

Fin de regime ? Not Yet.

Madame Lagarde counts on a disengaged public and on biased journalists

Normally the tone of an ECB press-conference is one of personal familiarity, with Martin Arnold, FT-correspondent in Frankfurt addressing the ECB President as „Christine“. On July 27th 2023 this was reciprocated. Lagarde referred to Mr Arnold, a faithful supporter of the ECB and its president as „Martin“ and gratefully used his „question“ to repeat what she had said time and again previously: the ECB is sticking to its guns to bring inflation to targeted levels.

However, she had no occasion to explain why there is a spread of inflation rates within the member countries of the Euroarea, such as about 10 % between those of Luxembourg and of Slovakia. Instead of giving a convincing statement on the scale of difference within the Eurozone, managed for more than 25 years by a „single monetary policy“, she lapsed into light entertainment: „What a marvellous heterogeneity in Europe“. No journalist probed more deeply into the matter by asking whether under these conditions, a single interest rate should be implemented. But sooner or later, significant countries with low inflation rates like Spain will advocate the cessation of further hikes. The Spanish Vice-president might provide help unless the public becomes more conscious of the impossibility of a single rate policy in a highly heterogeneous inflationary environment.

Additionally, the continued full reinvestment of all PEPP principal payments from maturing securities till „at least the end of 2024“ should attract public attention. That emergency policy can no longer be justified as the pandemic is over and in times of inflation the PEPP monetary volume of 1,7 trillion euros adds to the inflationary potential.

In summertime, critical questions seem to become rarer and the public is more concerned with the pursuit of leisure activities. Excellent times for an underperforming institution and her incompetent French president.