

Letters

To ask 'will QE work?' is to miss the point

Sir, A typical response to the programme of quantitative easing announced by the ECB is to ask whether or not it will work. But this question seems to miss the point. In the Q&A session that followed last Thursday's press conference, Mario Draghi repeated again that the mandate of the ECB is price stability. The primary goal is to bring inflation close to its 2 per cent target, not to boost growth and employment or bring about greater financial stability.

The main problem is that even a possible convergence towards the first goal would not imply the achievement of the others. The average inflation in the eurozone for 2014 has been 0.4 per cent, and today, market-based expectations of the average inflation for the next five and 10 years is 0.3 per cent and 0.9 per cent, respectively. According to the ECB, QE will "work" if it brings inflation and inflation expectations towards the target it has set, whatever happens to the growth rate or the rate of unemployment in the eurozone. This is not what many people in Europe hope for when thinking of a successful euro-wide macroeconomic policy.

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