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EDOUARD CARMIGNAC'S LETTER

Edouard Carmignac writes on current economic, political and social issues each quarter.

Paris, October 4, 2019

Mr Mario Draghi
President
European Central Bank
Sonnenmannstraße 20
60314 Frankfurt

Dear Sir,

Twice before have I allowed myself to congratulate you for the exemplary role you displayed during both of your terms in office. With the approach of your departure, I would like to stress once again how truly indebted we are to you. Your unambiguous declaration at the height of the July 2012

crisis – "The ECB is ready to do whatever it takes" – anchored the ECB as the key institution in the construction of Europe, by preventing the implosion of the eurozone and enabling its most fragile members to regain access to markets.

Results are plain to see. 10-year rates for Italy and Spain currently stand at 0.83% and 0.13% respectively, compared to 7% and 5% in January 2012. Even better, as your support for these states was contingent on their compliance with fiscal compacts of good conduct, it took only moderate ECB action to achieve these results. Renewed investor confidence allowed markets to play their part.

And what about the future? Eight years of accommodative monetary policy have left the ECB with only symbolic room for manoeuvre, and with 70% of European sovereigns trading at negative yields, the traction of monetary policy on the real economy has become questionable. As you acknowledged yourself at the latest ECB meeting, **the next stage in the construction of Europe can no longer be monetary, but fiscal.**

With that in mind, I like to picture the creation of a European Finance Ministry that would use our tremendous ability to raise capital at favourable rates – not to finance yet another stimulus plan with no lasting impact, but to tackle our continent's severe underinvestment in sectors with the brightest future. Our telecom networks are outdated (even in Germany!) and we need to move fast to provide 5G coverage across Europe. Our lag behind the United States and China in artificial intelligence and biotechnology is increasing, and we must catch up at least in part. Finally, the transformation of our economies towards sustainable development must become a top priority, as well as a major growth driver.

I would also like to picture you as Europe's first Finance Minister. Your intellectual authority and your skill as a negotiator are widely recognised. They will be vital to successfully carrying out such an ambitious recasting project that will require reconciling the often bygone divergences between our nation states.

Hoping my expectations will not prove to be inordinate, I remain, yours truly,

Edouard Carmignac

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