Weichwährungs-Euros liegt.

Frau Präsidentin! Sie sprechen hier unentwegt von *trust and credibility*.

Ihre Glaubwürdigkeit – Sehen Sie den Tatsachen bitte ins Auge – ist doch de facto nahe null. *Nobody trusts you, you should be aware of that*. Haben Sie in der EZB oder durch die EZB einmal Studien oder Gutachten anfertigen lassen, mit denen Sie die Gefahren einer zunehmend kritischeren öffentlichen Meinung gegenüber der EZB für die Wirksamkeit der von Ihnen betriebenen unethischen Politik untersuchen lassen? Haben Sie eine Vorstellung davon oder einmal untersuchen lassen, ab welchem Maß der Enteignung durch Negativzinsen die Menschen nach dem Vorbild der französischen *Gilets jaunes* gegen die Politik der EZB auf die Straße gehen und sich zur Wehr setzen werden?

Zweite Frage: Wie können Sie diese unethische Enteignung der Altersvorsorge der Sparer eigentlich vor sich selbst verantworten? Wie geht man persönlich damit um, allein den deutschen Sparern rund 120 Milliarden ihrer Ersparnisse geraubt zu haben und diesen Raub durch eigene Politik sogar noch zu verstärken? Und drittens schließlich: Was gedenken Sie eigentlich geldpolitisch zu tun, wenn etwa infolge der Absurditäten der Green-Deal-Politik oder anderer Maßnahmen der Kommission die wirtschaftliche Dynamik weiter lahm, massiv sinkt und in eine Rezession abgleitet? Welche Instrumente wollen Sie einsetzen, da Sie doch gar keine Instrumente mehr haben?

1-013-0000

Chair. – I'm sorry. Time's up. I'm sorry. I said the questions should be below two minutes, so if you could please let Madam Lagarde answer the questions. Thank you.

1-014-0000

Jörg Meuthen (ID). – *Last sentence, please.* Was wird Ihr *whatever it takes* konkret sein? Haben Sie eine Vorstellung, welche Instrumente Sie einsetzen wollen, wenn wir in eine Rezession abgleiten?

1-015-0000

Christine Lagarde, President of the European Central Bank. – I think when you manage to deliver more jobs, improved growth, inflation is kept at a level which guarantees price stability, you actually try to do your job, and this is really in line with the mandate that was entrusted to the European Central Bank. When in 2014, major decisions were made in order to enlarge the toolkit of the European Central Bank, it was actually to support and help the economy and deliver on its mandate.

You cannot only focus on one single side, a fact that you have identified and that you've characterised, but you have to look at the entire picture and you have to look at the entire tools that are used, on both the monetary front and the fiscal front and from a structural reform point of view as well. I believe that in that respect, the European Central Bank has done what it had to do.

Clearly, it would be ideal, and nobody would like to move back into positive territory more than me and would be more confident because growth has returned, because investments are coming back, because productivity is up and because the fiscal policy is working on a par with monetary policy in order to amplify the impact of our monetary policy. But we need to move patiently to help drive the economy in that direction, and I can assure you that these matters will be under close review when we examine our monetary strategy. But monetary policies have to change over the course of time, in accordance with the facts that we see, in line with the mandate that we have received and without making a mess of it, to be blunt.

1-016-0000

Stasys Jakeliūnas (Verts/ALE). – Madame Lagarde, when I joined Parliament here, several months ago, I wondered why communication and forward guidance is so important in the Central Bank rule kit.

It's probably not a coincidence that communication and financial stability are the two topics we're discussing here. I also recall that in maybe September or October, I looked through the research plans of the ECB and found that behavioural economics is on the agenda to deepen the research. I could also refer to the authors or Nobel Prize winners Daniel Kahneman, Robert Shiller, George Akerlof and Richard Thaler, who explore this thing, so maybe behaviour economics is part of the answer regarding how to understand and to manage the financial system.

I also refer briefly to the working paper series, sponsored by the ECB, by Cars Hommes, 'Behavioural and experimental macroeconomics and policy analysis: a complex systems approach', and the key words used in this text are expectations, feedback, learning, coordination failure, almost self-fulfilling equilibria, simple heuristics, et cetera, et cetera. We could add moral hazard; we could add the famous animal spirits into that.

So, what is your view on the role of behavioural economics – to understand and also, maybe, to manage that, because you are for me, sort of a magician, you know? You have somehow to manage animal spirits, among other things. Rekindle them when they are down and probably curb them when they are too wild. So what is your view on these things and research on behavioural economics?

1-017-0000

Christine Lagarde, *President of the European Central Bank*. – Thank you very much for your very pertinent and focused question. We tend, in the mission that I have, to look more at monetary economists and eventually macroeconomists, their writings and their papers than behavioural economists. But, in my previous life, I certainly took an interest in what behavioural economists had to say and I think that it's very relevant for the purpose of what our mission is. Those key authors that you have mentioned are also part of the library of the ECB, and we will be looking at them as well as all the others.

1-018-0000

Derk Jan Eppink (ECR). – Madam President, let me first welcome your attempts to improve communication. Your predecessor failed to do so. He got isolated, got slightly grumpy and in the end, he got compared to Count Dracula. I have to admit that this was by the *Bild* title. Likewise, in my country, the ECB is widely distrusted. People feel like they are being robbed, in particular, pensioners and savers. So a lot of work has to be done, but I am glad about your *capacité d'écoute*.

Madam President, you welcome the Green Deal. Its total cost over 20 years amounts to EUR 11.5 trillion – trillion. An additional transition fund will be leveraged to 1 trillion, so EUR 12.5 trillion in total – a huge amount. How will this be financed – and here we have to look at the coming of the monetary policy review by the ECB – with green quantitative easing (QE) or by introducing green bonds? Can you tell the citizen in Europe who is going to pay these vast amounts and what is the role of the ECB therein?

1-019-0000

Christine Lagarde, *President of the European Central Bank*. – Thank you very much for your question. Yes, the Green Deal advocated by President Ursula von der Leyen is certainly a direction, a project and a mission which I personally welcome and applaud. Now everybody has to do their work where they are and within the mission that has been assigned to them. Clearly, the ECB has a mandate, which is very clear, which has to do with price stability, which relies on a framework, which is very well defined, and which we're going to review as part of our strategy review in 2020.

How the issue of climate change can come into play as part of our strategy review is going to be determined in the next few months. It is critically important to understand how the formation of price – relative prices, inflation expectations, actual cost, consumers' changed behaviour – is relevant for the purpose of identifying some of our measurements and actually relevant for the purpose of price stability.

So, in that respect and where we are with the mission that we have, we will certainly take those imperatives into account and, in the same way, without precipitation because we need to have the truth, we need to have the measurements and we need to be capable of demonstrating the work that we do and the measures that we take.

We can certainly, in the future, look at the collaterals that we take as part of our monetary policies to determine whether or not risks are properly evaluated. The supervision function of the ECB also has to take that into account. So, it is in that respect and within the prism of the ECB's mandate that we can certainly contribute in this overall aim that has been identified by the current Commission under Ms Von der Leyen's leadership as one imperative.

1-020-0000

Δημήτριος Παπαδημούλης (GUE/NGL). – Κυρία Πρόεδρε, κυρία Lagarde σας καλωσορίζω στην επιτροπή μας. Θα ήθελα να σας ρωτήσω δύο-τρία πράγματα. Πρώτον, κάνατε μια αναφορά στην εξάπλωση του κορονοϊού και θα ήθελα να σας ρωτήσω —επειδή δεν αναφέρατε τίποτε ποσοτικό ως πρόβλεψη— ποια είναι σύμφωνα με την Ευρωπαϊκή Κεντρική Τράπεζα η επίπτωση της εξάπλωσης του

κορονοϊού στην εξέλιξη της ευρωπαϊκής ή και της παγκόσμιας οικονομίας; Έχετε κάποια σενάρια και κάποιες εκτιμήσεις γι' αυτό; Θα ήταν πολύ χρήσιμο να μας πείτε.

Η δεύτερη μου ερώτηση αφορά τη χώρα μου, την Ελλάδα. Όπως ασφαλώς γνωρίζετε, και από την προηγούμενη θέση σας ως επικεφαλής του Διεθνούς Νομισματικού Ταμείου, η Ελλάδα βγήκε τον Αύγουστο του 2018 από τα μνημόνια, πέτυχε το 2019 ρυθμούς ανάπτυξης μεγαλύτερους από τον μέσο όρο της ευρωζώνης —και το ίδιο δείχνουν οι προβλέψεις και για το 2020, έχει εξασφαλιστεί μια σημαντική ελάφρυνση του χρέους και η χώρα έχει επανέλθει δυναμικά και με επιτυχία εδώ και κάμποσο καιρό και στην αγορά των ομολόγων. Η ερώτησή μου αφορά μια απόφαση της Κεντρικής Τράπεζας που την περιμένουμε εδώ και καιρό. Το 2015 είχε μπει ένα όριο οκτώ δισεκατομμυρίων στη δυνατότητα των ελληνικών τραπεζών να αγοράζουν ελληνικά ομόλογα. Από τότε μέχρι τώρα η κατάσταση έχει βελτιωθεί σημαντικά και το συνομολογείτε και εσείς. Να περιμένουμε, επομένως, μια θετική είδηση και μια θετική εξέλιξη σχετικά με αυτό;

Και συνεχίζω με την τρίτη μου ερώτηση. Πριν από λίγες ημέρες η επιτροπή μας ζήτησε, με το σχετικό ψήφισμά της που θα συζητήσουμε και στην ολομέλεια την επόμενη εβδομάδα, να ενταχθούν και τα ελληνικά ομόλογα στο πρόγραμμα ποσοτικής χαλάρωσης. Πότε μπορούμε να περιμένουμε σχετικά με αυτό έναν οδικό χάρτη από την πλευρά σας;

1-021-0000

Christine Lagarde, *President of the European Central Bank*. – You referred to more quantitative easing. I just want to alert you to the fact that it was decided in September. There has been nothing more than what was decided in September, and we are in the implementation phase of what was decided then, which is a 20 billion monthly additional asset purchase programme. The impact on the economy and the impact that is intended is actually to act on the long end of the yield curve and to make sure that financing costs are kept at a low level, and I think that it does have an impact, clearly, as other tools that were used and decided upon back in September.

Let's focus on the second part of your question, which is, I guess, more to the point, which is the question of the Greek government bonds, and the question of their eligibility. They are currently not eligible for the new net purchase phase of the Asset Purchase Programme (APP) that, as I said, started back on 1 November, and they were not eligible under the net purchase phase of the APP either in between 2015 and 2018 or for the reinvestment phase of the public sector purchase programme.

If the situation continues to improve as it does – and I think that was mentioned a couple of days ago by my colleague, Vice-President Luis de Guindos, who was in Athens for a conference – and based on the criteria that we apply to all those purchases, I'm fairly confident that Greek bonds will become eligible as well. It's moving up gradually, and I form here every wish that it continues to do so because it will demonstrate that markets assess the situation of the Greek economy as continuing to improve and worthy of improved ratings.

1-022-0000

Lídia Pereira (PPE). – Senhora Lagarde, muito bem-vinda, de novo, a este Parlamento. O seu compromisso com o diálogo próximo e transparente com este Parlamento e, sobretudo, com esta Comissão é um bom ponto de partida para esta nova abordagem de comunicação do Banco Central Europeu. Alguns outros responsáveis políticos pelo euro, designadamente o presidente do Eurogrupo, podiam seguir melhor o seu exemplo.

A manutenção das políticas não convencionais é uma boa notícia para o imediato e a abertura do processo de revisão estratégica da política monetária é uma boa oportunidade para fazermos boas notícias. E, se vamos partir para uma discussão tão profunda como esta, é desejável discutir

mesmo todas as dimensões da atuação do Banco Central Europeu e, portanto, a minha questão, a minha pergunta será relativamente à supervisão.

A crise financeira expôs as fragilidades dos sistemas de supervisão bancária em todo o mundo e a União Europeia respondeu com mais instrumentos, tornou-se mais robusta. A verdade é que ainda hoje surgem escândalos relacionados com falhas ou omissões de supervisores. Quando a realidade pede mais atenção, alguns supervisores e, nomeadamente, bancos centrais continuam a escolher menos intervenção.

Pergunto-lhe, por isso, se está confortável com a atual arquitetura do sistema europeu de supervisão bancária ou se, por outro lado, concorda que o Banco Central deve ser mais incisivo nesta área. Em concreto, como podemos levar os supervisores nacionais a usarem todos os meios disponíveis que têm ao seu alcance para garantir a idoneidade dos administradores, que a idoneidade não é apenas um conceito, mas um valor que se defende, para não haver escândalos, mas, preventivamente, para os evitar.

1-023-0000

Christine Lagarde, *President of the European Central Bank*. – First of all, I think that the European supervision is trying to do the best job it can. Second, as you know, there is a discrepancy that is determined by the threshold that is met or not, and there are banks that are actually covered by European supervision and banks that are much more covered by their national supervision. I remember discussions with Madame Nouy, who was the previous head of the Single Resolution Board (SRB), who was really complaining about the fact that there were sometimes so many interpretations for the same provision. I agree with you that tools and the entire toolbox should be used as much as possible in order to anticipate and prevent multiple interpretations and the thresholds that exist between the various banks belonging to the euro area banking system.

I also believe that, in the area of anti-money laundering (AML) and combating the financing of terrorism (CFT), there could also be more and better harmonisation, and that a regulation rather than a directive would actually be extremely helpful in that respect. Supervision spans from the actual supervision and compliance with the various macro prudential requirements and regulatory requirements, but it also goes to the areas of AML/CFT which I'm personally quite concerned about, and where Europe can have more autonomy than it does at the moment.

1-024-0000

Evelyn Regner (S&D). – Climate change is the greatest challenge of our time, and every public authority and every branch of government should contribute as much as possible to make our economies climate neutral over the next decades. The ECB is obliged by Article 127 of the Treaty to support the Union's objectives that work without prejudice to price stability, so there are many ways in which the ECB could contribute to the objective of climate neutrality. The Commission estimated that we will need EUR 260 billion every year over the next decades to fight climate change effectively. Is the ECB willing to contribute to mobilise these funds?

Professor Wieland suggested to the European Parliament in December that the ECB could consider loaning a large amount of funds to the European Investment Bank at the same potentially negative rates that it currently provides to banks under its targeted long-term refinancing operations scheme, in return for delivery of an agreed large programme of public infrastructure and green energy investments across the euro area. Would the ECB be willing to do so?

1-025-0000

Christine Lagarde, *President of the European Central Bank*. – That's a great question, because it helps me clarify what we can do and what we can't do.

First of all, the EIB is an agency and as such it is not a body to which we can actually lend directly without being at risk of breaching the Treaty. That's number one.

For similar reasons we could not possibly buy EIB bonds on the primary market. So whether it's through loans or through the purchasing of bonds, it's not something that we can do under the Treaty. Buying on the secondary market is something that we can do, that we have done and to the extent that the EIB grows in volumes, in issuance, in dissemination of its financial products, of course we will be very attentive to be one of the purchasers, on the secondary market, of those bonds. So that's where we can actually have an impact.

You also give me a chance to clarify one thing that I thought I had just mentioned, but I will use your question to clarify that yet again. You mentioned how the ECB must support the economic objectives which includes various items, including environmental sustainability. That's where we support. We are not in a policy-making role in that respect and it comes, you know, sort of subject to, or without prejudice to, the primary objective of price stability.

What I suggested, and what I believe, is that within the primary objective, environmental sustainability has an impact and should be factored in, because it has an impact on prices and relative prices, on consumption, on risks anticipated by consumers and by companies and because it forms this aggregate of elements that we have to take into account when we contribute, by our monetary policy, to price stability, which is our key mandate.

So that's a different angle through which environmental sustainability can be channelled, and should be channelled, if we want to assess prices and determine inflation properly.

1-026-0000

José Manuel García-Margallo y Marfil (PPE). – Señora presidenta, bienvenida al Parlamento, señora Lagarde, yo voy a moverme en consideraciones ciertamente generales, pero que me parecen importantes. De los documentos que se nos han entregado se deduce que no faltan motivos de preocupación: riesgos geopolíticos. Es verdad que la firma de la primera fase del acuerdo entre los Estados Unidos y China ha sido un cierto alivio, pero ha dejado muchas cuestiones abiertas y un motivo de preocupación. El aumento de las importaciones americanas en 200 000 millones reducirá las compras a Europa.

En segundo lugar, por lo que respecta al *Brexit* las noticias tampoco son demasiado buenas. Lo único que sabemos es que el nuevo primer ministro británico desecha cualquier escenario que no sea un simple acuerdo de libre comercio según el modelo canadiense, desechando un vínculo más estrecho con Europa, y en Oriente Medio, aunque parezca que se ha controlado, la situación en Irán sigue siendo preocupante.

No voy a insistir en los riesgos del mercado de la vivienda, que los españoles conocemos muy bien. Sí quiero decir que, ante estas condiciones, parece que estamos en un escenario de desaceleración a la japonesa, es decir, un largo periodo de crecimiento bajo, inflación baja y tipos de interés bajos, pero manteniendo un nivel de desempleo que en algunos países, como el mío, es claramente intolerable.

Algunos expertos dicen que lo que hay que hacer es adoptar medidas fiscales o presupuestarias. Pero esto es muy limitado, por el volumen de la deuda pública y porque los nuevos riesgos, la digitalización y la lucha contra el cambio climático van a exigir dos cosas: inversiones y compensación a los sectores productivos. Por tanto, poquísima esperanza en ese tema.

Si eso es así, ¿cuál va a ser la política del Banco Central Europeo a medio y largo plazo en este contexto de desaceleración constatada ya y que amenaza con ser más importante en el tiempo que viene?

1-027-0000

Christine Lagarde, *President of the European Central Bank*. – You are right in that downside risks are multiple and, when some of them phase out, new risks come up. This is a factor of how our global economy evolves. I agree with you that the trading-related risk associated with the trade war between the US and China has faded and abated, but now we clearly have the news from China on the coronavirus and we are still very uncertain about the outcome that it will have on the Chinese economy and, more globally, on our world economy. So, again on this one, we need to be cautious, attentive and patient. These pandemics have a tendency to impact and then, once they are contained, the economy bounces back so we have to look at the impact on the way down, but also on the way up. This was clearly what happened with SARS a few years back. We need to see how this one evolves, how closely related in terms of timing contamination it is, and how it's propagated elsewhere.

On what you have described, the sort of low inflation, low interest environment – and low productivity as well – this is a concern. The reason we have our monetary policy as it is and packaged as it is, is precisely to try to address those issues. I would not, however, compare the current situation of the euro area to Japan whatsoever. Japan had a period of deflation that lasted for decades. Inflation expectations, which are so important, are much lower than the inflation expectations of euro area citizens, which still stands at around 1.7% in our region. So we are talking about a very different situation, where real interest, deflated from inflation in Japan, is much higher than what we have here in the euro area.

So I wouldn't be too negative or too downbeat about the current macroeconomic situation. We have seen signs of stabilisation. The forward output survey, even in manufacturing, is relatively positive and has been for the last five months. There are a few signs that are on the positive side. As I said, we need to support it, be patient on that front, and continue to support the economy by keeping financing costs at a low level.

1-028-0000

Engin Eroglu (Renew). – Frau Vorsitzende, sehr geehrte Frau Lagarde! Ich freue mich sehr, dass Sie wieder in unserem Ausschuss sind und wir so regelmäßig im Gespräch sein können. Es ist so, dass ich gerne mit Ihnen ein bisschen mehr über die EZB sprechen möchte und mich auch wirklich darüber freue, dass Sie die EZB mehr in den Fokus der Bürger bringen möchten, ich will mal sagen, ein bisschen mehr Werbung für die EZB machen möchten. Da ist meine Hoffnung natürlich, dass der Bürger ein bisschen mehr Verständnis für Geldpolitik bekommt und in der Zukunft vielleicht bei seiner Wahlentscheidung auch darauf schaut, Politiker zu wählen, die sich im Bereich der Wirtschaft und Währung auskennen.

In diesem Zusammenhang möchte ich mit Ihnen über die Bilanzsumme der EZB sprechen, Frau Lagarde. Die ist inzwischen bei 4,5 Billionen Euro angekommen, und wir haben so seit 2015 einen expansiven Ausbau der Bilanzsumme gehabt. Da haben wir angefangen mit Ankäufen in Höhe von 720 Milliarden, 2016 dann von 960 Milliarden und so weiter, bis dann 2018 die EZB aufgehört hat, Anleihen und Staatsanleihen zu kaufen, und dann im November 2019 wieder begonnen hat, monatlich Anleihen in Höhe von 20 Milliarden zu kaufen. Das heißt, die Bilanzsumme der EZB wird ständig größer. Damit wird die EZB immer wichtiger und füllt dadurch eine immer stärkere Rolle in der Europäischen Währungsunion aus. Auch Sie persönlich werden dadurch immer wichtiger, denn Sie haben ja ein langes Mandat in der Europäischen Union. Und jetzt stellt sich die Frage: Wo geht es hin? Dadurch, dass die Ankäufe so massiv sind, ist natürlich auch die Refinanzierung für die handelnden Banken im Markt schwieriger geworden.

Denn wenn ein *big player* da ist, der viel rauskauft, können die Staaten natürlich sozusagen den Zinssatz ja so gestalten, dass sie davon profitieren.

Nun ist es so, dass durch diese massive Geldpolitik ... wenn wir da jetzt reinschauen, dass wir sehen, dass manche Staaten jetzt diese Chance genutzt haben. Da bin ich bei Ihnen. Also es gibt da sehr viel Sonne, dass viele das genutzt haben, um ihren Staat umzubauen. Aber es gibt auch Staaten, die das halt nicht nutzen, um ihre Politik umzubauen, und diese Niedrigzinspolitik nicht nutzen. Was wollen Sie dagegen tun, dass diese Staaten das machen?

1-029-0000

Christine Lagarde, *President of the European Central Bank*. – Our mandate, I will repeat it *ad nauseam* and I'm very firm on this, is to pursue price stability, and our monetary policy in all its components is designed to reach this mandate.

So with that in mind, the design of asset purchase programmes and collateralised refinancing operations takes into account two things; how effective it is, and second, how risky it is. We clearly have to take the risk component in into account, with a risk control framework whereby risks are mitigated, very closely monitored.

As regards our asset purchases, we have limited the credit risk by purchasing only assets with sufficient credit quality, by setting limits to the amount that we purchase from each issuer and issuance and by ensuring diversification. It's one of the questions that your Greek colleague was asking: when are the Greek bonds going to be eligible? Well, because we do manage risk and because we have to keep that portfolio safe and solid, we do that in a very cautious way, and we monitor that on a very regular basis.

So that's on the risk side of things. On the efficiency of it, I said earlier but I'm happy to repeat, the price stability objective that we pursue is also intended to sustain the economy, to help the creation of jobs, to help additional growth, to support investment. One of the reasons why for the financing of investment – whether it is by companies when they buy new equipment, new machine tools, or whether it is households when they change apartment, or buy their first apartment – the financing cost is so low and has been lower over the course of the last five years is because of monetary policy. In that sense, it has helped a lot.

1-030-0000

Gunnar Beck (ID). – Frau Präsidentin! Im September vergangenen Jahres waren wir uns einig in unserer Einschätzung, dass sich die EZB unter Ihrem Vorgänger eigentlich kaum an den Wortlaut der Verträge hielt. Dabei versicherten Sie nun dem Ausschuss, dass die EZB auch künftig vertragliche Transgressionen im öffentlichen Interesse nicht unbedingt scheuen werde. Andererseits jedoch halten Sie am EZB-Inflationsziel von asymptotisch zwei Prozent fest, obgleich es in den Verträgen dafür keine eigentliche Rechtsgrundlage gibt.

Dieser scheinbare Widerspruch könnte nun so gedeutet werden, dass die EZB selbst gesetzte Ziele wie zwei Prozent Inflation für verbindlicher hielte als vertragliche Vorgaben. Meine Frage dazu: Wenn ja, wieso? Wenn nein, gibt es vertragliche Vorgaben im Vertragskapitel der Verträge zur Geldpolitik, die die EZB für ähnlich sakrosankt hält wie Draghis Umdeutung des Ziels der Preisstabilität in zwei Prozent Inflation?

Nun zu meiner zweiten Frage: Gemessen am Bruttosozialprodukt ihres Währungsgebietes hat die Bank of England ca. 15 % Geld gedruckt, die Fed gut 25 % und die EZB jedoch über 40 % des Euro-BSPs, Tendenz rapide steigend. Geben Sie mir bitte ein historisches Beispiel dafür, dass enthemmtes Gelddrucken langfristig Wachstum und wirtschaftlichen Erfolg begründet.

1-031-0000

Christine Lagarde, *President of the European Central Bank*. – I'd like to clarify two things.

First of all, all the instruments that have been used by the ECB have been taken within the boundaries of its mandate, in life before mine as head of the ECB. This has been confirmed by the Court of Justice of the European Union in relation to the announcement of the OMT instrument, which was never effectively implemented and used, and more recently the public sector purchase programme, the PSPP, which is a component of the asset purchase programme.

The Court has also reasserted their proportionality in relation to the specific objectives of the ECB's monetary policy. Purchases of government bonds under the PSPP are also compatible with the prohibition of monetary financing, which is laid down in Article 123 of the Treaty.

So those are the sort of legal parameters and Court decisions within which the monetary policy instruments have been used and those decisions are binding and their terms very carefully scrutinised by all those who are interested. That's point number one.

Point number 2. You referred to the 2% target and that was mentioned earlier, so I just want to clarify one thing. Price stability in 1998 was at the time defined and explained – and the framework within which it would be measured was determined – as 'below 2%'. That was the 1998 initial determination and you were talking of times when we had massive inflation compared with what we have today. So that was the sort of background for that.

In 2003, that framework was reviewed under a relatively short strategy review and it was then redefined, because from zero, or maybe below zero, to 2% is a large margin. So in order to guide expectations and in order to allow for that space for policy purposes, it was defined as 'close to, but below 2%', because you've observed what other central banks do around the world, which is different from what others do – whether it's the Bank of England, whether it is the FED, it's much more closely defined as 2% and it's currently under review at the FED level.

So those were two clarifications that I wanted to point out to you to indicate within which parameters we operate and what is currently the framework. It is that framework that we are going to review as part of our monetary policy strategy.

With that, clearly, we operate within our mandate under the Treaty with due regard to the case law that has been decided that is binding upon us. I'm a lawyer by background. I follow the rules. But we have to explore all corners of those rules, in accordance with the rules and in accordance with Court decisions.

1-032-0000

Pedro Silva Pereira (S&D). – Ms Lagarde, let me congratulate you on conducting such an important strategy review in the ECB – as you said, in line with the mandate of the ECB and consistent with the launch of the new European Green Deal. But I want to congratulate you as well on what you haven't changed – the support given by monetary policy to economic growth. My questions are, however, on fiscal policy.

You said in your initial intervention that in the current situation of modest growth performance and modest momentum that 'not only monetary policy, but also fiscal policy, has an important role to play'. This is not, of course, a new request from the European Central Bank, so I would like to ask you how do you assess the response of fiscal policy in the eurozone? How would you assess as well the macroeconomic consequences of a failure from fiscal policy to do what is needed in order to support economic growth?

Secondly, we know that your message is particularly designed for those who have room for manoeuvre in terms of fiscal space. Is this a message only for Germany and the Netherlands, or would you say that some other countries still have, or now have, room for manoeuvre to do more in terms of fiscal policy?

1-033-0000

Christine Lagarde, *President of the European Central Bank*. – I was trying to think of a sport analogy to describe for you how we believe that fiscal policy, appropriately calibrated, can actually enhance monetary policy. I was hesitating between the parallel track and handing-over the baton, but actually it's something in between because, if they can operate in good synchronisation, they actually help each other. This is certainly the case when fiscal policymakers operate in an environment where financing costs are so low.

So we have said, and we have indicated clearly, that where there is fiscal space it would be appropriate for policymakers to actually use that fiscal space in order to support the euro area economy. I'm not going to indicate which exactly of those countries in the euro area have the fiscal space. I would simply observe that some of those countries that have fiscal space have now embarked upon using some of that fiscal space, now and in the near future, in order to actually support the economy, improve productivity, and invest in capacities that are needed. That is certainly welcome from our perspective, as the ECB, because contributing to raising productivity and investing in those long-term imperatives that are education, proper broadband and artificial intelligence, all the tools of the new environment that will make our European economies stronger and more autonomous, is clearly in everybody's interest.

1-034-0000

Damien Carême (Verts/ALE). – Madame Lagarde, je vous avais interrogée lors de votre audition avant votre prise de fonction sur la relation avec les citoyens que vous vouliez mettre en œuvre. Et je suis heureux d'apprendre ce matin que vous y attelez.

Vous voulez interroger l'opinion publique, interroger les citoyens sur l'inflation, sur le travail, sur le logement, pour reprendre vos thématiques de tout à l'heure. Mais je pense qu'il faut d'ores et déjà entendre les millions de citoyens européens qui sont dans la rue pour demander qu'on sauve le climat, et aussi le PDG d'une grande assurance française qui dit que bientôt le monde ne sera plus assurable tant les dégâts seront importants – ces dégâts du changement climatique, mais aussi sur l'économie.

Donc la BCE a toujours affirmé qu'elle suit le principe de neutralité du marché lors de la sélection des actifs dans le cadre du programme d'achat d'actifs du secteur des entreprises. Comptez-vous utiliser la révision actuelle du cadre de la politique monétaire pour revoir également ce principe, étant donné que son application a en réalité conduit au résultat, tout sauf neutre, d'un portefeuille d'actifs disproportionnellement pro-carbone et donc fortement générateurs de ce risque climatique?

La question est donc de savoir comment la BCE, notamment à travers sa supervision, peut contribuer à une économie durable et à la lutte contre le changement climatique – car c'est fondamental? Pensez-vous que la BCE devrait en faire l'une de ses priorités de recherche?

1-035-0000

Christine Lagarde, *présidente de la Banque centrale européenne*. – La réponse est oui. Le premier point est celui que j'ai abordé tout à l'heure avec M^{me} Regner, c'est celui de l'impact qu'ont les questions d'environnement en général sur l'objectif de stabilité des prix, et de la manière dont cela peut être le mieux pris en compte.

Aujourd'hui, les chiffres ne sont peut-être pas absolument parfaits, mais si on regarde les 77 000 études économiques et travaux publiés en général, si vous faites les proportions, il y a à peine un petit 0,1 % qui porte directement sur les questions économiques liées au changement climatique.

Donc il est très clair qu'en matière de recherche, il faut absolument plus travailler sur la relation entre changement climatique et inflation, changement climatique et prix, changement climatique et productivité – tous ces éléments qui sont pertinents au regard du mandat que nous avons. Donc cela, c'est la dimension de recherche et l'impact que ces travaux auront sur l'objectif de stabilité des prix, qui est notre mandat.

Deuxièmement, il y a un certain nombre de fonds sur lesquels on peut, sans remettre en cause le principe même de neutralité qu'on évoquait tout à l'heure, parfaitement agir – je pense en particulier aux fonds de retraite, je pense aussi aux fonds propres de la Banque centrale européenne, et sur ces deux aspects, sur les investissements du fonds de retraite, il y a déjà des actions qui ont été prises et des missions qui ont été données aux gérants de ces portefeuilles d'agir en ce sens – on examine actuellement la manière dont on peut remplacer les indices par des indices *carbon neutral* à minima; sur les réserves, on examine là aussi de quelle manière on peut prendre en compte la dimension de lutte contre le changement climatique.

Sur la politique monétaire proprement dite, sur l'ensemble du portefeuille, pour faire simple, il y a environ 80 % du portefeuille qui est en *sovereign bonds* – donc là, il n'y a pas beaucoup d'impact – et 20 % qui correspond à des achats d'actifs *corporate* – et là, c'est vrai, c'est le principe de neutralité qui est observé.

Je pense qu'il faut qu'on regarde. Il y a différentes opinions, je le sais, dans d'autres banques, notamment centrales, et au sein du conseil des gouverneurs, mais ça ne doit pas nous empêcher de regarder. Et puis, il y a tout l'aspect de nantissement sur créances: parce que tout le portefeuille des collatéraux, en particulier de la Banque centrale européenne aujourd'hui, est géré – comme je l'indiquais à Monsieur tout à l'heure – avec une mesure du risque extrêmement attentive et extrêmement mesurée pour permettre de protéger ce portefeuille contre les risques. Mais les risques liés au changement climatique ne sont pas spécialement pris en compte.

Donc cela va nécessiter probablement un temps de maturation des critères d'appréciation, des indices qui vont être utilisés pour ce faire – il y en a plusieurs déjà qui commencent à émerger. Il faudra voir de quelle manière on peut les consolider, mais je pense qu'avec l'aide, en particulier de certaines banques centrales nationales qui avancent déjà sur ce sujet-là, j'espère qu'on sera en mesure d'agir pour bien prendre en compte les risques. Là on est plus dans une politique de stabilité des prix, on est dans une politique de gestion du risque.

1-036-0000

Frances Fitzgerald (PPE). – Welcome back, Madame Lagarde, to the ECON Committee. I want to welcome the consultations that you're going to have in Member States, and your comments on housing because I think they will form quite a priority consultation given what our citizens are experiencing.

We're now in the post-Brexit situation, and trying to finalise the trade talks over a short period. I wanted to ask you, how do you feel the banks in the eurozone are prepared to deal with Brexit, particularly in a no-deal scenario?

Secondly, how important do you think it is that we have close regulatory cooperation or alignment with the UK on financial services post Brexit?

The other question I wanted to ask you related to the issuer limit in the quantitative easing programme of 33%. The ECB holds a significant portion of the bonds and issuance in some Member States, such as Ireland, Portugal and Germany and is close to reaching the issuer limit in these countries. How can you ensure, how can the ECB ensure, that these countries are not disproportionately affected by the 33% issuer limit and that the ECB is buying what is justified by their capital key? Have you considered increasing the 33% issuer limit in the quantitative easing programme, or could I ask you, are there circumstances that you can see rising where you might consider removing that limit or changing it, perhaps some adverse circumstances, either an individual country or across the euro area?

1-037-0000

Christine Lagarde, *President of the European Central Bank*. – First of all, on the post-Brexit situation, I just want to mention to you the fact that we at the ECB are prepared. We have taken actions and precautions and we certainly have with the Bank of England the appropriate swap arrangements so that currencies in both euros and sterling will be available and will not contribute to a situation of volatility or disruption.

The banks themselves have been reminded over and over in all corners of the euro area to anticipate, to take their precautions and to be prepared for what might be, in December, the settlement of a relationship that will affect trade predominantly, because the financial regulatory issues and the banking issues are separate from the trade negotiations that are happening at the moment. We are in a way lucky that Basel III is a harmonising platform on which banks are regulated, according to which they are supervised, and we very much hope that Brexit will not be an opportunity for a race to the bottom and that the regulatory environment created by Basel III in particular, will be respected to the letter and in spirit as well between the parties.

The close relationship that had been built over the course of time will be different, let's face it. As the UK has decided for Brexit, it clearly cannot be the same relationship, it cannot be business as usual. Equally, I believe that because of the intelligence, because of the information, because of access, I very much hope that we can continue to have a good – arm's length – but good and solid and deep relationship, because I think it is in the interest of the euro area to maintain that relationship.

On the issue of quantitative limit, clearly we have to respect proportionality, we have to respect limits and keys as they apply and as they are resulting from principles that have been approved. I really don't want to think of circumstances where we would have to anticipate or examine whether or not limits have to be exceeded, but I would say *que será será* and we have to face any circumstances and deliver on the mandate that we have under those circumstances, so I don't want to put myself in that particular moment at this point in time. I hope that our policy will be so efficient and the fiscal authorities will be so receptive as well that we will by all means avoid such a situation.

1-038-0000

Johan Van Overtveldt (ECR). – I would like to thank Ms Lagarde for being here. I have a statement and a question for you and, of course, I would like you to comment on both.

The statement I would like to make is based on statements by two of your colleagues, Mr Panetta and Mr Mersch. Mr Panetta said here in the European Parliament during his hearing in December: 'the ECB has key responsibilities regarding financial stability, not least because financial stability is a precondition to price stability.' Mr Mersch recently in a speech in Luxembourg said the following: 'the increase in asset and housing prices is excessive and results from the exceptionally long period of extremely accommodative monetary policy.' Now if I combine those two statements, there's an ironic logic in it. The accommodative or extremely accommodative

monetary policy leads to elevated asset prices, which threaten financial stability, which in turn is a threat to price stability, so what they are saying basically is that the ECB is derailing at the moment with respect to its prime objective of price stability.

That's the statement I would like you to comment on, and then the question has to do with your remarks on higher productivity which are, of course, very true and very right to say. But isn't the ECB contributing to having capital and labour stuck in lower productivity entities with a kind of natural survival of lower productivity entities within the economy 'thanks' to the policies of the ECB.

1-039-0000

Christine Lagarde, *President of the European Central Bank*. – We have to be attentive to financial stability, and we are. We look at all components of the economic and financial landscape within which our primary mandate is again price stability, not financial stability. But it's clearly an area that we have to watch and the interconnections between the two are, as you know, the subject of huge scrutiny and review by academics and by policy-makers as well. We do not currently see evidence of misalignment across asset classes in the euro area beyond the easing of financial conditions intended by the ECB's measures – I say in the euro area.

We don't see strong signs of housing bubbles forming in the euro area as a whole. There are residential real estate prices that in some urban centres are increasing significantly and where, clearly, micro or localised measures could certainly be considered by the local authorities. When supply is short, financing conditions are favourable. When demand is high, clearly you have price increases that need to be addressed and the supply side needs to be addressed.

There was a European Systemic Risk Board (ESRB) warning, if you remember, that was issued in September 2019 on that very specific point so we are attentive to those risks and we are clearly warning, at the level of the ESRB. Is that threatening housing affordability in some corners? Possibly, which is why the supply side has to be addressed by the authorities. But for the moment – and I've expressed my views many times over on this particular point – the monetary policy that we have in place is clearly intended to maintain that price stability, to reach the level where we regard our objective as satisfied, to sustain growth and the creation of jobs, and to encourage investment.

That takes me to your second question, which has to do with the contribution of the ECB to low productivity through the financing costs that would actually make the life of those unproductive companies easy. It is the concept of the zombie firms whose life would be facilitated by low-cost financing. Again, we don't see any evidence of that. What we need to do is to make financing available and encourage the financing of investment by all the people – households – and all companies. We can't distinguish between a company that is not doing well and a company that is doing well. It's not for us to do that. We have to make the financing available.

I would call your attention to one study that was conducted recently in Denmark, where negative rates have been negative for much longer than in the euro area, which concluded with the fact – and they did an empirical study – that financing was not a major contributor to the formation or the increase of zombie firms.

1-040-0000

Eero Heinäluoma (S&D). – Madame Lagarde, I would also like to welcome your announcements to improve the ECB communication efforts. However, a strong and effective ECB communication policy should, of course, go beyond only explaining monetary decisions. One of the important things is that the ECB ought also to inform the public about the risks facing the eurozone and our financial markets.

I have here a small quote from Danièle Nouy, previous Chair of the ECB Supervisory Board. She said, some time ago, that one of the key risks for the euro area banking system is conduct risk, which includes money laundering. I have to say that I fully agree with this because money laundering, which you have already mentioned, is something which is totally unacceptable and is still present in our eurozone financial markets. At the same time, we have to acknowledge that perhaps the ECB also got some bad publicity during the recent AML scandals. The Single Supervisory Mechanism Regulation is clear that the ECB should cooperate with the national competent authorities in the fight against money laundering.

I have two questions for you. The first one is: could the ECB do more in tackling the problem of money laundering? The second one is, since you have great experience from your years as Head of the IMF and you know the US system very well: are we too soft on financial crimes in the European Union? Could we take some examples of what has been learned from US experiences?

1-041-0000

Christine Lagarde, *President of the European Central Bank*. – Clearly, anti-money laundering and combating the financing of terrorism (AML/CFT) are key components in order to maintain the integrity of banking and financial systems in general, and the current supervisory fragmentation and differences in supervisory practices in the AML/CFT fields can severely undermine the stability of European banks, and thereby the ECB's supervisory effectiveness, particularly in cross-border capital. So for this reason, the ECB within the remit of its supervisory functions takes the prudential implications of money laundering risks very seriously. But it is not the ECB that is responsible for enforcing legislation or prevention of the use of the financial system for the purpose of money laundering and terrorist financing.

The legislative steps taken so far to enhance the European AML/CFT framework will in our view not be enough to effectively prevent money laundering and terrorist financing in the banking sector, and further steps are necessary to improve the effectiveness of the AML/CFT framework, in particular for those cross-border activities. So we very much welcome the ongoing discussion that is taking place, and we stand ready to support that.

Let me just suggest two things which in my view would contribute to reinforcing the fight against money laundering and the financing of terrorism and would strengthen the autonomy of Europe in that respect and hopefully would be more effective. Number one, in terms of the legal basis on which to ground action, I don't think a European directive is the right response. A European regulation would be the right response because the transposition then and the multiple variety of transpositions that I'm sure Madame Nouy was referring to, would not happen, or not in the same way. Second, there should be more coordination between the various authorities in charge of enforcing AML/CFT in their national jurisdiction and there should be a better instance, agency, whatever it is, that actually coordinates and has enforcing power at a certain level. The ECB does not have that authority, it does not have that enforcing capacity, and it's something clearly lacking.

1-042-0000

Danuta Maria Hübner (PPE). – Madame Lagarde, it has been a pleasure listening to you. I would like to ask you about the international role of the euro because, as you know, for two decades we have basically been leaving this issue to market forces. It has put us second in the ranking of important global currencies, but we are very far behind the first currency. Two years ago, Jean-Claude Juncker also put the issue of strengthening the role of the euro in the global context on the political agenda and the Commission issued two communications, where I think they made a strong case for strengthening the role of the euro.

So my question to you is whether you still think that it should be left to market forces or is there space for supportive policies and reforms that could bring it? Also, remembering that you are not only a monetary policy, but are also a payment system, institution, could the ECB also be part of this exercise?

1-043-0000

Christine Lagarde, *President of the European Central Bank*. – I don't know if it's the last question, but it's one on which I would like to spend just a little bit of time because I think it's critically important.

The euro is one of the key international currencies that are regarded as internationally tradable and it is, as you said, ranked second, way behind the dollar. It has increased in proportion in the basket of currencies that are determined to value the special drawing rights and it has increased in the proportion of reserve held by central banks around the world, up to a point where it has stabilised and slightly declined. So it's roughly stable, but it's second, way behind the dollar.

Being a leading international currency gives you responsibilities. It gives you benefits as well, and we can go through the list of them, but it certainly contributes to the autonomy and the strength of the nation or the region from which it is issued. In that respect, I would like to mention three areas where we need to continue making progress and where your role is key if we want to get to that stage where the euro is regarded as one of the two lead currencies on the international scene.

One is that we will not have an international euro, so to speak, at that level unless there is a deep and liquid capital market. If you look at history – and I gave a speech yesterday on that topic so I'm very keen on that – one of the factors that helped the dollar remove sterling from its leading position – one of the factors, not the only one, but a major contributing factor – was the depth and the liquidity of its capital market. You call it CMU. The capital markets union has to happen fast, particularly with what is happening on the European scene and the departure of the United Kingdom. I think if that is not a triggering factor to engage all of us into forming the capital markets union, I don't know what else we need.

So that's number one. Number two is that you are completely right to refer to payment systems. We need to have fluid, instant, efficient payment systems within the euro area, and we are heading in that direction. The Target Instant Payments System (TIPS) that allows for access by banks to central bank liquidity is in place. It works well and it needs to be adopted on a much broader basis. We need to have a retail payment system that is working better, that is smooth, and that is made here.

That's the second dimension. The third dimension, which I would also mention and which I think is key, is the ability that we have to fight against cyber-risks. In a way it's part of the payment system architecture but it goes beyond that, and clearly on those three particular chapters – capital markets union, payment system and ability to defeat cyber-attacks – we need to be strong if we want the euro to be that international currency of reference.

1-044-0000

Chair. – Before giving the floor to the last speaker, just let me say that these are two issues that are very close to the heart of this committee. As a matter of fact we have requested two own-initiative reports on the capital markets union and on the international role of the euro. Of course they are still subject to the authorisation of the Conference of Presidents, but we all hope it will go well because we are all aware of the importance of these topics and I am glad we had a chance to discuss them with you.

Gilles Boyer is the last speaker, and then I am afraid we will not have time for catch-the-eye because we also have voting afterwards.

1-045-0000

Gilles Boyer (Renew). – Merci d’être là et de nous accueillir à Francfort lundi, où nous viendrons avec intérêt.

Je voulais vous remercier d’avoir fait de la communication une de vos priorités. Je vous rassure, la BCE n’est pas la seule institution européenne qui doit relever ce défi. Cela dit, je vous remercie de l’avoir pris à cœur. Nous avons affaire à des sujets techniques et complexes, et moi-même, il me faudrait bien plus que deux oreilles pour en saisir toutes les dimensions.

Il est bien difficile de simplifier des choses complexes, surtout, comme cela arrive parfois ici, on a pris plutôt l’habitude de faire l’inverse. Je voudrais évoquer avec vous les taux d’intérêt négatifs, mais en des termes plus modérés que ceux dans lesquels ils ont été évoqués avant moi.

Nous sommes nombreux ici à approuver cette politique, qui est selon nous adaptée aux circonstances et conforme au mandat qui vous a été donné. Il n’en reste pas moins que le fait d’être payé pour emprunter de l’argent reste quelque chose d’intellectuellement difficilement concevable, difficilement explicable en simple bon sens citoyen et sans rentrer dans la technique.

Je me pose deux questions, en tant que parlementaire, mais aussi en tant que citoyen et en tant que contribuable, sur les conséquences possibles de cette politique. D’abord, elle permet évidemment un accès accru au crédit pour les particuliers, donc c’est évidemment un point positif. Cela dit, je me demande comment les banques résisteraient à une montée des taux après avoir accordé des centaines de milliers de prêts immobiliers pour des durées très longues, à des taux fixes, très faibles. Autrement dit, est-ce qu’on ne court pas un risque un peu systémique pour le secteur bancaire en cas de remontée des taux?

Ensuite, les taux très bas ont pour effet d’inciter les épargnants qui ne sont pas toujours avertis à investir sur des supports plus risqués pour tenter de préserver la rentabilité de leur épargne; c’est évidemment un risque supplémentaire. L’argent coûte moins cher, mais l’exigence de rentabilité n’a pas diminué et, là aussi, j’aimerais savoir quelle réaction cela vous inspire, si des mouvements de masse vers des supports plus risqués pouvaient avoir des conséquences difficiles. N’y voyez que des questions bienveillantes et des interrogations d’un député qui cherche à comprendre pour pouvoir expliquer.

1-046-0000

Christine Lagarde, présidente de la Banque centrale européenne. – Je vais essayer de répondre à vos interrogations et je vous remercie de constater que les décisions de politique monétaire qui ont été prises jusqu’à maintenant l’ont été de manière à la fois légitime et nécessaire pour soutenir les prix et pour parvenir à cet objectif de stabilité des prix défini dans le mandat.

Je vais commencer par le premier risque que vous identifiez, c’est-à-dire le risque que des ménages, en particulier, aient recours de manière excessive au crédit, de telle sorte qu’ils soient ensuite exposés à un risque de remontée des taux. C’est un risque qui existe, et c’est un risque à l’égard duquel deux mesures sont prises ou peuvent être prises.

Tout d’abord, on a les mesures macro et micro-prudentielles, c’est-à-dire les limites. Un certain nombre de ratios sont utilisés, comme le montant du prêt par rapport à la capacité de remboursement ou le montant du prêt par rapport au total du coût de l’acquisition. Bref, plusieurs ratios existent dans ce domaine et peuvent être utilisés. Certaines banques centrales nationales, dont je crois d’ailleurs la Banque de France, et le ministère des finances ont rappelé qu’il fallait les

mettre en oeuvre, notamment en matière de durée des prêts parce que l'on constate aussi un allongement des maturités, qui constitue un risque supplémentaire aussi pour les familles qui ont recours à des crédits à taux bas et sur de très longs termes. Voilà donc pour les mesures macro et micro-prudentielles.

Deuxièmement, j'ai parlé tout à l'heure de la patience nécessaire. Nous espérons que la situation macroéconomique va non seulement se stabiliser, mais même s'améliorer graduellement et que la politique monétaire qui a été mise en œuvre, soutenue, nous l'espérons, par une bonne politique fiscale, permettra d'observer une remontée de l'activité, une augmentation du taux de l'inflation et nous permettra donc de revenir vers une politique monétaire qui sera de nature peut-être plus conventionnelle à terme.

Il est évident que, dans ce contexte-là, il faudra se hâter lentement, comme aurait dit l'autre, et qu'il n'est pas question d'évoluer brutalement pour les raisons que vous avez évoquées de risques dans lesquels se trouveraient à la fois des ménages, des entreprises, le secteur bancaire en général et nos économies. Donc, la prudence devra être de mise lorsque la situation s'améliorera.

Je voulais par ailleurs évoquer un troisième élément, que nous avons mis en œuvre dès le mois de septembre (je ne sais pas très bien comment traduire en français), c'est le *two tier system*, qui fait que les taux négatifs n'affectent pas les banques, dès lors qu'elles restent dans des limites de réserves raisonnables qu'on a fixées à six fois le montant des réserves légales.

La quête du rendement est le risque qui est pris parfois par un certain nombre d'autres institutions, et elle doit être anticipée par ces institutions. Ce n'est pas à la Banque centrale de prendre des mesures de politique monétaire à cet effet particulier, mais clairement, dans les politiques d'investissement, dans les politiques de *hedging*, dans les politiques de diversification de portefeuille et dans la définition même des stratégies de développement de ces institutions, l'environnement financier dans lequel elles opèrent doit être pris en compte pour anticiper les risques éventuels.

Mais à nouveau, je crois qu'il faudra garder prudence et avancer lentement, dans l'espoir, en tout cas, que la situation macroéconomique s'améliore de manière significative.

1-047-0000

Chair. – The hearing is closed. I thank Ms Lagarde again for being here and for answering all our questions.

(The meeting closed at 11.09)