

Frank Elderson: Q&A on Twitter



Interview on Twitter with Frank Elderson, Member of the Executive Board of the ECB, conducted and published on 16 March 2021

17 March 2021

Hello, this is [@FrankElderson](#), Executive Board member at the ECB. I'm looking forward to answering your questions for the next 45 minutes or so. Join the conversation! [#AskECB](#)

[#AskECB](#) Why dont you better explain your policies by indicating the aimed positive consequences, but also the potential negatives.

[@FrankElderson](#): While the evidence is that our policies are very effective we certainly also have possible side effects on our radar. The two-tier system is a case in point where we have reacted to mitigate the potential side effects of our negative rate policy on banks [#AskECB](#)

[#AskECB](#) How will the ECB evaluate and quantify the climate risk associated with its investment portfolio on an annual basis?

[@FrankElderson](#): The Eurosystem is preparing the measurement of greenhouse gas emissions and other sustainable and responsible investment-related metrics of these Eurosystem portfolios, including the use of some specialised data provider

Are we entering an inflationary or deflationary period in the Eurozone?

[@FrankElderson](#): Inflation increased sharply in January and February and is

likely to go up further in the coming months. This is mainly due to transitory factors, which we look through. Underlying inflation remains subdued owing to weak demand and economic slack [#AskECB](#)

[#AskECB](#) **Dear Frank Is the massive stimulus from ECB leading to zombification of EU economy as firms may get inefficient and workers might lose skills for productivity**

[@FrankElderson](#): We don't see that. The pandemic is deep but temporary, so the risk of zombification is less pronounced than in other downturns. In general, the share of zombie companies in the euro area has declined since 2014

[#AskECB](#)

What are you proud of?

[@FrankElderson](#): Personally, I am very proud of my wife and our two great daughters! Professionally, I am honoured to work for Europe and committed to helping make the lives of Europeans better in this pandemic [#AskECB](#)

Will would a rate rise be expected?

[@FrankElderson](#): Our forward guidance is clear on that: We expect interest rates to stay at their present level or lower until we see that inflation comes back to our objective of close to, but below, 2 per cent [#AskECB](#)

Assuming the ECB wants to maintain favourable financial conditions while inflation expectations improve, does this imply a reference point for real yields, e.g. as observed in early December 2020?

[@FrankElderson](#): We look at a number of indicators. To determine whether financing conditions are favourable, we look at their underlying drivers and how they develop over time, in combination with the inflation outlook [#AskECB](#)

[#AskECB](#) **What is your stance on crypto? If positive, when crypto EUR?**

[@FrankElderson](#): Crypto-assets are volatile. They lack any intrinsic value and there is no reliable institution backing them. In contrast, a digital euro would offer Europeans the same level of confidence as with cash, since it would be backed by the ECB [#AskECB](#)

[@FrankElderson](#) [#AskECB](#) **At the last press conference Mme Lagarde said there will be a 'staged' approach where information, disclosure and investment will all be required to address the climate question. What does this mean? The slower the ECB acts the more problematic it will be**

[@FrankElderson](#): Better disclosure and transparency on environmental risks has top priority over everything else so that consumers, investors, businesses and policymakers can take informed decisions for a more sustainable future [#AskECB](#)

[#AskECB](#) **Are structural forces still keeping inflation down or could Covid-19 be a structural break in that regard?**

[@FrankElderson](#): It is true that pandemic-related supply constraints, among other factors, are expected to increase inflation during this year. However, our assessment is that underlying price pressures will remain muted due to weak demand and low wage pressures [#AskECB](#)

[#AskECB](#) What is your plan against the inequality because of the flood of money? Costs for living are skyrocketing, assets go crazy. While the rich had the year of their live millions lost their jobs and starving.

[@FrankElderson](#): Asset purchases can lead to higher asset prices but they've also helped to maintain millions of jobs. We're closely monitoring side effects of our measures and analyses have shown consistently that positive effects have exceeded negative ones [#AskECB](#)

[#AskECB](#) What is meant by "upstream and downstream" regarding the statements on March 11th press release about indicators, the upstream and downstream indicators, could you please help further my understanding on this terminology?

[@FrankElderson](#): Upstream: important benchmark rates that mark the starting point of our monetary policy transmission. Downstream: the financing conditions that are more relevant for households and firms but are only affected by our policy with a delay [#AskECB](#)

What's worth more, those tulips or one Bitcoin? [#AskECB](#)

[@FrankElderson](#): Tulips are beautiful flowers. For those who remember 17th century Tulip Mania, they also serve as a reminder of what can happen when prices don't reflect intrinsic value [#AskECB](#)

[#AskECB](#) Is the ECB considering an assessment of the negative impact its CPPS might be having on the EU Environmental Policy, in terms of hindering/delaying the achievement of objectives & waste of resources due to lack of policy coherence between ECB's action and COM&MS's action?

[@FrankElderson](#): Climate is a topic dear to my heart. We need urgent action and we are committed to doing our part within our mandate. How to incorporate climate change in our tasks is a key part of our [#strategyreview](#), reviewing also our concept of market neutrality [#AskECB](#)

[#AskECB](#): why did the ECB pre-commit to a significantly higher PEPP pace throughout Q2 – regardless of the state of financial conditions – thereby reducing the programs most lauded feature, its flexibility? And why did it take another decision to honor the Dec commitment?

[@FrankElderson](#): The increase is precisely a reflection of the flexibility embedded in the PEPP. We have increased purchases to prevent a tightening of financing conditions, that would risk the return of inflation to pre-pandemic levels [#AskECB](#)

[@FrankElderson](#) What is [@ecb](#) status with [#CBDC](#) development [#AskECB](#) [#Algorand](#)

[@FrankElderson](#): We will make the decision whether to launch the investigation

phase for a #digitaleuro towards the middle of 2021 [#AskECB](#)

Why is the DAX doing all time highs again even with companies struggling more than ever?

[@FrankElderson](#): Companies indeed face severe challenges due to the ongoing pandemic. But markets do expect a strong rebound of the economy and rising corporate earnings, crucially supported by fiscal and monetary policy [#AskECB](#)

What is the state of discussions on (abandoning) market neutrality in the context of the ECB strategic review, [@FrankElderson](#)? [#AskECB](#)

[@FrankElderson](#): In case of market failures, we [@ecb](#) are not obliged to adhere to market neutrality under all circumstances. In any case, market neutrality is not a legal concept. We will share the outcome of our discussions at the end of the [#strategyreview](#) [#AskECB](#)

What are the research priorities of the new [@ECB](#) climate change centre?

[@FrankElderson](#): I'm very excited that we are setting up the [@ecb](#) climate change centre and are currently recruiting its head. Once in place, the team will shape and steer the ECB's climate agenda, working closely with staff throughout the ECB [#AskECB](#)

[#AskECB](#) **What can the ECB do to prevent further support for the co2 intensive economy and to stop heating up the climate crisis?**

[@FrankElderson](#): We must contribute to the success of climate change-related policies within our mandate and we are looking at various options as part of our [#strategyreview](#). However, it is up to governments to make such policies [#AskECB](#)

[#AskECB](#) **Hello Frank, do you think that central banks should ensure that the stock of assets they hold for monetary policy purposes are in line with a net zero emissions target?**

[@FrankElderson](#): The Treaties require us to support the EU's environmental objectives and policies when pursuing our mandate. But our actions must not prejudice our objective of price stability [#AskECB](#)

Any efforts to make the ECB board more diverse? Not only in terms of gender, but for instance: some countries require central banks to have trade union representatives on its board and/or forbid financial sector representatives. [#AskECB](#)

[@FrankElderson](#): We value all facets of diversity, incl. gender, nationality, religion, sexual orientation, ethnicity, age, cultural background and disability. Governments appoint the Executive Board. As supervisors, we push banks towards more diverse boards and staff [#AskECB](#)

[#AskECB](#) **I hope someone will ask the question of why the ECB is keeping so much dry powder when the indie tightening is an issue for the Eurozone**

[@FrankElderson](#): We use as much powder as needed to preserve favourable financing conditions. Based on an assessment of financing conditions and the inflation outlook, we expect PEPP purchases over the next quarter to be done at a significantly higher pace than before [#AskECB](#)

Time to wrap up. Thanks a lot for your questions – I really enjoyed the chat and look forward to doing it again soon. Take care! [#AskECB](#)