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Europe's Monetary Policy must have sharper focus

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The European Economic and Social Committee (EESC) has launched a project on *European industry and monetary policy: The role of the European Investment Bank*, which aims to explore the kinds of policies that ought to be pursued in order to improve the efficiency of monetary policy in relation to the real, productive economy. The theory behind the project is that cooperation between the European Central Bank and the European Investment Bank could prove a useful tool for achieving this aim.

It is worth bearing in mind the institutional and political difficulties that the European Union faced when it launched the Investment Plan for Europe (the so-called "Juncker Plan"), for which EUR 21 000 million is to be earmarked over the course of three years. At the same time, the European Central Bank has set up an 18-month monetary expansion programme for a "minimum" overall amount of EUR 1.14 trillion, almost 55 times more. The fact that both programmes have been launched at the same time has led businesses, experts and governments to wonder what is happening. **Are not both cases a matter of public resources intended for the European Union's economy? Is there no link whatsoever between monetary expansion and investment policy?**

We should not forget that, although monetary expansion is implemented by channelling liquidity into the banking system, this is just an intermediary step on the road to its ultimate aim, which is to impact the supply and demand of money. This can only be achieved when the banks finally gear their resources to the real economy via credit.

What this means is that monetary expansion is only efficient if these resources actually reach the real economy, and not if they remain piled up in financial entities, are used for speculative activities, or are invested outside of the Eurozone.

And this is precisely the problem with our monetary policies: there is no guarantee that the resources that are pumped into the banking system will actually reach the real economy. On the contrary, it is an incontrovertible fact that a huge proportion of monetary expansion is not used for credit in the real economy. The latest Euro Area Bank Lending Survey, carried out by the ECB in July of this year, revealed that according to the banks themselves, resources from long-term monetary expansion operations are being used to provide credit in only 59% of cases, whereas the banks are using nearly 25% to refinance their financial liabilities.

Monetary expansion is insufficiently focused, in other words the huge sums channelled through monetary expansion are poured into the banking system without any kind of proviso to ensure they are used to achieve the aims of the monetary policy itself.

The inefficiency and the huge waste of resources that this situation entails are obvious and should be quickly addressed by the European institutions. **In our opinion, cooperation between the European Central Bank and the European Investment Bank, which is mainly responsible for investment policy in the European Union, would be of enormous value in addressing this issue.**

It is clear why this cooperation is of interest. The EIB has the necessary know-how to determine which investments the European economy needs, in which sectors it needs them, and how to structure them. It has more than enough experience in channelling resources with different levels of risk and liquidity.