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# REPORT

on 2011 Annual Report of the European Central Bank  
(2012/2304(INI))

Committee on Economic and Monetary Affairs

Rapporteur: Marisa Matias

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on 2011 Annual Report of the European Central Bank

(2012/2304(INI))

*The European Parliament,*

- having regard to the 2011 Annual Report of the European Central Bank,
  - having regard to Article 284 of the Treaty on the Functioning of the European Union (TFEU),
  - having regard to Article 15 of the Statute of the European System of Central Banks and of the European Central Bank,
  - having regard to its resolution of 4 May 1998 on democratic accountability in the third phase of the EMU<sup>1</sup>,
  - having regard to its resolution of 1 December 2011 on the European Central Bank (ECB) Annual Report for 2010<sup>2</sup>,
  - having regard to Rule 119(1) of its Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs (A7-0031/2013),
- A. whereas real GDP growth in the eurozone was 1.5 % in 2011, which represents a slowdown from 1.9 % in 2010; whereas several Member States experienced a severe economic downturn over the same period;
- B. whereas unemployment in the eurozone increased from 10 % at the end of 2010 to 10.7 % at the end of 2011; whereas youth unemployment increased significantly over the same period;
- C. whereas about 14.4 million new jobs have been created in the eurozone since 1999, compared with approximately 10.7 million in the United States;
- D. whereas, in 2011, the ECB increased interest rates twice, in April and August (25 basis points each time) and reduced them twice at the end of the year, in November and December (again 25 basis points each time);
- E. whereas the average inflation rate in the eurozone was 2.7 % in 2011, up from 1.6 % in 2010 and M3 growth was 1.5 % in 2011, down from 1.7 % in 2010;
- F. whereas the consolidated financial statement of the Eurosystem reached EUR 2 735

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<sup>1</sup> OJ C 138, 4.5.1998, p. 177.

<sup>2</sup> Texts adopted, P7\_TA(2011)0530.

billion at the end of 2011, representing an increase of around 36 % over the course of 2011;

- G. whereas the ECB launched its first three-year Long Term Refinancing Operation (LTRO) on 21 December 2011, which allotted EUR 489.2 billion in three-year maturity loans;
- H. whereas the growth of credit to the private sector slowed down significantly from 1.6 % in 2010 to 0.4 % in 2011, and loans to the private sector from 2.4 % in 2010 to 1.2 % in 2011;
- I. whereas both the M3 broad aggregate and the annual growth rate of credit extended to the private sector experienced a sharp deceleration over the last quarter of 2011;
- J. whereas the outstanding amount of bonds settled under the securities market programme at the end 2011 stood at EUR 211.4 billion;
- K. whereas non-marketable assets became the largest component of assets put forward as collateral to the Eurosystem in the course of 2011, representing 23 % of the total, and whereas non-marketable securities, together with asset-backed securities, represent more than 40 % of total assets put forward as collateral;
- L. whereas average gross general government debt rose from 85.6 % to 88 % of GDP and the aggregate general government deficit fell from 6.2 % to 4.1 % of GDP; whereas some eurozone countries experienced rising deficit levels;
- M. whereas Article 282 of the TFEU states that the primary objective of the ECB is to maintain price stability and that the ECB should support general economic policies of the Union without prejudice to price stability, and also whereas the ECB is conferred specific tasks regarding the European Systemic Risk Board (ESRB);
- N. whereas a low inflation environment is the best contribution monetary policy can make to creating favourable conditions for economic growth, job creation, social cohesion and financial stability;
- O. whereas the ECB's long-term refinancing operations of December 2011 and February 2012 meant that European banks were granted over EUR 1 trillion – EUR 489 billion and EUR 529.5 billion, respectively – in the form of low-interest loans with a term of 3 years and a 1% interest rate;
- P. whereas the recommendations concerning transparency of voting and the publication of summary minutes put forward in previous Parliament resolutions on the ECB annual reports have not yet been taken into account;
- Q. whereas price stability is fundamental if excessive inflation is to be prevented;
- R. whereas maintaining a flow of credit to SMEs is particularly important as they employ 72 % of the eurozone's labour force and have significantly higher gross job creation (and destruction) rates than large enterprises;

## **Monetary policy**

1. Commends the proactive stance of the ECB during 2011 and 2012, in a context in which risks to eurozone stability increased considerably; underlines and welcomes the fact that the ECB Governing Council considers that its tasks allows it to fight excessive borrowing costs for eurozone Member States;
2. Welcomes the ECB's stance in these times of crises, both as far as its monetary policy and its actions to stabilise the financial markets are concerned;
3. Considers that the decisions of April and July to increase the key ECB interest rates may have contributed, among other factors, to increasing the policy-induced risk premia of financial intermediaries and, therefore, to slowing down credit growth, weakening further the already anaemic economic recovery that was observed in the first trimester of 2011;
4. Welcomes the subsequent decision to revert these decisions at the end of 2011, and the additional reduction in 2012, as well the adoption of non-standard measures with the objective of aiming at restoring the monetary transmission mechanism;
5. Notes that the rise in inflation observed in 2011 was mainly due to rising price on energy and, to a much lesser degree, food and other commodities, among other factors;
6. Acknowledges the efforts undertaken by the ECB to help stabilise markets, namely through the Securities Markets Programme (SMP), the three-year longer-term refinancing operation (LTRO) and the Outright Monetary Transactions (OMT), but points out that a structural solution to the crisis is not yet in sight;
7. Notes the SMP helped temporarily to alleviate pressure on borrowing costs for eurozone Member States experiencing or threatened with serious difficulties with respect to their financial stability; notes that the liquidity absorbing operations conducted in order to sterilise these purchases reduced the levels of excess reserves, contributing, to a certain extent, to the aim to regain control of the euro overnight index average (EONIA);
8. Acknowledges that while the two three-year LTROs have been effective in avoiding a credit crunch, questions remain as to the ability of the financial sector to return the loans received by the ECB; points out that the results, in terms of credit growth, have been unsatisfactory; notes that the decision to launch the first three-year LTRO on 21 December 2011 coincided with the winding down of the SMP programme, hinting at the existence of a trade-off between the support of financial institutions and that of sovereign creditors;
9. Asks the ECB to publish, in its monthly report, figures for the amount of public debt of each Member State posted as collateral by financial institutions;
10. Notes the transfer of risks from struggling banks and governments to the ECB's balance sheet, which is now worth more than 30 % of the eurozone's GDP; stresses that the three-year LTROs do not provide a fundamental solution to the crisis;
11. Expresses its deep concern over the rising levels of excess liquidity observed through 2011, in particular in the second semester, which is due to a lack of confidence between banks and a lack of lending to the real economy, arising from the uncertainty created by

economic stagnation and over-indebtedness of the public and private sectors in some Member States; points out that this situation, which is indicative of risks conducive to a liquidity trap, damages the efficiency of monetary policy efforts;

12. Notes that swap lines with other central banks, as well as the recourse to the main refinancing operations, the medium and long-term refinancing operations with full allotment at fixed rates, the recourse to the marginal lending facility and the deposit facility remained all at significantly high levels throughout 2011, signalling a severe impairment of the monetary transmission mechanism and the eurozone interbank lending market;
13. Is concerned about the significantly high levels of Emergency Liquidity Assistance (ELA) lines provided by national central banks in the course of 2011 under the authorisation of the ECB, and demands further disclosure of, and complementary information on, the precise extent of such lines and the underlying operations, and on the conditions attached to them;
14. Notes that the credit available to businesses and households is still far below the pre-crisis levels and has slowed down its growth in 2011; underlines that this fact, combined with the fact that the deposit facility held EUR 315.754 million on 28 September 2012, has clearly justified the ECB's decision to reduce the rates applied to the marginal lending facility, the main refinancing operations and the deposit facility;
15. Takes note of the measures of the ECB on the lowering of collateral requirements and the stance on collateral rules for asset-backed securities (ABS), as these are deeply correlated with loans to households and SMEs;
16. Remains, however, worried about the significant levels of non-marketable assets and asset-backed securities put forward as collateral to the Eurosystem in the framework of its refinancing operations; asks the ECB to provide information on which central banks have accepted such securities, and to disclose detailed information on the valuation methods regarding all assets, including impaired ones;
17. Believes that, on collateral rules, the same standards should apply for sovereign as for regional government bonds in those cases where regions have legislative and tax powers, as both types of bond have relevant influence on the good transmission of the ECB monetary policy;
18. Underlines that institutions which have benefited from extraordinary central bank liquidity support should be subject to conditionality, including the commitment by institutions benefiting from such support to increase the levels of credit by establishing loan targets to the real economy, and especially to SMEs and to households, without which such efforts may prove to be ineffective;
19. Asks the ECB to explore, in close cooperation with Member State governments, competent national supervisory authorities and the Commission, the possibility of implementing a framework, such as the MERLIN programme elaborated by the Bank of England in partnership with the UK treasury, regarding conditionalities attached to the access to central bank non-conventional facilities such as targets on loans granted to

SMEs;

20. Warns that in the absence of proper conditionality, non-standard measures such as three-year LTROs may fall short of producing the desired effects, increasing volatility and favouring the formation of asset bubbles in financial markets or, alternatively, facilitating the deleveraging process without meaningful counterparts regarding credit allocation; calls, therefore, on the ECB to analyse carefully the effects, both desired and undesired, of these or other measures;
21. Underlines that such terms should be directly linked to the economic benefits provided by banks by means of the non-conventional monetary policy measures and the bail-out programmes, assuring that the new revenues allowed by these policies will result in more credit placements;
22. Recalls that monetary policy shares a part of the responsibility for the creation of asset bubbles, given the unsustainable credit growth during the years leading up to the crisis, even though price stability was ensured; underlines the importance of asset price trends and credit dynamics as indicators for monitoring financial stability;
23. Recalls its position on the Capital Requirements Directive (CRD) IV negotiation process to impose additional conditions to institutions having benefited from ECB liquidity support;
24. Deems that the TARGET2 settlement system has played a crucial role for safeguarding the integrity of the eurozone financial system; notes, however, that the significant TARGET2 imbalances reveal the worrying fragmentation of financial markets within the eurozone, as well as the ongoing capital flight in Member States experiencing or threatened with serious difficulties with respect to their financial stability;
25. Congratulates the ECB and the Eurosystem for making more transparent the TARGET2 system in its 2011 annual report; asks the ECB and the Eurosystem to publish monthly statistics on the system's evolution;
26. Believes that the TARGET2 system is fundamental for the good functioning of the euro;
27. Underlines that interesting lessons may be drawn for the Eurozone from the study of the functioning of balance of payments systems in other federal monetary unions such as the United States;
28. Asks the ECB and the Commission to consider whether articles 129.3 and 129.4 of the TFEU may provide an appropriate legal basis for increasing the overall transparency and granularity of the Eurosystem's consolidated balance sheet;

#### **The economic crisis and the ECB**

29. Calls on the ECB to make public the legal decision concerning the OMT programme in order to be able to analyse more deeply its details and implications;
30. Welcomes the ECB's commitment to guarantee a *pari passu* status for asset holdings

related to any future OMT programme, as well as its emphasis on the sterilisation of all OMT purchases, in order to mop up excess reserves; acknowledges, at the same time, the challenges related to such sterilisation measures and underlining the need to closely monitor and evaluate the effects; believes that the OMT programme may fit the needs of those countries that are close to finish their bail-out and are beginning to issue debt again;

31. Points out that the ongoing crisis is a matter of concern as it threatens the substantial efforts made by Member States regarding their budgetary consolidation and crisis response strategies; notes that the current severe economic downturn in several eurozone Member States has negative economic and fiscal consequences, such as effects in tax revenues and social expenditure in those countries, further deteriorating their public debt problems, as is becoming increasingly evident in the countries which are subject to adjustment programmes indicated in the Commission's latest macroeconomic projections, which now foresees deteriorating fiscal balances in seven EMU Member States in 2013 or 2014;
32. Points out that sovereign bonds and financial institutions show persistent vulnerabilities and that the negative feedback loop between sovereign bonds and banks can only be broken through fiscal consolidation and banking sector capitalisation in an economic growth environment;
33. Considers that a cause of public accounts unsustainability in some countries of the eurozone is the ongoing economic recession, causing rising unemployment and falling tax revenues; affirms, therefore, that policies to foster growth and job creation must be a key priority for the Union;
34. Encourages ECB President Mario Draghi to resume a tradition initiated by his predecessor Jean-Claude Trichet, who at the Eurogroup meetings persistently raised the issue of macroeconomic imbalances, especially the differentials between productivity and wage increases, which led to a marked divergence between competitiveness levels between the Member States;
35. Considers that the ECB's actions should be assessed in the context of the current debate on the future of the EMU; points out that it has called for an increased budgetary capacity for the EMU, in the framework of the EU budget and based on specific own-resources (including a financial transaction tax), to support growth and social cohesion, and to address imbalances, structural divergences and financial emergencies which are directly connected to the monetary union, without undermining its traditional functions to finance common policies; considers that such a budgetary capacity would significantly improve the policy-mix in the EMU;
36. Notes the ECB's refusal to assume its own share in debt restructuring processes, including on the bonds it acquired in the secondary market, below its face value, and notes as well that the ECB, under the SMP, earned significant gains that only were made possible in the context of the deteriorating funding conditions faced by the very Member States that the SMP was supposed to alleviate; points out that these gains can be estimated to be significant as a share of Greek GDP; notes the ECB's refusal to disclose relevant information on the matter to date, notably the price at which it purchased Greek bonds; notes that the ECB deemed that such participation would have amounted to monetary



government financing, even though questions arise regarding the fact that this decision may undermine the effectiveness of some of its unconventional monetary policies;

37. Recalls that the ECB signalled its readiness to cooperate with national central banks and Member State governments in setting up a mechanism aimed at channelling to debt reduction efforts any profit made by means of the SMP operations on Greek sovereign debt securities held for monetary purposes; asks the aforementioned parties to act diligently to set up such a mechanism;
38. Notes that the economic situation in some economies is generating severe capital flows that worsen those economies' funding difficulties and that are unsustainable in the short and – even more – long term; stresses that these imbalances have had massive distorting effects leading to costly negative externalities and are a problem for the entire eurozone, threatening the stability of all its economies; these imbalances can only be dealt with if a comprehensive and far-reaching solution to the eurozone crisis is implemented that is built on an approach combining solidarity and responsibility;
39. Demands that the “troika”, in which ECB representatives participate, be made accountable to Parliament; clarifies that the public hearings organised in Parliament from time to time on this issue are not sufficient;
40. Invites the ECB to present, in the framework of the Monetary Dialogue and in its next annual report, an ex post assessment of its involvement in, and impacts for, the adjustment programmes, the potential conflicts of interests arising from such participation and the adequacy of its macroeconomic assumptions and scenarios;

## **Banking union**

41. Considers it urgent to create the banking union, a project that is only made possible through a coherent articulation of instruments, responsibilities and overall democratic accountability;
42. Considers that, to overcome the structural deficiencies inherent in the EMU, and to effectively curb the pervasive moral hazard, the proposed banking union should draw on the earlier reform of the Union financial services sector (including the creation of the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), the European Insurance and Occupational Pensions Authority (EIOPA) and the ESRB) and on the strengthened economic governance (in particular in the eurozone), and new budgetary framework, of the European Semester to ensure greater resilience and competitiveness of, and increased confidence in, the Union banking sector, and to secure enhanced capital reserves in order to prevent Member States' public budgets from having to bear the costs of future bank bail-outs;
43. Calls for the single supervisory mechanism (SSM) to be put in place as soon as possible in order to increase the credibility of the Eurozone banking system; points out that the conferral of supervisory tasks to the ECB is without prejudice to the adoption, through the ordinary legislative procedure, of a future and more comprehensive architecture fully separated from monetary policy;

44. Welcomes the current impetus aiming at building a SSM; points out that enhanced proposals on banking recovery and a single European resolution authority, and on deposit guarantee schemes, are necessary in order to complete the broad set of legal instruments required for a banking union;
45. Calls on the Commission to put forward proposals for a new European resolution fund and a European deposit guarantee scheme that complement the supervisory functions of the ECB;
46. Deems that it is of paramount importance that effective safeguards are introduced to avoid that conflicting agendas are reflected in the ECB's monetary policy and its supervisory powers; stresses that any possible erosion of the ECB's authority for monetary policy, as well as any erosion of its supervisory powers due to monetary policy imperatives, need to be addressed by means of suitable mechanism set up to identify and resolve potential conflicts;
47. Underlines the difficulties facing the banking union project arising from the persistence of the economic crisis which is generating a process whereby banks are re-nationalising their activities; considers that this could undermine the spirit and the efficiency of the Single Market;
48. Notes that the debate over the creation of a banking union with the objective of a more stable and resilient financial system is intimately connected to the need to design and introduce ring-fencing and institutional separation in the banking sector – inspired by, for example, OECD recommendations and the recommendations presented in the Vickers and Liikanen reports – as well as the need to fully regulate the shadow-banking sector;
49. Takes the view that all Member States participating in SSM should be involved with equal rights and responsibilities.
50. Believes that it should be consulted in the nomination of the members of the Supervisory Council of the ECB;
51. Recognises the importance of the EBA-designed single rule book for maintaining the cohesion of the Single Market;

#### **Institutional matters**

52. Regrets the lack of transparency of the working method as well as the lack of accountability of and democratic control over the Troika; believes that any such body, current and future, involving the ECB and/or the Commission should be accountable both to the European Parliament and to national parliaments at their respective levels;
53. Stresses the importance of making the regular monetary dialogue between the ECB and Parliament much more effective, noting in particular that Members of the European Parliament (MEPs) do not receive sufficient feedbacks on the results and implementation of the proposals and ideas that they put forward during the dialogue; asks the ECB to publish on a web page its replies to written questions addressed to it by MEPs; asks the ECB to provide detailed reactions to Parliament's annual reports on the ECB in its

subsequent annual reports;

54. Calls on the ECB to publish the summary minutes of the Governing Council meetings, including arguments and voting records, and improve access to ECB documents and policy procedures;
55. Reminds to the Governing Council of the ECB that according to Article 10(2) in the Statute of the ESCB and of the ECB, “the Governing Council shall act by a simple majority of the members having a voting right”, which means that decisions do not have to be taken by unanimity; calls on the Governing Council of the ECB to make its voting record public;
56. Stresses that it will fully play its role as legislator in all matters involving a banking supervision; underlines the need to reinforce the ECB’s democratic accountability in view of the new responsibilities conferred to the institution regarding supervisory tasks, its involvement in the Troika’s programmes and, more generally, its prominent role in managing the crisis;
57. Points out that a Treaty revision, including a revision of the ECB statutes reflecting the ECB’s new tasks, should not be excluded as a means to reflect the evolving nature of the EU institutional setting, the recent changes in the ECB’s role, the pressing accountability and oversight issues and the challenges prompted by the deepening of the Union;
58. Urges the Governing Council of the ECB to improve significantly and disclose its rules on conflicts of interests and cooling-off periods with regard to senior ECB executives, and to keep a record of meetings between senior ECB officials and stakeholders;
59. Is deeply concerned about the absence of women in the ECB’s executive board, a situation that runs counter to the principles enshrined in the Treaty concerning equality between men and women (Articles 2, 3 and 8 in the TEU, as well as Article 21 in the Charter of Fundamental Rights), that contributes to the feeling among EU citizens that the ECB is remote to their concerns, and that is contrary to the Commission’s and Parliament’s recommendations for improving gender parity in high-level decision boards in the economic sector;
60. Insists that, in the event that ECB becomes in the end single supervisor for banks in the eurozone, even on a temporary basis, Parliament should have a clear role in the nomination of the members of the supervisory board;
61. Calls for its powers to impeach an ECB Governing Council member, in cases of serious misconduct, to be enhanced;
62. Instructs its President to forward this resolution to the Council and the Commission, to the Eurogroup and to the European Central Bank.

## **EXPLANATORY STATEMENT**

### **2011, an ‘exceptional’ year**

‘An exceptional year’ – that was how Mario Draghi, the current President of the European Central Bank (ECB), described 2011 in the Bank’s Annual Report. It is true that the Bank had to contend with a highly unusual situation in which it was compelled to change course and its ways of proceeding within the space of a year; it is equally the case that 2011 was not just another year. Whether or not it was exceptional remains to be seen. If a new cycle has begun, then the roots can be traced back to 2010: they lie partly in the worsening crisis and partly in the increasingly far-reaching ECB intervention within the Union area, not least in the form of the adjustment plans that it has helped to impose on some countries in deficit. The ECB’s action has undoubtedly been dictated by the context of economic and social crisis, and the 2011 Annual Report – without question – clearly reflects those changes.

But, that said, can the ECB really be considered to have changed course in 2011? No, it cannot. The Bank’s approach has continued to be governed by the prime objective assigned to it – price stability – but it would be short-sighted to ignore the alteration in the way in which that objective was fitted into the broader area of general EU economic policy support and the fact that the Bank’s strategy changed in the course of the year. As the ECB has come to play an ever more central role within the European institutional framework, so has the increasingly widespread criticism of its performance become more strident, with the result that what were hitherto minority views, for instance on the Bank’s tasks, are now up for discussion.

Setting out from the year 2011, this report will assess the ECB’s action in four key areas, namely monetary policy, the crisis, the banking union, and institutional issues, and attempt to explain the reasons underlying that assessment.

### **2011, a year of changing course?**

The 2011 ECB Annual Report is not just an account of the Bank’s activities. The measures described in it encapsulate changes of policy and strategy stemming from the proposals that the European institutions have been drawing up in response to the crisis, taking into account the most favoured policy options. We are speaking of a year of steep economic decline, in which real growth in the euro area amounted to 1.5%, marking a slowdown from the preceding year. The ECB’s action in 2011 has to be divided into two clearly distinct phases: in the first phase, interest rates were raised, in what we might term an ‘absurd’ or ‘unnecessary’ response to purely cyclical inflation; in the second phase, the Bank sought to ‘mend its ways’ through intervention intended apparently to correct the mistakes made during the first phase, although these have never been acknowledged. We know now that the rises served to snuff out the faint economic recovery in the first quarter of the year. Let us get down to brass tacks. In April and August 2011 the ECB raised interest rates by 50 basis points in all and, before the year was out, cut them back in the same proportions in November and December.

It is certainly the case that the average inflation rate in the euro area was 2.7% in 2011, compared with 1.6% in 2010, but it is equally beyond question that the factors which brought about that increase were cyclical rather than structural: higher fuel prices (the average price of Brent crude was \$111 a barrel, 38% above the 2010 average) and, to a lesser extent, higher

food prices. Other figures from 2011 show that there was still much less credit available to businesses and households than there was before the crisis, growth in this area having slackened. Without pretending to be exhaustive, there are two other points that need to be made. Firstly, the high levels of liquidity, especially in the second half of 2011, are worrying to the extent that they are indicative of a ‘liquidity trap’ and could thus undermine the effectiveness of monetary policy. Secondly, the ECB is willing – rightly – to provide extraordinary support to the financial system, but it is continuing to do without imposing clear-cut conditions whereby, for example, the institutions supported would be required to increase the levels of credit for small and medium-sized enterprises and for households; the Bank’s efforts are, as a result, ultimately rendered futile.

Regarding the ECB’s action in 2011, although there were improvements in the course of the year, problems continue to exist. Firstly, the expansionist policy in the second half of the year failed, as has already been mentioned, to increase credit for businesses and families and consequently added to the adverse effects. A different response would have been possible had there been a central bank able to send clear signals to the markets that it was explicitly committed to an expansionist monetary policy. The second problem stems from the constant disproof of what has invariably been the thinking of senior ECB officials, namely that price stability is a *sine qua non* for higher employment in the euro area. The reason why these two problems persist is simple: no expansionist policy can be kept going on a ‘one-off’ basis, least of all when it is implemented in a context of austerity policies and wage restraint.

## **2011 and the wider crisis context**

Even though we are assessing the ‘banks’ Bank’, we can never do so out of context, the context in this instance being one of crisis. The imposition of austerity measures in a growing number of countries is in effect serving to spread the contagion and exacerbate stagnation and recession in the euro area. The government account shambles, galloping unemployment, and the breakdown of social cohesion are just some of the consequences to have ensued from this cycle of measures.

For all these reasons, we have to address ourselves to two fundamental debates, which have intensified in recent years. The first relates to the tasks of the ECB. Does it make sense for the ECB to remain tethered to the goal of controlling inflation, regardless of the impact on growth and employment? The measures applied to peripheral economies in the grip of austerity have wiped out the value of labour, causing wages to plummet and leading to still deeper recession; if, however, the aim is to preserve the euro area intact, any response to the stagnation must, of necessity, encompass the central economies. Wage increases in the latter would be one of the steps to take, as they would help to stimulate aggregate demand in the euro area as a whole and, secondly, serve to reduce the external imbalances between the centre and the periphery. The second debate is closely connected with the first and with the present context of austerity. Although the ECB’s current terms of reference are brief and fall far short of what is required, they have been exceeded several times, overturning the contention that everything has been done according to the rules. This ‘mission creep’ is, moreover, being employed in a highly selective way. The ECB has, as far as Member States are concerned, been acting as an advocate and enforcer of measures with implications extending to budgetary, labour market, public service, taxation, and privatisation policies; but in the present context the emphasis should be on public policy.

The continuing stagnation and recession and their spillover into several euro area economies have been producing adverse economic and budgetary effects, exacerbating public debt problems, as can be seen in the countries subject to the influence of the Troika. The ECB's stubborn refusal to help restructure debt in economies in deficit is therefore very difficult to justify in the present circumstances.

Given that inflation control has been shown to be ineffective, growth and job creation should be the main objectives of ECB intervention. Overseeing price stability is not only of minor importance in the present context, but, more seriously, it creates a vacuum in terms of responsibility for the harmful consequences of monetary policy. Without revision of the Treaties, imbalances will worsen (the implications for the euro area are already abundantly obvious), and the possibility of reversing the trend will recede further into the distance.

### **From 2011 into the future**

One project currently before the EU is to establish a banking union to enable more effective, rapid, and appropriate responses to be brought to bear in times of crisis. This project will invariably be governed by its basic premisses and will not be possible to realise unless instruments, responsibility, and accountability are brought into a coherent relationship where legislation, monetary policy-making, supervision, and crisis resolution are concerned. It is therefore illogical for a single European monetary policy and supervisory authority to coexist, as is being proposed, alongside crisis resolution systems that would continue to be based on national funding arrangements: this would do nothing to alter one of the most iniquitous effects of the financial crisis, namely that taxpayers are being made to foot the bill for struggling banks.

On a separate point, the debate on banking supervision has had the merit of showing that the continuing independence of the ECB on the present basis is, to say the least, open to question. 'Responsibility gaps', an all too frequent occurrence, and the increasing instances in which decisions with a crucial bearing on citizens' lives fall outside the scope of democratic control and legitimacy have begun to be viewed as part and parcel of the EU's operating machinery. Accountability can never boil down to holding parliamentary hearings. As the only European institution directly elected by citizens, Parliament must, therefore, be given a stronger say in decision-taking and play a more active role in supervising economic and monetary policies.

In the broader context of economic and monetary policy, the ECB needs to engage in self-assessment of all aspects of its participation in the decision-taking in which it has been involved, not least as regards the effects of the adjustment programmes for which it bears a direct share of the responsibility.

Lastly, but no less importantly, the fact that there are no women in the ECB's Governing Council has been central to the concerns expressed by Parliament. Not only does this suggest that gender equality is being completely neglected on the highest tiers of ECB decision-making, but it is contrary to the Commission proposals for more women to be recruited to executive positions in the EU's economic institutions.

## **Beyond the ECB**

The view has recently been expressed in some quarters that the ECB's problem is not that it is not credible, but, on the contrary, lies in its very credibility. Although it is, as has been described above, somewhat selective, the Bank's 'overstrictness' has tended to create a situation in which intervention invariably lags behind the emergency and is often more part of the problem than of the solution. It is unacceptable that a central bank should have no way of meeting needs other than permanently breaching its terms of reference; but if the remit serves no purpose, it will be necessary to insist on change.

There should and must be a rethink as regards the ECB's role. Zealously averting the collapse of the monetary infrastructure is not enough. Advocating labour market austerity as the way to restore sustainability to government accounts in the peripheral economies is a highly dubious approach in the light both of economic theory and of the shield afforded to the ECB by its current terms of reference. To support banks directly while increasingly relaxing the conditions and, at the same time, to keep denying direct support to Member States is, to say the least, insufficient and one-sided compared with the key role that a central bank ought to play. All these matters might be said to go beyond the ECB as such, but the glaring mismatch between the power that it wields and its non-existent democratic legitimacy cannot be allowed to continue. Only in the light of this discrepancy is it possible to understand the ECB's stubborn refusal of any debt restructuring involving creditors: as we know, it is the biggest creditor of all.

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	22.1.2013
<b>Result of final vote</b>	+: 23 -: 22 0: 0
<b>Members present for the final vote</b>	Burkhard Balz, Elena Băsescu, Udo Bullmann, Nikolaos Chountis, George Sabin Cutaş, Rachida Dati, Leonardo Domenici, Derk Jan Eppink, Diogo Feio, Markus Ferber, Elisa Ferreira, Ildikó Gáll-Pelcz, Jean-Paul Gauzès, Sven Giegold, Sylvie Goulard, Liem Hoang Ngoc, Gunnar Hökmark, Syed Kamall, Othmar Karas, Wolf Klinz, Rodi Kratsa-Tsagaropoulou, Philippe Lamberts, Werner Langen, Hans-Peter Martin, Arlene McCarthy, Sławomir Nitras, Ivari Padar, Anni Podimata, Antolín Sánchez Presedo, Peter Simon, Peter Skinner, Theodor Dumitru Stolojan, Sampo Terho, Marianne Thyssen, Ramon Tremosa i Balcells, Corien Wortmann-Kool
<b>Substitute(s) present for the final vote</b>	Philippe De Backer, Vicky Ford, Robert Goebbels, Eva Joly, Thomas Mann, Marisa Matias, Mario Mauro, Nils Torvalds
<b>Substitute(s) under Rule 187(2) present for the final vote</b>	Dominique Riquet