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## **ECB Said to Redouble Economic Reform Push With Task Force**

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(Bloomberg) -- European Central Bank officials have time and again griped that governments aren't doing enough to strengthen the euro-area economy. Now they're going a step further.

The Frankfurt-based ECB has created a task force of national central bank staff to consider economic reforms, according to people familiar with the matter, who asked not to be identified because the initiative hasn't been publicly announced. The group, which was set up in the spring and has yet to meet, was established in response to unhappiness that governments are dragging their feet, two of the people said.

The euro area's slow recovery means the ECB's Governing Council, which holds a non-monetary policy meeting on Wednesday, has been forced to implement stimulus measures so large that its quantitative-easing program risks running out of bonds to buy. President Mario Draghi has repeatedly urged governments to support him with structural efforts and his frustration showed in April -- about the time the task force was created -- when he intensified his warnings.

"The ECB has no particular expertise in structural reforms but it can certainly contribute to the debate as economic growth and the supply side of the economy matter for achieving its mandate," said Christian Odendahl, chief economist of the London-based Center for European Reform. "It should place emphasis on what kind of macro-economic

impact reforms may have -- that's what it can do best."

## **Policy Groundwork**

The new group is named the "Task Force on Economic Reforms," according to one of the people. While it will assess the impact of different concepts and report to the Monetary Policy Committee, which does the preparatory work for the Governing Council's discussions, there is no intention to tell governments what they should do, another person said. An ECB spokesman declined to comment.

Task forces typically work under the committees of the European System of Central Banks, made up of the ECB and the 19 national central banks of the currency bloc, according to a document on the Bank of France website. Their duties must be clearly defined, and the Governing Council regularly assesses whether to maintain them. Unlike a working group, not every national central bank necessarily has a representative.

The chief concern is that the reform momentum that developed during the debt crisis is fading too soon, with the economy lacking growth potential and resilience. **An aggregate indicator of the "reform drive" of the region fell to 3.3 in 2015 from 4.3 the previous year, according to a study [The Euro Plus Monitor Spring 2016 Update] by the Lisbon Council, a think tank, and Berenberg bank.**

## **Heightened Rhetoric**

The ECB already assesses member states' current structural policies via its Country Surveillance Division. In going further by considering new options, officials risk being accused of overstepping their mandate of ensuring price stability.

Even so, the central bank has stressed the need for structural improvements ever since its early days in 1998. After the debt crisis, Draghi heightened the rhetoric as the fight against the threat of deflation took him deeper into untested waters for monetary policy.

Starting in October 2014, the opening statement at his press conference, which is agreed by the Governing Council, included a call

for “other policy areas” to “contribute decisively” to growth. Urgency was added in April this year, when the language changed to “much more decisively, both at the national and at the European levels” and the president said structural policies are “essential.” Since July he has said reforms must be “substantially stepped up.”

In an interview with France’s *L’Opinion* on Wednesday, ECB Executive Board member Peter Praet renewed the call on governments to do their part, focusing in particular on the region’s two largest economies.

In France, “some reforms have indeed been implemented. But we are seeing significant difficulties in pushing them through,” Praet said. Germany, on the other hand, “needs structural reforms in certain sectors, like services. The very good environment provides a unique opportunity that won’t necessarily last.”

### **Latvian Proposal**

At least one euro-area central bank is already taking a more active role in policy typically associated with governments. At a press conference on Sept. 14, Bank of Latvia officials handed out a 19-page concept paper on a healthcare proposal by Governor Ilmars Rimsevics. The central bank’s annual conference on the national economy this year will cover health and education reforms.

The key question for the ECB is how far it can go before it runs into the charge that it’s straying from its mandate. The primary objective under European Union law is price stability, but the central bank’s role has already expanded to include bank supervision, and it is also entrusted with supporting the “general economic policies” of the EU, including full employment and balanced growth.

Draghi may argue that he’s just reminding governments what they’re capable of. As he said at his last press conference on Sept. 8: “To reap the full benefits of an extraordinarily accommodative monetary policy, one needs other policies.”