

## COMMISSION ÉCONOMIQUE ET MONÉTAIRE

### DIALOGUE MONÉTAIRE AVEC M. JEAN-CLAUDE TRICHET, PRÉSIDENT DE LA BCE (conformément à l'article 113, paragraphe 3, du traité CE)

BRUXELLES, MERCREDI 10 SEPTEMBRE 2008

3-003

#### PRÉSIDENTE DE MME PERVENCHE BERÈS

*(La réunion est ouverte à 09h10)*

3-004

**La Présidente.** – Monsieur le Président, merci d'être parmi nous. Je vous propose d'ouvrir cette réunion de la commission économique et monétaire qui, ce matin, aura un vrai dialogue économique et monétaire puisque Jean-Claude Juncker vous succédera à cette place dans quelque temps. Nous sommes heureux de vous avoir parmi nous ce matin.

Vous êtes très souvent parmi nous, mais vous étiez parmi nous il y a exactement un an pour une intervention exceptionnelle afin de réagir ou de fournir une explication par rapport à ce que, à l'époque, vous qualifiez de correction de marché. Est-ce qu'un an plus tard, compte tenu des nouvelles que nous découvrons tous les jours, nous sommes toujours dans une correction de marché?

Puis, vous avez accepté de répondre à deux questions que nous avons prédéfinies avec l'ensemble des responsables politiques de cette commission. La première a trait, au fond, aux différences en termes de politique monétaire des deux côtés de l'Atlantique. Est-ce que les politiques monétaires américaine et européenne sont interdépendantes et, si oui, dans quelles conditions? La deuxième question est une question, me semble-t-il, tout à fait d'actualité puisque l'enjeu de l'inflation est de vérifier si nous sommes revenus dans une ère d'inflation importante.

Je sais que vous avez à cœur de profiter de cet échange avec la représentation parlementaire pour adresser un message plus général mais, bien entendu, nous attendons aussi de votre part une réponse aux deux questions que nous avons définies. Je vous laisse la parole, dans un exercice que vous connaissez parfaitement.

3-005

**Jean-Claude Trichet, président de la Banque centrale européenne.** – Madame la Présidente, Mesdames et Messieurs les membres de la commission économique et monétaire, je me réjouis de ce troisième échange de vues avec votre commission au cours de cette année.

Je commencerai mon intervention, comme vous l'avez indiqué il y a un instant, par une évaluation habituelle de la situation économique et monétaire en expliquant les raisons sous-jacentes à nos récentes décisions de taux, et

je me pencherai ensuite sur les développements sur les marchés financiers en vous donnant de plus amples informations sur les opérations de politique monétaire que la BCE a menées face aux tensions demeurant sur le marché monétaire.

3-006

Des Weiteren freue ich mich, das von Ihnen aufgeworfene Thema der Interdependenz zwischen den Vereinigten Staaten von Amerika und der Eurozone zu erörtern. Zudem möchte ich näher auf die Entwicklung der Wettbewerbsfähigkeit innerhalb der Eurozone eingehen. Abschließend erfolgt ein Inflationsausblick auch im Hinblick auf Ihre Frage, ob eine Phase höherer Preissteigerungsraten vor uns liegen könnte.

3-007

Since my previous appearance before the European Parliament on 9 July when I presented the ECB's Annual Report for 2007, annual inflation rates have remained at high levels, well above those consistent with price stability. This is mainly the result of both the direct and indirect effects of past surges in international energy and food prices. In addition, upside risks to price stability over the medium term have continued to prevail in a context where the underlying pace of monetary expansion continues to be strong. Looking ahead, inflation in the euro area is likely to remain high for quite some time, moderating only gradually during the course of 2009.

According to the latest ECB staff projections the average annual inflation rate is foreseen between 3.4% and 3.6% in 2008 and between 2.3% and 2.9% in 2009.

It is the Governing Council's view that the risks to the outlook are on the upside. In particular, there is a very strong concern in the Governing Council that higher energy and food prices may lead to the emergence of broad-based, second-round effects in price and wage setting, which in turn could add significantly to inflationary pressures. All parties concerned are called upon to contribute to avoiding broad-based second-round effects, as this is essential to ensure that longer-term inflation expectations remain firmly anchored in line with price stability. In this context, the Governing Council is concerned about the existence of nominal wage indexation schemes, as they involve the risk of triggering an inflationary wage-price spiral. The Governing Council calls for these schemes to be abolished.

Turning to economic activity, in the second quarter of 2008, real GDP contracted by 0.2% quarter on quarter. This reflects partly an expected technical reaction to the strong quarterly growth of 0.7% in the first quarter. It also reflects the dampening effects from global and domestic factors, including high commodity prices and weaker investment growth in the euro area. The current episode of weak economic growth is expected to be followed by a gradual recovery. In particular, if persistent, the fall in oil prices from their peak in July will help strengthen real disposable income, with the level of employment remaining high and the unemployment rate low by historical standards. Moreover, euro-area activity should be supported by relatively resilient world growth, benefiting mainly from sustained growth in emerging economies.

According to the latest ECB staff projections the average annual real GDP growth is foreseen in a range between 1.1% and 1.7% in 2008 and between 0.6% and 1.8% in 2009.

In the view of the Governing Council, uncertainty surrounding growth prospects is particularly high at the current juncture, with downside risks mainly relating to renewed increases in energy and food prices and a potentially more negative impact of financial market developments than currently foreseen.

The monetary analysis confirms the prevailing upside risks to price stability at medium- to longer-term horizons. While money and credit growth are now showing some signs of moderation, the still-strong underlying pace points to continued upside risks to price stability over the medium term. In addition, available data suggest that the ongoing financial tensions have, as yet, not significantly affected the availability of bank credit.

In accordance with its mandate, the Governing Council of the ECB is resolute in its determination to keep medium- and long-term inflation expectations firmly anchored in line with price stability. This will preserve purchasing power in the medium term and support sustainable economic growth and employment. It is against this background that the Governing Council on 4 September decided to leave the key ECB interest rates unchanged. On the basis of this assessment, the Governing Council believes that the current monetary policy stance will contribute to achieving the objective of price stability over the medium term. The Governing Council will continue to monitor very closely all developments.

Now let me turn to the developments as regards financial stability. Recent developments suggest that the balance of risks in the ECB financial stability assessment remains tilted towards the downside. This is because the persistent, although moderating, decline in US house prices is leading to a rise in loan delinquencies and losses, and commensurate further declines in mortgage-backed security prices. Also in the euro area, economic growth has slowed down and credit risks

could have increased in some housing markets and related corporate sector loans. At the same time, however, there is, as I said, little evidence to suggest that the availability of bank credit in the euro area, as a whole, has been until now significantly affected by the financial market tensions.

That said, as we already emphasised, the persistence of the financial market tensions may have made the financial system more vulnerable to the crystallisation of other pre-existing risks. These include the possibility of a more broad-based turn in the global credit cycle, disorderly developments owing to global imbalances, and the financial stability implications of volatile energy prices.

More generally, the outlook for euro-area and global financial stability will increasingly depend on the interaction between macroeconomic developments and the financial systems, and on how banks respond to a challenging operating environment. The financial market correction could be gradually changing its nature and scope and evolve into a more traditional credit-cycle downturn. In such circumstances, it is more likely that the adjustment process will not abate as key participants in the financial system continue their efforts to strengthen their liquidity and capital positions. In an environment where balance-sheet conditions change unexpectedly, there is no room for complacency. I have always said the same, that there is no room for complacency: we are in a situation where we have to be constantly alert – and we have been alert, as you know, since the very first day of the turbulences, 9 August 2007.

In the last three months, the ECB continued to apply three measures it had used so far since the start of the financial market turbulences, with a view to further steering very short-term money market rates close to the minimum bid rate and also to alleviate tensions in the euro money market.

First, the ECB continued to frontload the supply of liquidity over the reserve maintenance periods. This was achieved by increasing the allotment amounts in main refinancing operations (MROs) at the beginning of the maintenance period whilst reducing them towards the end of the maintenance period so that the average supply of liquidity remained unchanged over the entire maintenance period.

Second, the ECB maintained the increased share of longer-term refinancing operations vis-à-vis the share of main refinancing operations, which it had gradually built up since the start of the turbulences. Moreover, on 4 September – a few days ago – the ECB decided to renew the supplementary three- and six-month longer-term refinancing operations that will mature before the end of the year. This will allow the euro-area banks to better plan their liquidity management over the turn of the year.

Third, the ECB continued to conduct US dollar term auction facilities (TAF) in cooperation with the US Fed and other central banks. Accordingly, it provided US dollar liquidity to euro-area banks, secured with Eurosystem eligible collateral. This measure was adjusted in the period under review. Indeed, in August 2008, an 84-day term auction facility was introduced to supplement the already existent 28-day TAF, however without thereby increasing the total outstanding amount of these refinancing operations.

The Eurosystem's collateral framework has proven robust and efficient over the years, and during the recent episode of financial market turbulence. In particular, the acceptance of a wide range of collateral contributes to the resilience of euro-area financial markets.

While fully preserving this feature, the ECB has – following its usual biennial review – incorporated some technical refinements in its risk-control framework for Eurosystem credit operations. These technical refinements, which were published on 4 September 2008, reflect, *inter alia*, improvements in the methodological framework, the assessment of market and liquidity risk characteristics of eligible assets, the actual use of eligible assets by counterparties and new developments in financial instruments. All of these refinements will enter into force on 1 February 2009 in order to give the banks sufficient time to adapt to the decisions that were made on 4 September.

In concrete, these measures include the application of new valuation haircuts for asset-backed securities (ABS) and uncovered bank bonds and the application of a haircut add-on for ABS without a market price. Furthermore, the existing 'close link rules' for the use of eligible assets were refined.

The overall impact of the new haircuts for unsecured bank bonds and ABS on the availability of collateral is not expected at all to impair the ability of banks to participate in Eurosystem credit operations.

Now let me turn to the interdependence between monetary policies conducted on both sides of the Atlantic. In considering such an issue, it should be clear from the outset that both the ECB and the US Federal Reserve conduct monetary policy with a view to achieving the domestic objectives that have been assigned to them.

The single monetary policy was given the task of maintaining price stability in the euro area and was assigned to the ECB as an independent institution. I would like to stress that public pronouncements made by the US Federal Reserve are pointing out, as we do ourselves, that the delivery of price stability over the medium term is the best contribution that monetary policy can make to sustainable economic growth, job creation and prosperity.

The Governing Council of the ECB – as the Open Market Committee does on the other side of the Atlantic

– takes decisions independently, on the basis of its monetary policy strategy, taking into account the structural features of its economy and the nature and amplitude of the economic shocks it has to cope with, and after careful assessment of the risks to price stability in its economy.

Of course, it is important for a stability-oriented monetary policy to analyse developments in external prices, in international trade and financial flows as well as the spillovers of policy actions around the globe. Central banks in general have to take into account the multiple channels through which the major economies of the world are in close relationship, thus constituting a global economy. In that sense, it is very important for central banks to ensure that they exchange pertinent information.

As I have already indicated to you, central bank staff and governors of industrialised countries, as well as of emerging countries, meet every two months under the auspices of the Bank for International Settlements in Basle. Presently, I happen to be the Chairman of the Global Economy Meeting and I can tell you that this meeting in particular is important for all central banks in the world. It is in a very frank and direct fashion and with a high degree of mutual confidence that we compare notes, exchange all necessary information so as to be duly enlightened on the analysis and diagnosis that other central banks are making on their own domestic economies and on their perception of the global issues.

Against the backdrop of the serious market correction recorded since summer 2007, monetary authorities on both sides of the Atlantic have been cooperating to help ensure a smoother functioning of inter-bank markets and help alleviate liquidity drying up in some market segments, as I have just indicated.

Let me turn to the intra-euro-area competitiveness developments. Persistent inflation and wage growth differentials may occur in a monetary union, determined by catching-up processes and/or by sustainable trend differentials in potential growth across countries. However, if induced by structural inefficiencies, misaligned national policies, including price- and wage-setting policies or overly optimistic expectations, such differentials may be worrisome and may have adverse implications for the cost competitiveness of individual economies and countries in the euro area. As national monetary and exchange rate policies are no longer available options within the euro area – by definition of the single currency area – it is important to ensure that the remaining mechanisms of adjustment to shocks function properly and that the build-up of imbalances is avoided.

Rigidities in price- and wage-setting mechanisms or ongoing excessive price and wage developments may delay the necessary adjustments of relative prices to economic shocks and give rise to a prolonged period of relatively high inflation in some countries. This, in turn, could contribute to losses in price and cost

competitiveness and an accumulation of internal imbalances within the euro area, which could also dampen output and employment. When looking at unit labour costs, it is also noticeable that a number of euro-area countries which experienced significant increases in unit labour costs since their entry into the euro area, also show relatively high current account deficits.

National authorities have an important responsibility to contribute to moderate price and unit labour costs developments. It should in particular be avoided that public wage-setting contribute to strong overall unit labour cost growth. As high unit labour costs growth may also reflect an overheating of the economy, the avoidance of a pro-cyclical fiscal stance is particularly important. Furthermore, a key issue is the capacity of goods and labour markets to adjust. Therefore, wage agreements in particular should generally reflect the competitiveness position, and need to take into account the still-high level of unemployment in several economies as well as the sector-specific productivity developments. Finally, the efficient and smooth functioning of economic adjustment within the euro area requires the completion of the single market and thus greater domestic and cross-border competition.

Let me conclude by briefly addressing the committee's concern over whether we are experiencing a new and lasting upward shift in inflation. I would say that the Central Bank is there precisely to prevent such a lasting shift and to deliver price stability over the medium term. On the basis of the assessment of the Governing Council, as I have just said, the current monetary policy stance will contribute to achieving this objective. The Governing Council remains resolute in its determination to keep inflation expectations solidly anchored in line with price stability. At the same time, upside risks to price stability over the medium term, in particular those stemming from second-round effects in price and wage setting, prevail. In this context, in order to avoid that the current high inflation rates become entrenched in expectations, it is of the essence that all relevant parties – price-setters and social partners – meet their responsibilities. I have already said that it is also important that indexation schemes be abolished. This would strengthen the resilience of growth and employment creation in the euro-area economy with regard to the current adverse developments that we have to confront.

3-008

**La Présidente.** – Merci, Monsieur le Président, de cette présentation d'une demi-heure. Je propose de passer à la deuxième partie de notre exercice, qui est, je crois, celle qui intéresse davantage les parlementaires, celle au cours de laquelle ils peuvent vous interpellier directement dans le cadre de ce dialogue monétaire.

3-009

**Alexander Radwan (PPE-DE).** – Frau Präsidentin! Herzlich willkommen hier in unserem Ausschuss, Herr Präsident Trichet! In Ihren Ausführungen zur Inflationsbekämpfung und Unabhängigkeit der EZB

haben Sie – das wissen Sie ja – die uneingeschränkte Unterstützung der Europäischen Volkspartei.

Wir haben jetzt seit knapp über einem Jahr die sogenannte *subprime crisis*, und wir werden heute über den Bericht van den Burg abstimmen, wo es auch um die Frage der europäischen Aufsicht geht.

Ein Jahr nach dem Start der *subprime crisis*: Welche Konsequenzen müssten aus Sicht der EZB gezogen werden, um die europäische Aufsichtsstruktur den modernen Anforderungen eines einheitlichen Binnenmarktes anzupassen? Was ist weiterhin notwendig?

Die Europäische Zentralbank hat im transatlantischen Dialog mit den USA ja hervorragend reagiert – zwischen den Notenbanken funktioniert es gut. Wie können wir der europäischen Aufsichts- und Finanzmarktkultur im transatlantischen und internationalen Dialog größere Bedeutung verschaffen?

Die Kommission ist ja eine Enttäuschung. Wir sollten nicht immer nur *copy and paste* von amerikanischen Regulierungen betreiben, sondern auch eigene Gestaltungsmöglichkeiten wahrnehmen.

3-010

**Jean-Claude Trichet, President of the European Central Bank.** – First of all, I think that since the very beginning of the subprime crisis we in the ECB Governing Council have not underestimated the importance of what is happening, and I myself have said since the very beginning that it was a very significant market correction that we had pre-announced, in a way, because we had said before that there was an under-pricing of risk in the global economy, in global finance.

As regards the supervision question, I would say that, as you know, we are very keen on pushing the authorities in Europe, even if we do not have, in the present legal structure, a direct responsibility in this domain, but the Eurosystem has, because a number of central banks have a direct responsibility in supervision. But we are pushing for the maximum amount of intimate cooperation and exchange of information inside the European Union and inside the euro area. We consider that what has been already agreed upon in principle by the ECOFIN should crystallise in action as soon as possible, and we are making all efforts for that, and we ourselves are ready, of course, to help by all means.

As regards the global issue, as you know, we have a global methodology which consists in the Financial Stability Forum (FSF), which, by the way, was created after the Asian crisis, so it existed before the start of the present turbulences, and we have 67 orientations and recommendations that, in my opinion, we have to put, again, into effective and efficient action on both sides of the Atlantic and of the Pacific, because we all – the international community – agreed on the recommendation of the FSF.

So, in my opinion, it is extremely hard work to do. We know what we should do in most cases – or at least where we have a consensus – and it goes without saying that each of us has to do the job. I agree with you that Europe, because of the existence of the European Union and of the euro area, cannot do exactly what will be done in the United States of America. I would, nevertheless, insist on the fact that we have to be coherent at a global level; otherwise we will not have a level playing field or the appropriate way of dealing with a global set of challenges, which is a single set of challenges, taking into account the financial interaction.

3-011

**José Manuel García-Margallo y Marfil (PPE-DE).** – Bienvenido, señor Presidente del Banco Central Europeo, a nuestra comisión, una vez más.

Leía el otro día en un periódico que los objetivos de la Reserva Federal son dos: la estabilidad de los precios y el crecimiento. Los objetivos del Banco Central Europeo son tres: inflación, inflación e inflación.

Por tanto, le voy a hacer una pregunta muy concreta sobre el tema de los precios. En un artículo publicado ayer en el *Financial Times*, el Vicepresidente Económico español, antiguo miembro de la Comisión, el señor Solbes, dice que la inflación se va a moderar en el año 2009 y que la recuperación económica tendrá lugar en el año 2010. ¿Comparte el señor Presidente este análisis?

Segunda pregunta: la crisis ha pasado de una crisis de liquidez a una crisis de solvencia, a una crisis de confianza. Crisis de confianza acentuada por las vicisitudes de algunos bancos, en uno y otro lado del Atlántico, como consecuencia del aumento de créditos fallidos y de insolvencias insuficientes. ¿Prevé desde su observatorio que podemos tener sorpresas en entidades financieras europeas a lo largo de este año?

3-012

**Jean-Claude Trichet, President of the European Central Bank.** – As regards the growth profile, I would echo what you just mentioned. It seems to me that most of the economic analyses that are being provided say that we will have a gradual recovery over the coming years after the present depressed episode.

Speaking for the Governing Council, we had already said, having the figures, that we would have a very weak second quarter, a weak third quarter – we are in a trough there – and then progressively, gradually, we should see the profile of growth going up again. That does not prevent the average growth in 2009 having been revised down by our staff – as an average – but it does not mean that the profile is not the profile of a gradual recovery.

As regards the qualification of the situation where we are, as regards these very important market corrections, with episodes of turbulences, episodes of high levels of volatility, over-shooting and turbulences that we have been observing since 8 and 9 August last year, it is an

ongoing process. I have already responded several times to your questions here since the start of the turbulences, and I would qualify it exactly in the same fashion: it is an ongoing process and we – that is, the central banks, and the ECB in particular, but certainly all authorities – have to remain very alert, permanently. There is no time for complacency at the present juncture. That is absolutely clear.

3-013

**Karsten Friedrich Hoppenstedt (PPE-DE).** – Über die Interdependenz der Märkte bzw. zwischen der FED und der EZB ist ja diskutiert worden. Die Märkte rund um den Globus zeigen ja, dass es eine echte Interdependenz gibt.

Nun gab es gestern mehrere Informationen über das, was in den USA passiert, nämlich dass der Staat die Zügel der Finanzwelt wieder in die Hand nimmt und die Märkte rund um den Globus jubeln. Es heißt weiter: Wenn es ums Geld und mehr noch ums nackte Überleben geht, werden wohlfeile Ordnungsprinzipien schnell über Bord geworfen. Und weiter: Kurzfristig hat das, was Paulson jetzt gemacht hat, die Hypothekenprodukte und die Märkte natürlich beruhigt, aber wenn das nicht funktioniert, hat Paulson sein Pulver verschossen.

Da es ja nun diese Interdependenzen gibt, ist die Frage, was danach passieren könnte. Das können oder wollen Sie vielleicht nicht beantworten. Aber wie würden die Wettbewerbshüter in Europa reagieren, wenn es zu solchen staatlichen Eingriffen, und zwar in dieser Schnelligkeit, kommt? Wie würde unsere Kommissarin Neelie Kroes reagieren? Wie würde das in der Öffentlichkeit – in der Bankenöffentlichkeit, in der Szene – insgesamt wirken, und wie würde das aussehen? Wie würden dann die Märkte reagieren?

Das sind ein paar Feststellungen, die natürlich als Fragen formuliert wurden. Es wäre ganz interessant, wenn man diese Interdependenz noch einmal ganz klar deutlich machen würde.

3-014

**Jean-Claude Trichet, President of the European Central Bank.** – First of all, let me only say that I will not judge, of course, what is being done by the US authorities and particularly by Secretary Paulson. I will only say that, when I look at the reaction of all central banks around the planet – and I was, as I have already said, chairing the global economy meeting we had in Basle last Monday – I would say that the overall reaction was certainly, again, not to judge what had been done, but to think that it was, in the circumstances – which are, obviously, exceptional – a decision that was welcome.

I have already said that we are experiencing an ongoing correction of great magnitude with turbulent episodes. The tensions are still there and this is no time for complacency. That is clear. On the other hand, you can perhaps draw from what has been done by the authorities on both sides of the Channel and on both sides of the Atlantic, when acute tensions were emerging, that, until

now, the authorities had the capacity to take decisions several times in, I would say, a wise and expeditious manner. So we will see again what happens. We have to remain constantly alert. I say all of us, including, of course, the central banks.

Let me also say that financial stability is a major preoccupation at the present juncture, and that I call on all the authorities, without exception – including, of course, European authorities by definition – to have this preoccupation of financial stability, which, in the present circumstances, is of extreme importance. That goes without saying, but I say it because, after all, we are in circumstances that are demanding.

3-015

**Karsten Friedrich Hoppenstedt (PPE-DE).** – Ihre Mahnung gilt ja wahrscheinlich auch für die Wettbewerbspolitik in der Europäischen Union?

3-016

**Jean-Claude Trichet, President of the European Central Bank.** – Again, I think that in the present environment, which, as I said, is very demanding and calls for constant alertness, all action should take the preoccupation of financial stability into consideration – not, of course, in any way contradicting the laws, the charts and the principles that all institutions have to defend, but incorporating – in terms, perhaps, of time, in terms of implementation of the principle – the need to take into account the preoccupation of financial stability.

3-017

**Elisa Ferreira (PSE).** – O único objectivo do Banco Central Europeu é controlar a inflação. No entanto, vivemos com uma inflação que é o dobro da meta que está definida. A subida das taxas de juros não teve qualquer impacto efectivo no controlo dessa inflação porque, como muito bem disse, ela é de origem externa e, como acabou de referir, resulta dos preços da energia e dos preços da alimentação, dos produtos alimentares. Nestas circunstâncias, que lições é que o Banco Central Europeu tira desta não-correlação? Porque, entretanto, a subida das taxas de juro, a taxa de câmbio extremamente elevada do euro em relação às outras moedas e o esmagamento dos salários acabam por ser factores que contribuem, precisamente, para a quebra do crescimento.

Temos, portanto, que tirar algumas conclusões. Primeira pergunta, está o Banco Central a equacionar rever as metas da inflação num cenário que é diferente daquele em que foram definidas e, em particular, num cenário de globalização? Segundo, não seria altura de alargar os objectivos, valorizando o crescimento e o emprego, e abrir outros instrumentos, para além de, apenas, a taxa de juro, para intervir seriamente no objectivo de crescimento, uma vez que o processo de inflação nos está um pouco exógeno?

3-018

**Jean-Claude Trichet, President of the European Central Bank.** – Let me confirm that we have a mandate which is very clear, and it is a primary mandate. But we have always said – and I think it has been the very clear principle guiding the setting-up of the euro area – that,

through credible price stability over time, one was creating the condition for sustainable growth and sustainable job creation. It is absolutely clear that, since the setting-up of the euro, the success in terms of job creation has been exceptional. I already had the occasion to underline that we had created many more jobs than the United States themselves since the setting up of the euro. That being said, we have always said that we deliver price stability in the medium term, and it is clear that, when we have shocks as we have, we cannot deliver price stability immediately. But we have to deliver price stability in the medium term, and we have to be credible in the delivery of price stability in the medium term, which is another way of saying that inflation expectations must be anchored. Inflation, if it is unanchored and if it is at a high level, will act against the poorest of our fellow citizens, against the most vulnerable segment of the population which does not know how to protect itself against inflation, will act against employment and will act against growth. We have to know that (even if in the short term, perhaps it is more difficult to understand): it is clear. It is the lesson of the past. It is the lesson of all the analysis that economists can make. So we will not change our definition of price stability, certainly not. On the contrary, we will confirm that we are confident that the present monetary policy stance, as I said, will contribute to delivering price stability in the medium term.

I shall not comment on other points but, again, when we give the message that social partners as well as all price setters (we do not discriminate against social partners: we say price setters and social partners) should be up to their responsibility, it is because it has an immense importance in terms of inflation, but it is also because it has an immense importance in terms of employment, and the surest way to increase unemployment would be for unit labour costs to shift upwards. One of the reasons why we insist on this message, as you could hear, is that we observe a shift upward of unit labour costs which is adverse in terms of inflation and in terms of future employment. To give you only four figures: the average unit labour cost in the euro area increased by 1% in 2005, 0.9% in 2006, 1.5% in 2007, and in the first quarter of 2008 we are at a level of around 2.4%. So, there is something there which indicates that, on top of the price of oil and on top of the price of commodities, we have a phenomenon of our own making and which has to be understood and counted, in our opinion.

3-019

**Robert Goebbels (PSE).** – A couple of years ago President Duisenberg told this committee that the ECB is not only fighting inflation, but also deflation recession. Looking at the economic data of the European Union now, we seem closer to a recession than to an inflation overshooting. In fact inflation is on the retreat but you just said that the ECB is still on alert warning against the so-called second-round effects on wages and prices. But why does the ECB never react to first-round effects?

Recent inflation was not driven by wages, but by imported higher prices...

(AUDIO UNAVAILABLE)

3-020

**Jean-Claude Trichet**, *President of the European Central Bank*. – Thank you very much for your question, which is important. First of all, because you used the word ‘deflation’, let me just give you some figures. M3 in the euro area is augmenting by 9.3% in our last reading. ‘Deflation’ means the contraction of nominal values, the contraction of prices, the contraction of aggregates and the contraction of credit. It is not what we are observing: this goes without saying. The loans to non-financial corporations are augmenting as regards the outstanding loans over 12 months by 13.2%. So, let us put aside the word ‘deflation’.

That said, you had a question on the functioning of the market in commodities, and oil in particular. I would say the following: We have to work more – and when I say ‘we’, I mean certainly the central banks but also all economists – to understand what is at stake exactly and what is the composition of the forces that are making up the prices that we are observing.

We have three potential forces. There is demand – and, as everybody knows, there has been a very big increase in demand, coming in particular from emerging Asia for oil and commodities and, clearly, this push-up of prices has been driven to an extent which was at the very beginning certainly very substantial by demand.

Then we have supply and we see before our eyes a cartel functioning to organise supply in order to get very high prices. This is objectively no good and the stabilisation of prices might be a good thing, but stabilisation at a very abnormally high level is not a good thing, and we have to be fully conscious of that and I would call – which I have already done in front of you – for the highest possible responsibility of the partners who are on the demand side and those who are on the supply side. On the demand side, we all have to be very careful to engage in oil and energy savings and alternative energy and so forth. There is a lot to be done and a lot to continue to be very actively done. On the supply side, we have to call for responsibility.

We have a last point – and it is the point of Mr Goebbels – which is the investment side, and it seems to me that we have to understand better – I will not speak of speculators, because it is not speculators in terms of very short-term speculation, but more the fact that a number of portfolio managers all over the world are considering, for reasons that we have to understand fully, that a normal portfolio consists of commodities, shares, stocks, bonds, real estate and so forth. Of course, this also plays a role. It must play a role, but I have to say that, at the present moment, I think it would be very difficult to conclude scientifically that we know what is exactly the influence of this aspect of the market, and to identify scapegoats and to practise scapegoating.

But I agree with Mr Goebbels that we have to understand better that triangle. Responsibilities are in the triangle. We have our own responsibilities ourselves, both as consumers and as producers, on both sides of the Atlantic – you know that very well. Drilling is something that is a responsibility of those industrialised countries. The green light for new refineries is also something that we are responsible for ourselves, so we should not escape our own responsibilities. But there are responsibilities of the suppliers and responsibilities that have to be better understood at a global level.

3-021

**Robert Goebbels (PSE)**. – 60 % des opérations qui sont effectuées chaque jour au *New York Mercantile Exchange* portent sur du pétrole qui n'existe pas, payé avec des dollars qui ne sont réels que dans une proportion de 10 %. Je viens de citer l'Agence Europe - un éditorial).

3-022

**Jean-Claude Trichet**, *président de la Banque centrale européenne*. – Je vous répondrai simplement que vous observez cela dans tous les marchés de *futures*. Donc ce n'est pas une spécification propre au marché de *commodities* ou de pétrole, c'est une caractéristique habituelle. Je n'en tirerai pas de conclusion particulière personnelle.

3-023

**Mariela Velichkova Baeva (ALDE)**. – Mr Trichet, you are most welcome. The analysis of the international market conjuncture brings home concerns – inflation is one of them – constituting a clear-cut danger.

Let me mention some details stemming from the assumption that we live in an inflation-prone system. Feeling the inflationary fever – including in my country – households' buying departing from the norm at the expense of their savings, the failure of the business sector to offset those savings through investment, the increase in demand giving inflation a shove, the increase in the amount of money in the system being usually inflationary and considering those aspects, as well as others, how might a plausible, reasonable inflationary scenario – you mentioned the meeting of various stakeholders – be viewed, and what concrete messages could we send to the players on the demand side and the supply side? I am aware that you mentioned a few in your comments.

3-024

**Jean-Claude Trichet**, *President of the European Central Bank*. – As you know, of course, I am responding on behalf of the Governing Council, and, taking into account our specific responsibilities as the Central Bank of the euro area, your question was more general, it seems to me, and I fully understand that, in your case, we have evolutions – and, in particular, nominal evolutions – that need to be looked after very carefully.

As regards your question on what we can tell, I think the recipe for countries that are in the euro area as well as

outside the euro area seems to me, whatever your monetary arrangement is, to be that you have to have a fiscal policy that is as reasonable and as sound as possible, and that is a recipe for all. You have to take care of your nominal evolutions and be as responsible as possible in the price-setting and the wage-setting. Of course, it goes without saying that, whatever the responsibility of the monetary arrangement, the central bank has to be highly responsible.

If your question was more on the commodity prices, which are the main culprit for the global inflation episode that we are observing, I would only repeat what I said. I think that a very high level of responsibility on the part of the suppliers, as well as on the demand side, is absolutely of the essence. Nobody stands to gain anything if we continue to have a very high level (and, I would say, an absolute level) of volatility – nobody, certainly not on the demand side, certainly not on the supply side. We have to understand better, as has been suggested, the financial investment side of this triangle, which, again, should not be made a scapegoat. But we have to understand better this phenomenon.

3-025

**Eoin Ryan (UEN).** – I too would like to welcome Mr Trichet here this morning. Coming back to the point that Mr Goebbels raised, as it is one that I have raised in Parliament myself, I agree with you about oil prices, demand and supply, but it is difficult not to believe – and people at the coal face believe this – that speculation has much more of an effect on oil prices than people are letting on. If you talk to people at the coal face they will tell you that speculation is going on. It is of course not the only reason why oil prices have increased, but it is one of the reasons, and some people would say that it has added maybe USD 25 to a barrel of oil.

It seems to me that this is being ignored to a certain extent. What is stopping speculation from happening again? What is your policy on this and can you see any ways of us minimising that because there is no where else or nothing else you can put down, as Mr Goebbels said, USD 500 000 to buy USD 10 million's worth of any commodity. I would just like you to expand on that. If we are fighting inflation and if this were to come back again, it would be a huge deterrent against all the work that you are doing.

Very briefly, you were talking recently about the pre-crisis state and saying there is going to be a 'new normality'. Could you explain more about the new normality that you expect to see in the market?

3-026

**Jean-Claude Trichet, President of the European Central Bank.** – I think that those who say there is absolutely no influence of financial investments in commodities on the price of commodities are clearly wrong. I do not myself use the word 'speculation', because there has always been speculation on the futures market – on any futures market – and in a way you need counterparts. So one has to understand exactly what is happening.

What is happening is not the emergence of speculation but rather the emergence of a new behaviour across the board of portfolio managers that consider that, from zero proportion of commodities in their portfolio, a certain positive level of proportion would be more appropriate. This is a phenomenon which is more, I would say, sustainable than pure speculation – that is more important, that has to be better understood and that has, in particular, to be better understood in terms of the impact on prices. But those who say, obviously, the interplay of the demand which has been exploding during recent years and the cartels which can clearly be seen to exist, are much more important than this shift in the proportion of global portfolios that is invested in commodities. Those who say we should look first to supply and demand are probably right, too – it is pure common sense. So I would echo what you say. I think we have to understand much better and not practise, I would say, the very simple exercise of scapegoating, saying that all this is the fault of speculators. That would be much too simple and, I would say, unfortunately much too simple; it is much more complex and complicated and perhaps it is a structural change, because it is likely that the global managers of a global portfolio will continue to think that a certain – even modest – proportion of commodities in their portfolio might be appropriate.

So, again, I call for responsibility from all parties and a much better understanding of what is going on. I will not rule out the possibility that we could improve the functioning of the futures market in a number of cases and, as you know, each commodity has its own way of dealing with futures prices.

On what an end to the turbulences would mean – if I understand the last question rightly – I would say that it would be naive to think that we will simply be back to the *status quo ante*. First of all, because it would be very bad to be back to the *status quo ante*. The *status quo ante* was in itself full of risks that have materialised. The ECB and the community of central banks, had in the *status quo ante* said publicly – I, myself, as Chairman of the G10, for instance, said publicly that the sentiment of my colleagues is that there is an under-pricing, an under-assessment, of risks in global finance. We said that in 2006 and again at the beginning of 2007, long before the start of the turbulence. So what we need is not to go back to the *status quo ante* but to a situation where we would have made a lot of progress in trying to eliminate obscurity in financial instruments, institutions and markets – a situation where we would have introduced a lot of transparency (and that is precisely what is in the recommendation of the FSF), a situation where we would have eliminated a great deal of the pro-cyclical elements that are present in global finance at the moment I am speaking, a situation where the private sector itself, the market participants and the institution concerned, would have adapted themselves to a situation which, obviously, would be different from what I call the '*ex-ante status quo*'.



I would say only that we will see this coming progressively. I do not expect, for instance, on the money market that we would be in a situation where the spreads between the three-month deposit and the overnight swap rates would be as low in the future in a steady state as it was two years ago. I expect that we will see some structural changes, even if I do not expect at all that the present level, which is very high, will continue for ever.

3-027

**Piia-Noora Kauppi (PPE-DE).** – I would like to ask what is your assessment in the ECB of the Fannie Mae/Freddie Mac government-sponsored entities in the US and their nationalisation. It is, after all, an operation that is 30 times bigger than Northern Rock in the UK, and it might also have influenced EU debates about lender of last resort. What is your short-term and long-term assessment of this decision?

3-028

**Jean-Claude Trichet, President of the European Central Bank.** – It is not my principle to comment on actions that have been taken by authorities across the Atlantic. They have their own responsibilities and they have to be up to their own responsibilities. I have already said that I could say, on behalf of not only the ECB but also the community of central banks, that the community of central banks has welcomed, taking into account the complexity and the acuteness of the circumstances, the decision that was made, which is, of course, a very important one. Again, for the future, we will see what happens...

*(AUDIO UNAVAILABLE)*

... are in the realm of government and taxpayer action and we are not in the realm of the lender of last resort but we are in the realm of subsidisation of mobilisation of capital and, again, this is taxpayers' money. Clearly in the case of Freddie Mac and Fannie Mae it was taxpayers' money which was at stake, not, as you know, the Fed money.

3-029

**Gay Mitchell (PPE-DE).** – I would like to join in welcoming Mr Trichet...

*(The chair cut off the speaker.)*

3-030

**President.** – May I interrupt you, because everybody is welcoming Jean-Claude Trichet. It is just normal that Jean-Claude Trichet appears in front of us.

3-031

**Gay Mitchell (PPE-DE).** – It's a matter of courtesy and, if I may so, Madam Chairperson, I have a mandate from my constituency and I will exercise it in the way I judge best myself. So I would like to welcome Mr Trichet, as I have said.

Mr Trichet, there is a school of thought that says the ECB should have similar terms of reference to the Fed. But there is another school of thought which says that

the relative price stability targets of below or near 2% will reach the objectives that you say you wish to reach, but in the current environment, for example, it may cause or contribute to a recession on the way. There is a school of thought which says that the wording could be changed to 'around 2%' to allow for some loosening of the criteria in that regard. I am asking you this as a question – this is not a statement, nor am I seeking to prompt a change in the rules, but would you address that? Because it is being addressed with us when other people come to see us. Would that be a total loss of discipline, or is there a case to be made for reaching your objectives without contributing to recession on the way?

3-032

**Jean-Claude Trichet, President of the European Central Bank.** – It is a good question, certainly, and I hear this analysis here and there. I would say the following: first of all, it is clear that we say that our definition of price stability is below/close to 2% and it is clear that we say that we will deliver price stability 'in the medium term'. We do not say that we will deliver price stability 'immediately' when we have a shock of the type that we have to cope with. That is my first observation.

My second observation is that when I look at the expectations, the interpretations – by market participants, observers, economic agents in general, financial markets – of what it means that we will deliver price stability in the medium term – less than/close to 2% – I see that they are obviously extremely close to 2%, to say the least, and recently we have seen a certain tendency to see this shift of expectations going upward from, I would say, a level which, when you withdraw from the various parameters that you can extract from the financial markets in particular, the insurance premia to reach the ultimate inflation expectations, we have seen, again, a shift upward, particularly, I have to say, in the five years forward, five years break-even. So, we look at that very carefully.

If we were to give the message that after due meditation we think that the definition of price stability should be changed ourselves with our own credibility, our own responsibility, the anchor position that we have in all the euro area, what would happen? Say that your goal was to be more, I would say, loose in your monetary policy upward. I could caricature the situation and say that we say, finally, 3% is better than 2%: we, in the Governing Council, have been reflecting – we are under exceptional circumstances, after all – to have a better arbitrage between price stability, on the one hand, and the short-term pressure on growth that we have, then we will call for 3%. What would happen?

Immediately all interest rates – medium and long term – first would shift from less than 2% – but very close to 2% – which is the case at the moment I am speaking to 1% higher, so immediately there would be, by virtue of a declaration in front of Parliament or by virtue of a declaration in the press conference, an immense

augmentation of all market interest rates, because absolutely all market participants all over the world would say themselves that they will deliver price stability now at 3% instead of less than 2%. On top of that, they would say that if we are able to say in such circumstances that they change the anchoring of expectations for inflation, then we have to add to the 1% risk premia, and I do not know what that risk premia could be – perhaps 75 basis points, perhaps another 100 basis points – to take into account the fact that if we did that once, we could do that a second time or a third time; there is total uncertainty. So it would be the worst possible attitude from us.

Our present attitude consists in saying: you can trust us: we have proved that we take our responsibilities seriously; we will deliver price stability in the medium term, and you have to incorporate in the medium- and long-term market rates that are making up the financial environment of an economy the fact that we ourselves are the guarantors of this level of price stability in the medium and long term. When I am speaking of the medium term, I could also speak of the long term, as I have just said – and do not forget that some governments in Europe are borrowing on the basis of 50 years and it is on the 50-year interest rates (that is, the interest rate at which those treasuries are borrowing) that they are incorporating our own credibility to deliver price stability over a very long period of time.

3-033

**Kurt Joachim Lauk (PPE-DE).** – Herr Trichet, Sie haben zur Beschreibung der gegenwärtigen Situation mehrfach den angenehm klingenden Ausdruck *ongoing turbulences* gebraucht. Ich finde diesen Ausdruck ebenfalls sehr angenehm. Die Alternative wäre möglicherweise, zu sagen, dass es sich um die schlimmste Finanzkrise seit 1930 handelt, insbesondere wenn man daran denkt, dass 50 % des Hypothekenmarktes in Amerika jetzt verstaatlicht worden sind, zumindest kurzfristig. Das ist ja schon eine Sensation!

Zwei Fragen habe ich dazu. Erstens: Viele Banken sind durch die Krise in die Unterkapitalisierung gekommen und müssen gerettet werden; in Europa sind dies Northern Rock und IKB. Erwarten Sie, dass weitere Banken so stark unterkapitalisiert sind, dass sie entweder nationalisiert oder mit staatlicher Koordination gerettet werden müssen, und an welche Banken denken Sie dabei?

Zweitens: Wir haben über die Ursachen der Krise verschiedentlich auch hier gesprochen. Die Krise wurde bislang – und das ist dank Ihres Einsatzes auch im Wesentlichen der EZB zu verdanken – relativ gut bewältigt. Wenn aber eine Konsequenz aus der Krise wäre, die Bankenaufsicht im Euroraum zu verstärken und diese Bankenaufsicht Ihnen, also der EZB zu übertragen, würden Sie sich dagegen wehren?

3-034

**Jean-Claude Trichet, President of the European Central Bank.** – As you know, at the very beginning of

the episode of turbulence, we were *the* central bank that immediately considered that what we had in front of us was a very, very serious materialisation of very grave risk. For three weeks there has been some kind of criticism that perhaps we were over-assessing the gravity of the situation. With the benefit of hindsight, everybody says that we had at that moment an appropriate assessment. I will not comment on the present qualification of the situation and compare it with the previous crisis. I think that in the post-war area...

(AUDIO UNAVAILABLE)

...been some suggestions that the ECB should play a more important role in terms of banking supervision and I can see such ideas not only in the academic world but also in Parliament. We would certainly have to look at it very carefully in the Governing Council. At this stage I cannot say that we have a position of the Governing Council on such matters. But I observe, of course, what has been proposed with great care.

3-035

**Benoît Hamon (PSE).** – Monsieur le Président, bonjour. Je voudrais vous faire une remarque, en tous les cas vous demander un commentaire, et ensuite vous poser une question.

Le premier commentaire concerne ce remarquable exemple de socialisation des pertes, qui consiste à nationaliser Freddie Mac et Fanny Mae. J'ai compris que vous ne vouliez pas juger les décisions du Trésor américain. Pourriez-vous cependant nous dire si vous suggèreriez au ministre de l'économie et des finances de l'Eurogroupe une telle décision si un tel accident industriel arrivait en Europe et si cela vous paraîtrait une solution plausible et sérieuse au sein de la zone euro.

Deuxième remarque: vous êtes coarchitecte et donc en théorie coresponsable de la politique économique européenne. Tout cela ne se fait pas en suspension dans l'air. J'écoute depuis maintenant quatre ans avec beaucoup d'intérêt vos commentaires et vos analyses extrêmement savantes. Avant-hier, j'étais dans le Pas-de-Calais, dans votre pays qui est aussi le mien, où mille salariés perdaient leur emploi en raison du fait que leur entreprise n'était plus assez compétitive. Cet après-midi, je serai aux côtés de citoyens qui voient leur hôpital fermé en raison des politiques de rigueur budgétaire. Je voudrais vous poser les questions suivantes.

Cela fait maintenant plusieurs années que l'on met en œuvre des politiques de réforme structurelle à l'initiative de la Commission européenne et avec votre soutien en Europe, et notamment dans la zone euro, au motif d'améliorer la compétitivité de notre économie et de faire de la croissance. Or la croissance n'est toujours pas au rendez-vous et nous accusons un retard important par rapport à nos principaux rivaux commerciaux. Cela fait plusieurs années que nous recommandons la modération salariale pour ne pas faire d'inflation. Nous avons aujourd'hui la modération salariale et nous avons

l'inflation. Nous avons donc les réformes structurelles et pas de croissance, la modération salariale et l'inflation. Qu'est-ce que je réponds aux citoyens européens qui me disent: "C'est la faute à qui"? Qu'est-ce que je leur réponds? Vous n'êtes pas obligé de répondre à cette question puisque vous êtes indépendant et vous n'avez donc aucun compte à me rendre, ni davantage aux citoyens européens. Mais j'aimerais que vous vous posiez la question. En tous les cas qu'est-ce que je peux bien leur répondre?

3-036

**Jean-Claude Trichet**, président de la Banque centrale européenne. – Merci beaucoup. Si vous le permettez, je commenterai vos propos.

D'abord, quels sont les chiffres? J'ai dit tout à l'heure - et personne ne peut me contredire sur ce point car ce sont les chiffres que tout le monde a sous les yeux - que nous avons créé en Europe, depuis l'introduction de l'euro, substantiellement plus d'emplois que les Américains n'en ont créé eux-mêmes. Quand j'ai dit cela pour la première fois, il y a à peu près un an, un an et demi - parce nous étions très critiqués sur ce terrain -, un certain nombre de personnes m'ont dit: "Ce n'est absolument pas possible. Tout le monde dit l'inverse". Ils ont regardé les chiffres et ils ont découvert que non seulement c'était possible, mais que c'était en outre ce qui avait été fait. Donc gardons-nous de perdre le sens des vrais chiffres. Cela ne veut pas dire que tout va pour le mieux, cela ne veut pas dire que nous sommes satisfaits du niveau du taux de chômage en Europe, cela ne veut pas dire qu'il n'y a pas énormément de travail à faire, mais les chiffres, encore une fois, montrent que nous avons eu, dans les premières années de l'euro, un épisode de création d'emplois importante.

L'une des raisons, d'ailleurs, a été que nous avons eu, au niveau de l'ensemble de la zone euro, une bonne maîtrise, dans cette période, des coûts unitaires de production, donc une capacité par la modération d'un certain nombre de prix et de l'évolution nominale des coûts unitaires de production. Nous avons la capacité de créer substantiellement des emplois: première observation. Deuxième observation: le monde se transforme avec une rapidité vertigineuse. Si nous prenons l'Inde et la Chine, il suffit d'aller voir ce qui se passe sur place pour se convaincre que nous sommes en présence d'une transformation structurelle incroyablement rapide et impressionnante. Et la Chine n'est pas toute l'Asie émergente de l'extrême Est; nous avons à peu près cinq cents millions de citoyens du monde qui sont dans les pays de l'ASEAN et les cinq, et qui eux-mêmes sont en voie de développement extraordinairement rapide. Donc, nous devons nous adapter en Europe et d'ailleurs dans l'ensemble du monde industrialisé. On ne peut pas nier cela. Si on le nie, alors on se place dans une situation de croissance très très faible et surtout de niveau de vie qui diminuerait. Et donc c'est vrai, je ne nie pas une seconde, Monsieur le député, que ce ne soit pas facile, et certainement pas facile pour nos concitoyens, pour les trois cent vingt millions de concitoyens européens, que

d'être dans un monde qui bouge aussi rapidement. Mais nous persistons à penser que ce n'est pas avec plus d'inflation que nous pourrions nous trouver mieux sur le plan de la croissance et de la création d'emplois, et ce n'est pas non plus ce que pensent nos concitoyens. Nos concitoyens considèrent l'inflation comme leur premier souci, au moment où je parle. Je ne sais pas si vous observez cela dans votre circonscription, mais c'est ce que donnent, dans l'ensemble des pays européens, l'ensemble des enquêtes d'opinion qui sont faites. Nous faisons tout ce que nous pouvons nous-mêmes pour préserver la crédibilité dans une perspective de moyen et de long terme, et dans notre domaine, c'est bien sur nous que cela repose. Faites l'expérience de penser quels seraient les taux d'intérêt si les différents gouvernements qui composent la zone euro, les quinze aujourd'hui, les seize demain, devaient compter exclusivement sur leur propre crédibilité pour que le marché apprécie quels sont les bons taux d'intérêt à dix ans, à vingt ans ou à trente ans. Donc nous faisons tout ce que nous pouvons, conformément à notre mandat, au mandat que le peuple européen souverain, par le truchement soit de leurs représentants soit en votant directement, nous a donné. Nous respectons notre mandat et nous sommes convaincus que les démocraties européennes ne se sont pas trompées quand elles ont dit: "Si nous avons une Banque centrale qui est crédible et qui nous donne la stabilité des prix à moyen et à long terme, nous créons une des conditions nécessaires pour plus d'emplois et plus de croissance, encore une fois, soutenable".

3-037

**Antolín Sánchez Presedo (PSE)**. – *Aprecio mucho la oportunidad de poder intercambiar impresiones con usted, señor Trichet.*

Voy a tratar el tema de las divergencias de los efectos de la política monetaria y también hacer una referencia a la situación de los Estados Unidos y la Unión Europea. En alguna ocasión creo que le he oído comentar que las divergencias en el ámbito de la política monetaria no son realmente distintas de las que se producen en los Estados Unidos de América. Quisiera que me confirmara esta cuestión.

Pero, en realidad, la política monetaria norteamericana no es una sola pieza, sino que figura junto a una política fiscal de carácter federal que tiene un presupuesto más de 20 veces superior al de la Unión Europea y, por lo tanto, son dos piezas que actúan conjuntamente.

Sin embargo, la política monetaria europea está dentro de la Unión Económica y Monetaria en la que son los Estados miembros los que asumen el peso fundamental de los equilibrios que resultan de la instrumentación del conjunto de la política en lo que se refiere también al crecimiento y el empleo porque, siendo cierto que la inflación es el objetivo primario, no es el objetivo exclusivo, y la política monetaria tiene que contribuir también a ello.

Entonces, la pregunta sería la siguiente: cuando la política monetaria se define, es evidente que busca la

línea central de las necesidades de inflación europeas y eso puede tener en algunos Estados un efecto expansivo y en otros contractivo. En los Estados en los que tiene un efecto expansivo a través de la política fiscal lo pueden corregir, pero en los Estados que pueden tener un mayor efecto contractivo es mucho más difícil, por las limitaciones del Pacto de Estabilidad y Crecimiento. ¿No sería conveniente reflexionar para buscar alguna optimización a este aspecto?

3-038

**Jean-Claude Trichet**, *President of the European Central Bank*. – I would say, first, that it is clear that each central bank has to take into account, as I have said, its own mandate, challenges, nature and structure of the economy, and amplitude of the shocks it has to cope with.

As you know, interest rates in Europe and the US are not the same, but they are also not the same in Europe and in the UK, they are not the same in Europe and in Sweden (Sweden has just augmented its interest rates), they are not the same in Europe and in Australia or in a number of other countries. Each central bank has to cope with this.

All central banks – and I can really say that because we frequently discuss precisely that between us – are aiming at solidly anchoring...

(AUDIO UNAVAILABLE)

...responsibility, by definition, of the national economies and I trust that governments in particular should not underestimate their own responsibility in this respect, because they fix up a number of prices in all economies. They are, of course, determining the price of the wages in the civil service. They are giving recommendations implicit or explicit for social partners, and that is important.

3-039

**Daniel Dăianu (ALDE)**. – Mr President, as always you mention price stability as the paramount mission of the European Central Bank. I am pretty sure that you and your colleagues in the Governing Council think that financial stability is also something that is increasingly important to you. So I am asking myself – because I heard the question posed by Mr Lauk and Mr Radwan – there seems to be a certain reluctance – and I remember Mario Draghi who alluded to whether the European Central Bank or central banks should take on more responsibility in this regard – I am asking myself if financial stability, which is clearly important, could cripple price stability in the end. Someone has to take the lead – just betting on better cooperation on the current arrangement, in my view, is not going to be sufficient. That is one question.

Secondly, the myth for decoupling is gone, so are you satisfied with the current arrangement – whether the Financial Stability Forum is enough? Should the international architecture be changed for the sake of securing more stability?

Lastly – and it is only a comment – think about what the Asians are thinking about right now: the moral hazard, which is spreading out all over the world by the rescue operations, which are substantiated and well-grounded, but let us think about it.

3-040

**Jean-Claude Trichet**, *President of the European Central Bank*. – First of all, I fully agree with you that financial stability is a very important preoccupation. I would say that the way we have acted since the very beginning of the turbulences – the decision we took as regards the handling of the refinancing of commercial banks, the utilisation of up-front allocation of resources to the commercial banks without changing the overall liquidity allocation but changing the allocation over time in order to help the market function in a smoother fashion – all this demonstrates very clearly that we wanted to be up to our responsibility in this respect – we, the Governing Council of the ECB; we, the Executive Board of the ECB.

We have worked out the mechanism that would permit, if needed, to practise emergency liquidity assistance on the basis of the concept that had been tested with all members of the euro area, all national central banks and so forth. Now we have not a direct responsibility, as I said, in terms of banking surveillance, and that was not the decision of the European democracies. If there are new ideas that are emerging in that particular point, again, they will be examined by the Governing Council of the ECB with extreme care. I know I have said already that some ideas are emerging out of Parliament as well as the academic world. We will look at it. At this stage, I will continue to say that we have not exploited all the potentialities of the Lamfalussy framework. We still have a lot to do to exploit those potentialities and go along with what has already been decided...

(The Chair interrupted the speaker.)

3-041

**La Présidente**. – Permettez-moi de vous interrompre là-dessus, parce que cela, vous l'avez déjà dit il y a un an. Et si l'on veut vraiment que le potentiel de Lamfalussy produise ses effets, alors, il faut visiblement qu'à un moment donné, comme vous le demande M. Dăianu, quelqu'un décide de jouer un rôle moteur et de secouer un peu le cocotier au Conseil.

3-042

**Jean-Claude Trichet**, *président de la Banque centrale européenne*. – Je prends bon note de ce que vous dites. Je vous parle en tant que président de la Banque centrale européenne et, encore une fois, nous allons examiner l'ensemble de la situation, mais...

3-043

If you permit me, I shall continue to respond to your question, because there were other elements in your question.

As regards the moral hazard question, it is a permanent preoccupation. We ourselves, in the realm of central

banks, as I explained, had to deal with liquidity issues on the basis of a framework, which is a framework for our emergency liquidity assistance. We do not see, if our judgement is correct, a moral hazard issue there, because we have precisely to check very carefully that we have a liquidity problem.

If taxpayers' money is at stake, which is the next step, if I may, solvency problem, then, of course, the moral hazard seen from the taxpayers' standpoint is of extreme importance. But I accept fully that in this domain of moral hazard we certainly have to be very careful, because one of the consequences of a number of decisions that have been taken was that the decision which had been taken had, as a consequence, the fact that we had elimination of strong diminishing of the value of the stocks and shares but not of the value of the credit. That is, of course, something that has to be looked at very carefully, because we might miss an important point if, when dealing with these exceptional circumstances, we introduce an element of punishment only for stocks and shares and absolutely not for those who took the risk of having credit given to the institution concerned.

3-044

**La Présidente.** – Je vous remercie. Je salue l'arrivée de l'autre Jean-Claude, à savoir Jean-Claude Juncker, qui nous permet d'être exactement dans l'exercice du débat sur l'Union économique et monétaire. Mais nous allons poursuivre, si vous le permettez, notre échange avec Jean-Claude Trichet.

3-045

**Margaritis Schinas (PPE-DE).** – Monsieur le Président, je lisais hier le rapport du FMI qui couvre le bilan que vous venez de dresser ainsi que les prévisions, annonçant notamment une mauvaise année 2008, une reprise progressive en 2009 et encore meilleure en 2010, pour simplifier les choses. Ce qui est bizarre, c'est que les agences de presse, en couvrant le rapport du FMI, ont titré "*Optimistic speech by IMF office*", mais je suis sûr qu'après deux heures de dialogue, les agences médias n'éprouveront pas un sentiment d'optimisme par rapport à votre intervention d'aujourd'hui.

Alors la question que je me pose est celle de savoir si une décision de la Banque centrale l'empêche d'être optimiste à tout moment. Les électeurs qui se voient dans un contexte difficile, qui comprennent les difficultés, ne peuvent-ils pas être rassurés par un signal d'optimisme à un moment donné? Ne peut-on pas leur dire clairement qu'en 2010, ce sera terminé? Le FMI essaie de le dire. Alors j'aimerais bien, le week-end, lorsque je rentre chez moi, être capable de le dire aussi. Mais il faut que vous m'aidiez un peu.

3-046

**Jean-Claude Trichet, président de la Banque centrale européenne.** – J'ai l'habitude de dire que je ne suis ni optimiste ni pessimiste, mais réaliste. Je vous ai dit que nous avons le sentiment, après la phase qui est de très faible croissance, comme nous l'avons déjà vu pour le second trimestre et probablement pour le troisième

trimestre, de voir nous-mêmes - et notre staff voit - une reprise progressive. Donc, de ce point de vue là, sur le profil de la croissance, je crois qu'il n'y a pas de doute sur le fait que nous devons avoir cette reprise progressive tout au long de 2009. Il n'y a pas non plus dans notre scénario de base, me semble-t-il, de modifications par rapport à ce que vous avez dit vous-même et, bien entendu, cela nous donnera une meilleure année 2010 que l'année 2009. C'est une simple conséquence du profil, et je peux donc vous confirmer cela.

J'ai aussi dit, au nom du Conseil des gouverneurs, que le retour à la stabilité des prix, en ligne avec notre définition, nous le voyons, après une diminution graduelle de l'inflation en 2009, dans le courant de 2010. De ce point de vue-là aussi, si vous avez la lecture plus positive de la situation, vous avez un élément de confiance, qui est très important. J'ai dit, en répondant à une question précédente, combien il était important que nous puissions donner la stabilité des prix à moyen terme, c'est précisément cela le moyen terme. Voilà, je ne dis pas autre chose, mais j'ai également dit, c'est vrai, que nous devons être conscients du fait que la correction turbulente à laquelle nous assistons était en cours. J'ai dit que ce n'était pas le moment d'être complaisant dans aucun domaine et j'ai dit que nous devons tous, sans exception, rester alertes.

3-047

**John Purvis (PPE-DE).** – Mr Trichet, you have been reluctant to get involved in the Fannie Mae/Freddie Mac issue, because you say that is not really your business, and yet Mr Paulson indicated that one of the main reasons was the very high number of foreign owners of bonds involved in this. I suspect a large number of those foreign owners might well be European institutions or investors, and even the slight downgrading or down-rating of those bonds would have had a pretty disastrous effect on, let us say, financial stability and a lot of other things in Europe. So, surely, it is your interest to be involved in that. I would be interested if you had any estimate of the scale of the danger that we possibly ran if that had not been resolved by Mr Paulson.

My second question refers to your intra-euro point in your speech earlier on. You shake a finger at, let us say, the 'bad boy' countries of Europe that are not keeping their houses properly in order. What if that was to get really bad? I mean, it is politically difficult to move jobs, to do all the hard things that have to be done. If some of our Member States are not very good and really end up in a very major problem – we see the spreads rising in the bond rates on some countries' bond issues – if this were to get really serious and out of hand, is there a contingency plan – a plan 'B' – to deal with that situation?

3-048

**Jean-Claude Trichet, President of the European Central Bank.** – Again, I am very clear that all authorities have to be up to their responsibilities, of course, and it is the responsibility of the US Treasury and, ultimately, of the US Congress because, again, the

decision of Secretary Paulson was taken on the basis of an authorisation by the legislative branch, and the legislative branch will have to go back.

I fully subscribe to what you say about the fact that not only the domestic creditors of Fannie Mae and Freddie Mac but also the international creditors of Fannie Mae and Freddie Mac were at stake. Certainly the European investors. But I think that Secretary Paulson probably thought also very much about the Asian creditors – and you know that in Asia there is an immense amount of reserve assets that are invested in various securities, in particular in the US – and he was probably also thinking of the immense reserve assets that are also in the oil-exporting countries in the Middle East. From that standpoint, it is clear that, had he not taken the decision he took, we would be in a totally different universe at the moment I am speaking – that is clear.

I take note of your appreciation of the difficulty of running economies when times are demanding. I would only say that inside the euro area it is clear that the credibility of the currency and of price stability over the medium and long term allows to enormously limit the impact of the real difficulties that a number of countries are encountering. As I have already said, if you had to add to the premia that you see between the various signatures and that are representing the appreciation by the market of some credit risk, the currency risk, which fortunately does not exist, of course you would have multiples of this spread. So, we have to understand that, in the present circumstances, all authorities have to be up to their enormous responsibility – and I am speaking in front of the chairman and president of the so-called governmental authorities, and he knows better what it means! But I have also to say that the euro itself helps considerably to ease the pressure of the difficult times all economies in the euro area have to cope with.

3-049

**Pervenche Berès (PSE).** – Monsieur le Président, je voudrais poser deux questions.

Premièrement, vous avez dit qu'il n'y aurait pas de retour au *statu quo*, et il nous semble qu'à cet égard, la question de l'articulation entre marché financier et politique monétaire est un des éléments. Comment évaluez-vous ce déplacement et cette nécessaire prise en compte sur une base radicalement différente de l'enjeu des marchés financiers pour la politique monétaire plutôt que l'inverse.

Deuxième question: en tant que responsable de la politique monétaire, vous dites au gouvernement "Réformer, faites la réforme structurelle". Mais aujourd'hui, dans le débat public, certains, et pas des plus iconoclastes, disent que, compte tenu des chiffres de récession ou de pré-récession, en attendant d'autres chiffres, au sein de l'Union européenne et notamment dans trois des économies importantes de la zone euro, la question d'une politique budgétaire plus offensive se pose. Alors cela ne dépendrait pas uniquement d'une politique monétaire, cela repose la question de la

politique des taux d'intérêt, mais cela aussi interpelle Jean-Claude Juncker. Alors quelle question pensez-vous que nous devons poser à Jean-Claude Juncker?

3-050

**Jean-Claude Trichet, président de la Banque centrale européenne.** – D'abord je ne vous donnerai pas de conseil sur le dernier point. Sur la première question...

3-051

**Jean-Claude Juncker, Président de l'Eurogroupe.** – Mais quelle réponse, Monsieur le Président, me suggèreriez-vous?

3-052

**Jean-Claude Trichet, président de la Banque centrale européenne.** – Je ne suis conseiller ni du Président ni du Parlement, mais sur le premier point "Marchés financiers et politique monétaire", nous avons dit, depuis le début de la période turbulente, que nous faisons nous-mêmes une très stricte séparation entre la politique monétaire et les taux d'intérêt que nous fixions, avec comme objectifs de donner la stabilité des prix à moyen terme et d'être crédibles dans la stabilité des prix à moyen terme, d'une part, et, d'autre part, dans notre action sur le marché monétaire via les divers instruments dont nous avons le maniement.

J'ai déjà dit d'ailleurs que nous n'avons pas changé, jusqu'au 4 septembre dernier, le système collatéral, qui a été établi depuis le début. Nous avons continué à utiliser exactement les mêmes instruments que ceux que nous avons. Donc je ne crois pas que l'on puisse dire que nous tirerons de l'ensemble de l'expérience que nous avons en ce moment que la politique monétaire elle-même devra changer. Tous mes collègues comme moi-même sommes absolument déterminés à continuer à être extrêmement fermes sur ce que nous appelons l'ancrage des anticipations d'inflation à moyen et long terme. Partout, en Europe naturellement, mais aussi partout dans le monde, je me suis référé à ce consensus. Cela ne veut pas dire que nous n'avons pas tous à réfléchir aux marchés financiers eux-mêmes, et j'ai dit, en effet, que je ne croyais pas que nous puissions retourner au *statu quo*. Je pense que ce serait une erreur, mais je n'insiste pas là-dessus parce que je me suis déjà exprimé.

En ce qui concerne les réformes structurelles, je ne dirais pas que nous disons nous-mêmes: "Réformez, réformez, réformez". Nous encourageons les décisions qui ont déjà été prises. Sur rapport de la Commission, les gouvernements ont décidé de réformer. Ils ont décidé eux-mêmes et personne d'autre à leur place, me semble-t-il, le programme de Lisbonne et les relances successives du programme de Lisbonne, donc nous les encourageons, mais de ce point de vue-là, les décisions, les orientations fondamentales ont été prises; nous croyons qu'elles sont bonnes en effet.

En ce qui concerne la politique budgétaire, j'ai dit, Madame la Présidente, que l'expérience présente montre à quel point le pacte de stabilité et de croissance est lucide quand il dit: "Préparez-vous pour les mauvais

jours". Ceux qui se sont préparés pour les mauvais jours, et il y en a, me semble-t-il, en tous les cas de l'avis de la Commission et de l'Eurogroupe, sont dans une meilleure situation car ils peuvent laisser jouer les stabilisateurs automatiques. Ceux qui n'ont pas fait ce travail, effectivement, sont dans une moins bonne situation. Et ceci est un argument supplémentaire pour l'application du pacte de stabilité et de croissance.

De toute manière, je vous rappelle que le pacte de stabilité et de croissance dans la perspective de la Banque centrale européenne est indispensable parce que nous n'avons pas de gouvernement fédéral et de budget fédéral. Il est donc très important qu'il y ait un ensemble de principes qui nous permette de répondre aux Américains quand ces derniers nous disent: "Est-ce que vous n'avez pas mis la charrue avant les bœufs? Vous avez une monnaie unique, vous n'avez pas de budget fédéral".

3-053

**Toine Manders (ALDE).** – I also welcome the President. I have a very brief question. We are talking about job creation and economic growth. We are discussing now the top-down solutions, but I have a question about a bottom-up instrument.

Commissioner Kroes is collecting billions of euros for breaches of competition law and this money is sent back to the Member States. Would it be an idea to label this money? Perhaps you could convince the ministers of finance to label this money and to invest it back into the economy, for example risk capital for young, innovative entrepreneurs because we need new economy, and perhaps this is a bottom-up solution. What do you think about this idea, and are you prepared to convince the ministers of finance on this? Perhaps Mr Juncker could also give an answer.

3-054

**Jean-Claude Trichet, President of the European Central Bank.** – I think it would be a very nice question for Jean-Claude Juncker!

As far as we are concerned we would only say: at national level respect the stability and growth pact; at European Union level optimise the budget of the European Union. I shall have to look at it, but I have no idea whether you can really say that there are additional resources that have to be optimised, but it seems to me that it has to go through the Commission meditation and, of course, the ultimate decision by governments.

3-055

**La Présidente.** – Monsieur le Président, nous nous verrons le 8 décembre. Vous savez que, lorsqu'un sondage est réalisé auprès des Européens, le premier signe d'existence de l'Europe pour eux, c'est l'euro. Mais parfois, nous avons l'impression que cet euro est un peu désincarné, qu'il n'est pas assez vivant comme un symbole. J'ai eu, la semaine dernière, le plaisir d'inaugurer et d'accueillir dans ces murs une très belle exposition sur le thème "Euro et culture", sur ce symbole de notre patrimoine européen, et je suis heureuse de

vous proposer éventuellement de regarder cette exposition afin de voir si elle ne pourrait pas être présente dans les murs de la Banque centrale. Et puisque j'ai le privilège d'avoir les deux Jean-Claude avec moi, je vais vous remettre un jeu qui a été élaboré à partir de ciment de la culture européenne pour le 21<sup>e</sup> siècle.

*(La réunion est levée à 11H10)*