EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

COURTESY TRANSLATION

Mario DRAGHI
President

Mr Marco Zanni and Mr Marco Valli
Members of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 1 December 2015

L/MD/15/656

Re: Your letter (QZ-150)

Honourable Members of the European Parliament, dear Mr Zanni, dear Mr Valli.

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 15 October 2015.

As I already stressed in other letters of reply to your MEP colleagues[1], the irrevocability of the euro has been part of the EU framework since the Treaty of Maastricht. The success of Economic and Monetary Union (EMU) depends on both the EU Institutions and the euro area Member States fully complying with all necessary requirements in terms of the economic policies pursued. The ECB has been mandated by the Treaty on the Functioning of the European Union to deliver price stability, and is taking all measures necessary to ensure that this mandate is fulfilled.

Let me take this opportunity to briefly trace the ECB's actions in recent years and discuss the current economic situation of the euro area, in order to demonstrate that we are not witnessing the “failure” of the euro, as you incorrectly argue in your letter.

The financial and economic crisis that has hit the euro area since autumn 2008 has been due to a combination of financial, fiscal and structural fragilities of both euro area and non-euro area economies. In

[1] See the letters to MEP Kostas Chrysogonos dated 20 April 2015 and to MEP Claudio Morganti dated 6 November 2012, accessible on the ECB’s website respectively at https://www.ecb.europa.eu/pub/pdf/other/150420letter_chrysogonos.en.pdf and https://www.ecb.europa.eu/pub/pdf/other/20121107_morganti.en.pdf

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particular, emerging risks in financial markets and entities had not been identified and addressed in a timely manner, national budgets and public debt had not been consolidated sufficiently in the good years before the start of the crisis, and structural reforms had not been given sufficient priority. Also, the institutional architecture of EMU proved incomplete and insufficient to withstand the challenges of the crisis and to contribute to its swift resolution.

Since the advent of the crisis, the ECB − in pursuit of its mandate as defined by the Treaty − has lowered its key interest rates and has introduced various unconventional monetary policy measures, in particular by altering the size and composition of the Eurosystem balance sheet. These interventions have included operations to provide funding reassurance to counterparties, credit easing measures to enable or improve the transmission of the monetary policy stance in the presence of market impairments, and large-scale purchases of securities to provide additional monetary policy accommodation. All these monetary policy actions have helped to preserve the functioning and stability of the euro area financial system and have averted an even deeper economic recession of the euro area economy.

Nevertheless, while monetary policy is focused on maintaining price stability, lifting structural economic growth to a higher level is in the hands of other policy areas. Given high levels of unemployment and weak investment, effective structural and fiscal policies should support the euro area cyclical recovery, turning it into structural one. Improvements in the business environment are a vital element of structural policy aimed at increasing productive investment, boosting job creation and raising productivity. The swift and effective implementation of structural reforms will not only lead to stronger growth, but will also raise expectations of permanently higher incomes, encouraging households to expand consumption and firms to start increasing investment immediately. Fiscal policies should support this process, also by making the composition of fiscal policies more growth-friendly, while remaining in compliance with the EU’s fiscal rules.

Yours sincerely,
[signed]

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