Among the main elements of the account of the 4 June meeting were the following:

The easing of credit conditions would help viable businesses continue to operate and retain as many workers as possible. In turn, preserving jobs was the most important factor in determining incomes and the financial security of individuals and families in the euro area.

The pandemic emergency purchase programme and the asset purchase programme were proportionate measures, under the current conditions, for pursuing the price stability objective, with sufficient safeguards having been built into the design of these programmes to limit potential adverse side effects, including risks of fiscal dominance, and to address the monetary financing prohibition.

Some reservations were expressed about the precise timing and proposed scale of the expansion of the PEPP envelope to further boost monetary policy accommodation. Prevailing uncertainties and some indications of a bottoming-out of economic and financial conditions were seen to argue for a more cautious approach.

With regard to the calibration of the PEPP expansion, a range of preferences were expressed in favour of either a larger or smaller envelope. The case for a larger envelope was based on the significant downside risks to the June projections amid the exceptionally high degree of uncertainty surrounding the economic outlook, together with the subdued inflation outlook, with heightened risks of protracted disinflation or even deflation.

A number of arguments were made in favour of a smaller expansion of the PEPP, which would allow more time to assess the evolution of the economic situation and the medium-term outlook for price stability.

Members put forward some broader considerations with regard to the effectiveness and efficiency of using asset purchases as a monetary policy tool in the pursuit of the ECB's price stability objective, including in the light of the upcoming review of the monetary policy strategy and with a view to explaining the Governing Council's monetary policy deliberations in a more comprehensive way to the public.

The proportionality assessment of any monetary policy measure had to consider, among other things, the degree to which the measure contributed to achieving the monetary policy objective, on the one hand, and possible unintended side effects, on the other hand. It required a judgement as to whether other policy measures were available that were as effective and efficient while offering a better balance between intended and unintended effects.

The overall evidence underpinned the view that the public sector purchase programme had had a positive impact on macroeconomic outcomes, confirming the assessment that it was a policy measure that was effective in putting upward pressure on inflation and inflation expectations as intended.

The low interest rate environment in which central banks had to navigate was associated with a number of challenges. First, low interest rates might incentivise market participants to adopt excessive risk-taking behaviour, ultimately triggering risks to financial stability. Second, low interest rates prevailing over an extended period of time could strain the profitability, and hence the capitalisation, of banks. Third, the low interest environment might give rise to scenarios in which banks financed inefficient firms, which implied a misallocation of resources and could ultimately lead to a decrease in overall productivity in the economy.

Low interest rates were challenging for earnings on the savings of households and insurance companies that aimed for certain nominal yields. It had to be acknowledged, however, that the asset purchases under the PSPP had contributed to these potential issues, but only to the extent that they lowered interest rates below the natural rate.

In assessing the benefits and costs of asset purchases, the relevant benchmark was not the status quo, but a counterfactual situation in which policy accommodation through asset purchases had not been provided.

There was ample evidence that the euro area economy would have fared much worse without the policy stimulus from asset purchases. The Eurosystem's asset purchases had created financial conditions that countered disinflationary forces and helped to avert deflationary risks in the euro area.

Net borrowers had benefited from lower interest rates, whereas net savers had seen a decline in their interest income. It was also noted that the effects of lower interest rates arising from asset purchases were similar to the effects of using conventional monetary policy instruments.

It was viewed as essential to embed safeguards in the design of the Eurosystem's asset purchases, including a limits framework and the capital key as a benchmark, so as to mitigate the risk of monetary policy becoming dependent on countries' fiscal policies. Accordingly, these should constitute guiding principles.

It could not be ruled out that unintended effects could increase over time and eventually outweigh the overall positive effects. It was thus seen as important to continuously assess the effectiveness and efficiency of the monetary policy measures, their transmission channels and their benefits and costs.

All expansionary monetary policy instruments contributed to a low interest rate environment. Therefore, the associated side effects of low rates were not a distinguishing feature of asset purchases, such as under the PSPP or the PEPP, but were a factor pertaining to all policy instruments that contributed to a low interest rate environment.

David Marsh is Chairman of OMFIF.