Die GMMA-Mitglieder wurden zur Distinguished Lecture mit Yves Mersch (Europäische Zentralbank) eingeladen, die am 30. Januar 2018 in Frankfurt am Main stattfand.


Des Weiteren waren die Mitglieder zu Vortragsveranstaltungen mit Robert Kaplan (Federal Reserve Bank of Dallas), Stephen L. Schwartz (Duke University School of Law), Tobias Adrian (International Monetary Fund), Peter Lutz (BaFin), Wolf-Georg Ringe (Universität Hamburg) und Volker Wieland (IMFS) eingeladen.

Frankfurt, 18.01.2019

Prof. Volker Wieland

B. Rohe-Morgan
14.03.2018
“The ECB and Its Watchers XIX”

The assessment of the economic development in the euro area and its impact on monetary policy were the crucial topic of the nineteenth edition of the conference “The ECB and Its Watchers”, organized by Volker Wieland. In his opening address, European Central Bank (ECB) President Mario Draghi said the ECB would avoid surprising investors with sudden changes to its stimulus plans, stressing that inflation is still too low. “We still need to see further evidence that inflation dynamics are moving in the right direction. So monetary policy will remain patient, persistent and prudent.” He warned that U.S. trade policies and a stronger euro could cloud the outlook.

ECB President Draghi was followed at the conference by Executive Board member Peter Praet, the ECB’s chief economist, who underlined that it’s too soon to declare “mission accomplished” on inflation. Praet added that the ECB will need to change its forward guidance on interest rates, being more specific.

During the first conference session on quantitative easing (QE) and policy normalization, Daniel Gros of the Brussels-based think tank Centre for European Policy Studies characterized Quantitative Easing (QE) as a “monetary placebo plus fiscal Aspirin”, a treatment, which should be stopped right away.
According to Elga Bartsch, Chief European Economist at Morgan Stanley, QE has been very effective. “The bond-buying program allowed the ECB to take back control of financial conditions in the euro area”. As she pointed out, the shadow short rates show the power of ECB policy: Without the bond-buying program, the ECB would have had to lower interest rates to minus seven percent in order to reach the same effect. The ECB’s 2.55 trillion euro bond buying program launched three years ago is due to expire at the end of September.

Regarding financial stability, the core topic of the second session, ECB Vice President Vitor Constâncio said that the euro area is not immune to global financial-market shifts. “The sharp movements that took place in the U.S. equity market in February 2018 demonstrated how sentiment can change very quickly – and market participants should be well aware of this risk,” he said. Monetary policy, on the other hand, should not respond to financial stability concerns.

Elena Carletti of Bocconi University analyzed the impact of non-performing loans (NPL) on financial stability, coming to the conclusion that banks with high NPLs tend to keep lending to zombie firms.

Poul Thomsen, Director of the IMF’s European Department, said the IMF was “fully supportive of the ECB’s current strong accommodation”. Although macroprudential decisions were primarily subject to national authorities, he asked policymakers “to remain vigilant about potential financial sector risks”. Thomsen emphasized that the EU macroprudential framework would benefit from some simplification in a way that “the decision-making processes should be simplified to ensure that national authorities act in a timelier manner”.

In the third session, François Villeroy de Galhau, Governor of the Banque de France, argued that national reforms are prerequisite to reforms of European Monetary Union (EMU) but not sufficient. In his opinion, Banking Union should be completed. The European Deposit Insurance (EDIS), however, is not needed from the start. According to Villeroy de Galhau, it is high time to progress. “There needs to be some compromise order to come forward”.

For Varadarajan V. Chari of the University of Minnesota, the EMU has been very successful in leading to lower and less variable inflation. On the other hand, he recognized free riding as a major problem in the monetary union since there are strong incentives to issue too much debt.
Lars Feld of the Eucken Institute and member of the German Council of Economic Experts presented the council’s proposal for reforming the architecture of the EMU under the heading of Maastricht 2.0. Feld stressed the priority for sound fiscal policy in the member states. In his view, there is no necessity of a joint fiscal capacity as “this provides the wrong incentives”, similarly as an EU unemployment scheme. When completing the Banking Union, risk sharing should be implemented only after risk reduction, Feld said. “We need well calibrated balance between national and common responsibilities”.
Program

8:55 – 9:00  Welcome
Volker Wieland (IMFS)

9:00 – 9:40  President’s Address
Mario Draghi (President of the European Central Bank)

9:45 – 11:15  Debate 1: Assessment of Quantitative Easing and Challenges of Policy Normalization
Chair: Volker Wieland (IMFS)
Speakers:
Peter Praet (Member of the Executive Board of the ECB)
Elga Bartsch (Morgan Stanley)
Daniel Gros (Centre for European Policy Studies)

Lead questions:
Ulrich Kater (Deka)
Claudia Broyer (Allianz SE)
Casper de Vries (Erasmus University Rotterdam)

Chair: Luisa Lambertini (Ecole Polytechnique Federale de Lausanne)

Speakers:
Vítor Constâncio (European Central Bank)
Elena Carletti (Bocconi University)
Poul Thomsen (International Monetary Fund)

Lead questions:
Frank Engels (Union Investment)
Natacha Valla (European Investment Bank)
Hermann Reinsperger (Foundation of Monetary and Financial Stability)

13:15 – 14:30  Lunch

14:30 – 16:00  Debate 3: The Sustainability of European Monetary Union and Institutional Reform
Chair: Michael Binder (Goethe University and IMFS)
Speakers:
François Villeroy de Galhau (Banque de France)
Varadarajan V. Chari (University of Minnesota)
Lars Feld (German Council of Economic Experts)

Lead questions:
Ester Faia (Goethe University)
Dirk Schumacher (Natixis)
David Marsh (OMFIF)

16:00 – 16:10  Closing Remarks
Volker Wieland (IMFS)