



EUROPEAN CENTRAL BANK  
EUROSYSTEM

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President

Mr Philippe Lamberts  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
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Frankfurt am Main, 21 June 2021

L/CL/21/139

**Re: Your letter (QZ-031)**

Honourable Member of the European Parliament, dear Mr Lamberts,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 11 May 2021.

ECB staff have investigated the implications of monetary policy for inequality in a number of studies.<sup>1</sup> As also highlighted in the ECB's feedback on the input provided by the European Parliament on the ECB's 2019 Annual Report,<sup>2</sup> these studies conclude, in general, that the ECB's accommodative policy measures have contributed to lowering income inequality in the medium term, as they support employment. This effect is especially strong for low-income households, which includes many young households and also previously unemployed workers, who start earning wages instead of receiving unemployment benefits.

While the position of first-time home buyers has thus far not been explicitly included in such research, all home

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<sup>1</sup> See, for instance, the article entitled "Monetary policy and inequality", *Economic Bulletin*, Issue 2, ECB, 2021, available at: [https://www.ecb.europa.eu/pub/economic-bulletin/articles/2021/html/ecb.ebart202102\\_01~1773181511.en.html](https://www.ecb.europa.eu/pub/economic-bulletin/articles/2021/html/ecb.ebart202102_01~1773181511.en.html); Hauptmeier, S., Holm-Hadulla, F. and Nikalixi, K., "Monetary policy and regional inequality", *Working Paper Series*, No 2385, ECB, Frankfurt am Main, March 2020, available at: <https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2385~bc63eeb13b.en.pdf?85cfbc18e61a5fd6b606a857056ada39>; and Lenza, M. and Slacalek, J., "How does monetary policy affect income and wealth inequality? Evidence from quantitative easing in the euro area", *Working Paper Series*, No 2190, ECB, Frankfurt am Main, October 2018, available at: <https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2190.en.pdf>.

<sup>2</sup> For more information, see *Feedback on the input provided by the European Parliament as part of its resolution on the ECB Annual Report 2019*, 14 April 2021, available at: [https://www.ecb.europa.eu/pub/pdf/other/ecb.20210414\\_feedback\\_on\\_the\\_input\\_provided\\_by\\_the\\_european\\_parliament-7d4de6f4c2.en.pdf](https://www.ecb.europa.eu/pub/pdf/other/ecb.20210414_feedback_on_the_input_provided_by_the_european_parliament-7d4de6f4c2.en.pdf).

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buyers taking up a mortgage benefit from the current very low interest rates. Of course, any decision on the part of individual households to take advantage of these favourable financing conditions and purchase a home also depends on other factors, including local house price developments and the availability of savings for the down payment.

With regard to the broader effects of the ECB's asset purchase programmes on wealth inequality, the available evidence indicates that they have been small. While rising stock prices tend to benefit the wealthy, increases in house prices are enjoyed much more broadly, as housing wealth is quite evenly distributed across euro area households and accounts for around 75% of total household assets.

As regards your question on alternatives to negative interest rates, the ECB constantly evaluates whether its monetary policy measures – including the negative interest rate policy – achieve their intended purpose and are commensurate with the risks to our price stability objective and proportionate in their execution. The negative interest rate policy continues to be an effective tool to support favourable financing conditions for the euro area economy. Cutting rates to below zero provides additional stimulus to the euro area economy, as rate cuts are passed through to bank lending rates and overall financing conditions for firms and households. The ECB therefore considers the negative interest rate policy a crucial element of its set of policy instruments in the current circumstances.<sup>3</sup>

Yours sincerely,

[signed]

Christine Lagarde

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<sup>3</sup> As regards other monetary policy tools, please see my previous reply to you and your honourable colleagues, *Letter from the ECB President to several MEPs, on monetary policy*, ECB, 22 December 2020, available at: [https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter201229\\_Urtasun\\_Ruiz\\_Devesa-8c3f04f65b.en.pdf](https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter201229_Urtasun_Ruiz_Devesa-8c3f04f65b.en.pdf).

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