



EUROPEAN CENTRAL BANK
EUROSYSTEM

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Mario DRAGHI
President

Mr Stelios Kouloglou
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 16 January 2019

L/MD/19/006

Re: Your letter (QZ-070)

Honourable Member of the European Parliament, dear Mr Kouloglou,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 8 October 2018.

First of all, let me clarify that the views expressed in ECB research are those of the authors and do not necessarily represent the views of the European Central Bank or the Eurosystem.

The ECB Research Bulletin article you refer to in your letter¹ asks what forecasters can learn about the impact of fiscal policies on economic growth based on the experience of the past ten years. The authors look at a sample of 24 EU countries that were under an excessive deficit procedure during the crisis. The focus of the abovementioned research is not on countries that were subject to a financial assistance programme.

As regards the case of Greece, let me underline that the wider-than-projected decline in output in Greece in 2010-12 led the institutions involved in the Greek adjustment programmes to reconsider the size of the fiscal multipliers, as also reported in an IMF ex post evaluation report on the first Greek adjustment programme,

¹ Górnicka, L. et al. (2018), "What did forecasters learn during the European sovereign debt crisis about the impact of fiscal policies on economic growth?", *Research Bulletin*, No 49, ECB, available at <https://www.ecb.europa.eu/pub/economic-research/resbull/2018/html/ecb.rb180905.en.html>. The related working paper is: Górnicka, L. et al. (2018), "Learning about fiscal multipliers during the sovereign debt crisis: evidence from a quasi-natural experiment", *Working Paper Series*, No 2154, ECB, May, available at <https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2154.en.pdf?da8cd5a12c6df67a80178fbd8f857c0>.

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published in June 2013². However, as the same report illustrates, in addition to the role played by the fiscal component, the projection error was also due to factors not related to fiscal dynamics, such as high political uncertainty and insufficient implementation of the reform commitments, which undermined confidence and hindered the capacity of the private sector to recover.

Regarding the possibility of Greece becoming eligible for the ECB's public sector purchase programme (PSPP), let me refer you to my reply to Mr Nikolaos Chountis, MEP, dated 23 June 2017³ and to my statements during the hearing of the Committee on Economic and Monetary Affairs of the European Parliament of 9 July 2018. As stated, eligibility for the PSPP is a decision for the ECB Governing Council to take on the basis of its own independent debt sustainability assessment and other risk management considerations. In this regard, a central precondition for PSPP eligibility of Greek government securities is that they fulfil the ECB's minimum credit requirements.⁴

Yours sincerely,

[signed]

Mario Draghi

² IMF (2013), "Greece: Ex Post Evaluation of Exceptional Access Under the 2010 Stand-By Arrangement", *IMF Country Report No. 13/156*, June, available at <https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Greece-Ex-Post-Evaluation-of-Exceptional-Access-Under-the-2010-Stand-By-Arrangement-40639>.

³ Letter from the ECB President to Mr Nikolaos Countis, MEP, on the Greek adjustment programme, available at https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter170626_chountis.en.pdf?ec1a1e0b372d3a9413d0f56afb3d32d3.

⁴ As laid down in Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60).

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