The European Central Bank: what accountability to the European Parliament, corollary of its independence in order to assure its credibility and its legitimacy?

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The credibility and legitimacy of an independent central bank is based on the conditions under which it exercises its responsibilities. In the case of the European Central Bank (ECB), the Maastricht Treaty of 1992 explicitly decided it would be accountable to the European Parliament and, through the Parliament, a directly elected institution, would address the citizens. Other criteria may exist in function of the results of a central bank's actions and how the markets evaluate them. Other models may be prevalent, such as that of the Bundesbank, whose accountability is based on the support of public opinion, but they were ruled out by those who wrote the treaty, who in their wisdom must have correctly thought that they were not appropriate in this case.

This responsibility of the European Parliament on accountability of the ECB forces both institutions, in the spirit of the treaty and in their mutual interest, to rigorously examine the quality of the relations they maintain and to adapt them to changes in doctrines and

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practices. This is an institutional and democratic challenge. It is this special relationship, which is necessarily dynamic, that this article will analyze.

THE EUROPEAN PARLIAMENT FACED WITH THE EXPANSION OF THE ECB'S TASKS AND THE INCREASING IMPORTANCE OF ITS NEW DOCTRINES

From the outset, the European Parliament has sought to promote a dynamic interpretation of the relationship between Article 127.1 of the Treaty on the Functioning of the European Union (TFEU)[1] and Article 3 (Article 2 in 1998)[2] of the Treaty on European Union (TEU), which "notes that central bank monetary policy decisions influence real economic variables such as investment, employment and growth" (paragraph 3) (European Parliament, 1998), and "considers it necessary, in the interest of transparency and credibility, for the ESCB to make clear how monetary policy is intended, as long as the objective of price stability is maintained, to contribute to a balanced and appropriate policy mix, with a view to promoting sustainable growth and employment" (paragraph 13) (European Parliament, 1999b).

Subsequently, its Committee on Economic and Monetary Affairs (ECON) chose, for example, "the number of objectives of the European Central Bank and how to define the hierarchy between them" to be one of two topics for a monetary dialogue (European Parliament, 2006).

On the ECB side, the initial interpretation of Article 127.1 of the TFEU by Wim Duisenberg, its first president, was restrictive. " It is our belief that the best contribution that monetary policy can make to promote economic growth and employment is to create a climate of price stability." (European Parliament, 1999a).

In speech, even after 2007 and a notable change in the intervention conditions of monetary policy, Jean-Claude Trichet maintained steadfastly that "price stability contributes substantially to the achievement of broader economic goals, such as higher standards of living, high and more stable levels of economic activity and employment" (ECB, 2009).

His successor, Mario Draghi, took a significant step forward with his "whatever it takes" (Draghi, 2012), while justifying a new approach. "When there are no risks to price stability, but unemployment is high and social cohesion at threat, pressure on the central bank to respond invariably increases." (Draghi, 2014).

Already in her audition as a candidate for the presidency of the ECB, Christine Lagarde went further and promised to make the fight against climate change a macroeconomic priority of the ECB (European Parliament, 2019b), even before the European Commission had been appointed and had proposed the Green New Deal. She reiterated this during her first intervention in the monetary dialogue. "The European Central Bank also has a mandate that is defined not as primary, but as secondary, and which includes, in particular, all economic policy decisions taken by European institutions. Therefore, and by extension, one could perfectly well consider climate change as one of the components of the mandate – secondary, indeed, but part of the mandate of the European Central Bank." "In our macroeconomic analysis, we need to include [...] climate change [;] in our supervision of banks we also have to include climate change, [...] clearly the transparency of disclosure, the assessment of risk have to be part and parcel of the supervision that is conducted by the supervisory authorities, including the Single Supervisory Mechanism (SSM)." (European Parliament, 2019c).

She also recognized the contribution of the European Parliament (European Parliament, 2018b) in defining the importance of this objective. "As part of the secondary objectives, we obviously have the economic development, we have the respect for the environment and the fight against climate change, and so on and so forth. Clearly, those have to be taken into account, particularly if those secondary objectives are stated very clearly by the other institutions, and in particular by the European Parliament." While reiterating that, "we strongly and consistently emphasize that the ECB can only act upon its secondary objectives if this does not prejudice or conflict with the objective of price stability" (European Parliament, 2021b).

The ECB President theorized this evolution in the interpretation of Article 127.1 of the TFEU by referring to the "realist movement" born in the US legal scholarship and recently embodied by Supreme Court Justice Ruth Bader Ginsburg. "Particularly effective are those changes which take place in continuity. One particular case is that of the law, which can be interpreted in a way that makes sense and adapts to societal changes, while remaining coherent with the fundamental principles of the legal system." (Lagarde, 2021).

In reality, from 2007 onwards and as crises have unfolded, both the ECB's positions and even more the policies it has pursued have evolved. New doctrines have been established. Concerning the relation between Article 3 of the TEU and Article 127.1 of the TFEU, the vagueness made it possible to interpret the mandate narrowly, which for a time enabled the ECB not to deal with it and protected the central bank. But a broad interpretation has now been accepted; it raises the question of setting up structured dialogue with the European Parliament.

Article 127.1 provides for an initial prioritization, since it refers to "the ESCB shall support the general economic policies in the Union", whereas Article 3 does not use this expression but instead details a long list of objectives. Where and by whom are these "general economic policies in the Union" defined?

In addition to its central role on monetary policy, for which the ECB is developing unconventional policy, it has been given explicit responsibility for financial stability through the creation in 2010 of the European Systemic Risk Board (ESRB) and for banking supervision with the creation in 2014 of the Single Supervisory Mechanism (SSM) on the basis of paragraphs 5 and 6 of Article 127 of the TFEU;[3] it has also progressively adapted its policy to the secondary objectives that Article 127.1 of the TFEU asks it to support.

This is all the more significant within the European Union, as the absence – given the lack of political agreement – of macroeconomic management and counter-cyclical intervention tools for the Euro area has largely paralyzed the economic pillar of the Economic and Monetary Union (EMU), placing the ECB, a federal institution, in the front lines to act and take its responsibilities. It has done so since 2007, throughout the great financial and sovereign debt crises. Governments have been happy to not have to take action, having found it so hard to reach agreements among themselves. The ECB was also the first to act in the face of the Covid-19 pandemic crisis.

But this evolving doctrine has not been without debate inside and outside the institution between "hawks" and "doves" – there have been questions and confrontations about what it covers and the impact of its implementation.

"Independent central banks, pivotal actors in macroprudential policy, are naturally involved with decisions that influence the allocation or redistribution of income and wealth, which leads to possible conflicts of purpose and raises a question of legitimacy. This may be the case, for example, of measures concerning household debt, the housing market, and taxation of savings." (Jaillet, 2019). "With monetary policy having replaced fiscal policy as the key policy tool to stimulate growth, might the old dogma (of independence) be outdated?" (Kotz, 2016).

Eric Monnet suggests a way out of this quandary by using a new interpretation to shed light on central bank independence. "The central bank cannot be viewed independently from the welfare state." "The reaction of central banks to the 2008 crisis sounded [...] like a (belated) reminder of the major, abrupt change that these institutions experienced following the Great Depression and the Second World War, i.e. their integration into a state apparatus whose goal was to offer individuals protection against crises." Fundamentally, this change raises the question of the parallel change concerning democratic accountability. "It is not up to (the central bank) to decide alone and independently how finance should function in the economy." (Monnet, 2021). "From time immemorial, democracies have instituted autonomous bodies whose purpose is to curb the flood of political passions; from time immemorial, the question has been how to ensure that these guardians, who are supposed to improve the functioning of democracy, do not misuse power for their own ends, at the citizens' expense." (Magnette, 2000).

THE NEED TO REASSESS DEMOCRATIC ACCOUNTABILITY

The original tools have improved over time

The framework of reference is defined by Article 284.3 of the TFEU, which was introduced by the Maastricht Treaty and has remained unchanged since then.[4] It has been on this basis that the European Parliament has formalized its role (European Parliament, 1998). This has been the fruit of prior exchanges, formal or otherwise, instigated beginning in 1994 with the presidents of the European Monetary Institute (EMI), Alexandre Lamfalussy and Wim Duisenberg – an intermediary stage before the creation of the ECB. A professional, pro-European spirit prevailed in these discussions, which took place between honest people driven by a common desire to create the best circumstances possible for the installation of the ECB so that it could succeed in its mission and the creation of the euro would be crowned with success. It is within this context that the concept of a "monetary dialogue" was introduced in order to ensure "transparency and credibility". The terms "parliamentary control" and "hearings" were ruled out as possibly affecting the independence of the ECB.

The ECB places a lot of importance on this distinction. "I'm not sure that I am totally comfortable with the word 'control'. I think that 'accountability' is the one that best describes – as provided for under the Treaties – the relationship that we have between us, between the European Parliament and the European Central Bank.", stipulates Christine Lagarde (European Parliament, 2020a).

Accordingly, the ECB president appears before ECON four times a year under a predetermined schedule in order to avoid any risk of parliamentary interference with the decisions of the Governing Council. By comparison, the Fed participates in a hearing before Congress twice a year. This principle was strictly respected until September 11, 2007, when Jean-Claude Trichet participated in an extraordinary monetary dialogue to explain the injection of 95 billion euro of liquidities on August 9. The monetary dialogue is no longer perceived as a risk for the independence of the institution but rather as a tool to justify and explain the ECB's monetary policy to the European Parliament and, through it, to the public, to European citizens. This initiative was repeated on August 29, 2011.

Parallel to the monetary dialogues should be mentioned numerous informal exchanges. They make it possible for all the members of the Executive Board to participate on an ad hoc basis in discussions with ECON on topics outside of monetary policy. They have significantly increased since the beginning of the current mandate of the European Parliament and the ECB, including in the form of the participation of members of the Executive Board in camera meetings of ECON coordinators, both on the strategic review and on launching a "central bank digital currency" (ECB, 2020).

From the outset, ECON has also set up expert panels composed of academics in order to help correct the asymmetric information that Members of the European Parliament (MEP) may face in relation to the ECB – their resources being in no way comparable to those of their counterparts in the United States. Beginning in February 2006, ECON coordinators have always selected two topics for these studies, which the ECB President is asked to address in his or her opening remarks in order to better focus the discussion. There have been proposals to improve the way these expert reports are used and to better plan out the dialogues according to the themes agreed upon; to make transcripts of the pre-2013 monetary dialogues available online; to turn the dialogues into real hearings; to better coordinate the questions; to not place the ECB President at the podium, as during nomination hearings or in the US Congress; to organize press conferences with the ECB President, ECON chair, and its coordinators after monetary dialogues; and to reduce the number of MEPs allowed to speak (Diessner and Jourdan, 2019). Along with this latter proposal is the proposal often made to create a Euro area subcommittee (Allemand and Martucci, 2014), which has been again envisaged in connection with the creation of a Euro area budget (European Parliament, 2017b). The history of the European Parliament and recent changes in the intervention mechanisms, notably the creation of the "Recovery and Resilience Facility" outside the perimeter of the Euro area, do not favor such a measure, and the departure of the British has not changed the terms of the discussion. A limited format may be proposed, but it should be open to all MEPs in order to have a chance of succeeding, as what in fact existed before the move to the third phase of the EMU.

Once a year, ECON also invites the Vice-President in charge of economic affairs to present the ECB's annual report, which is then debated in a plenary session in the presence of the President of the ECB, as provided for in the TFEU. Starting in 2016, in its annual reports the ECB has been making public its comments on the contribution made by the European Parliament through its resolution on the previous annual report (ECB, 2016). This had been a long-standing demand of the European Parliament (European Parliament, 2013, 2016).

Beyond these measures, ECON has developed the practice of organizing for a delegation to visit the ECB's headquarters in Frankfurt at least once a year. In addition, on the model of what exists for the Council and the Commission, the European Parliament has also developed a procedure permitting each MEP to ask the ECB up to six written questions per month (Rules of Procedure, Article 140). The questions' admissibility is examined by the ECON chair.

Concerning transparency, since 1998 the European Parliament has advocated repeatedly in its annual reports, "for the minutes of the ECB Governing Council meetings to be published in the form of summaries including the decisions taken and the reasoning behind them at the latest by the day after its next meeting, these summaries also to explain how the decisions are linked to and affect other policies; calls also for full, detailed minutes to be published at the latest five years after the meeting" (paragraph 15) (European Parliament, 1998). It was only with its meeting on January 22, 2015, that the ECB began publishing anonymized minutes of the Governing Council meetings. It did so at the same time it launched the quantitative easing (QE) program. This opening should be entirely credited to those who had been asking for it. To make more progress, the ECB should publish the same documents prior to 2015 and also allow access to the nominative minutes of its meetings, for a limited amount of time if necessary, in the secure ECON reading room.

On June 9, 2017, at the initiative of Ramon Tremosa, rapporteur on the ECB 2015 annual report, 44 MEPs asked the ECB President for transparency on the Corporate Sector Purchase Program (CSPP). He responded in a letter dated June 23, 2017, by promising to publish a list of holdings (Draghi, 2017). There, too, progress can be made by disclosing the names of the companies whose bonds are being bought, the detailed amount of the Eurosystem's holdings for each bond purchased, and aggregating all the data in a single user-friendly spreadsheet, or explaining in detail the rules under which the program operates.

Concerning the appointment of the members of the Executive Board, the European Parliament has an advisory role.[5] As soon as Wim Duisenberg was designated, the Parliament organized a hearing for the candidate – as it does for the members of the European Commission – independently of what is provided for in the TFEU. It asked "governments of the Member States not to appoint candidates that do not have the approval of the European Parliament" (European Parliament, 1998). And yet the Council ignored the rejection of Yves Mersch's nomination and the "reservations" expressed by ECON on the nomination of Luis de Guindos (European Parliament, 2018a).[6] These disputed appointments raise the question of gender balance within the ECB and the role of the European Parliament in the process (European Parliament, 2017a, 2019a).

The absence of a woman on the Executive Board after the end of Gertrude Tumpel Gugerell's term in May 2011 led the European Parliament to reject Yves Mersch's nomination, leaving the position vacant for more than six months.... Since then, the Parliament has constantly raised this point (European Parliament, 2016, 2019) and it can be argued that this has influenced some appointments, whether to the ECB or to the SSM. In the future, in its advisory role, which is similar to that of the European Parliament, the ECB could also seek to exert a strategy of influence at the behest of its Executive Board. In the Council, the governments that champion the debate on the rule of law should state in advance the importance they attach to this issue before contemplating the use of qualified majority voting in the European Council.

But improving this balance also depends on the Member States, which appoint the majority of the members of the Governing Council according to their own procedures, and on their determination to implement Article 3 of the TEU, which stipulates that the Union shall promote "equality between women and men". Neither the Parliament nor the ECB can give them directions on this question. Nevertheless, in the past the Governing Council has been able to exert moral pressure (see the resignation of Antonio Fazio, Governor of the Bank of Italy, in 2005). All other things being equal, one could imagine that, at the initiative of its Executive Board, and of its President who often speaks out on this issue (Lagarde, 2020), the Governing Council could also encourage Member States to appoint more women as governors of the national central banks.

On procedure – when Luis de Guindos was appointed in 2018, the European Parliament was able to convince the Council to present two candidates it then organized a hearing in camera before the Council made its recommendation. Little progress has been made since then, although the European Parliament has obtained more powers on the appointment of the Chair, the Vice Chair of the SSM,[7] and the Chairs of the European supervisory authorities; this should encourage changes in how ECB appointments are made.[8] "The treaty should be modified for the European Parliament to have the right of approval on the appointment of the President and the members of the Executive Board of the ECB." (Trichet, 2020). Without waiting for a hypothetical revision of the TFEU, which the maturity of the ECB would make possible, and in the spirit of what the European Parliament has advocated, there are proposals on the table to strengthen the conditions for exercising Parliament's power (Transparency International, 2017; Diessner and Jourdan, 2019). For the next appointment in June 2026 to replace Luis de Guindos, the Council should submit a list of candidates to the European Parliament with an equal number of men and women and agree to commit in advance to a timetable making it possible for the European Parliament to make a decision under good conditions. It should commit to respecting the position adopted by the Parliament. One could also propose to bring together a panel, comprising MEPs who are members of ECON, along with academics and representatives of civil society, in order to submit proposals of candidates to the Council.

In this package, elaborated on the basis of the existing treaties, there remain two fundamental differences with the United States Congress – the European Parliament does not have the power to modify the statutes of the ECB and has only an advisory role when appointing members of the Executive Board. Nothing compels the ECB to listen to the European Parliament, which has no ability to sanction it. The ECB operates in an area, the Euro area, which has no juridical existence as such.

Gradual improvement of the system by pressing ahead with the democratic accountability of the ECB has made it possible to strengthen the dialogue between the European Parliament and the ECB, including with regard to the new roles and doctrines of the central bank, but the institutions have also had to change.

Taking into account the new roles and new institutions

First of all, this concerns the recognition in 2010 of a financial system stability role (TFEU, Article 127.5) and the creation of the European Systemic Risk Board (ESRB) chaired by the President of the ECB, which had been advocated by the European Parliament as early as 2008 (European Parliament, 2008), even though the ECB had in fact been dealing with the question of stability without waiting for the Board to be created, and SSM regulation were to provide the ECB with effective macroprudential missions and instruments. The European Parliament organizes a specific hearing at least once a year on the annual report of the ESRB just after a monetary dialogue and, since 2019, in conjunction with a specific discussion; in 2019, it was decided that "the President of the European Parliament or a representative of the European Parliament on topics related to Union law in the field of macroprudential policy may be invited to attend meetings of the General Board" and that warnings and recommendations would be transmitted to the European Parliament in a confidential manner.[9]

There was then the assessment of the ECB's participation in the troika (ECB, European Commission, IMF). The European Parliament (European Parliament, 2014) addressed the bilateral pressure exerted by the ECB on Ireland before the December 2010 agreement and asked that Jean-Claude Trichet's November 19, 2010, letter to the authorities of that country be published (which was finally done on November 6, 2014); denounced the ambiguity of the ECB's role and the lack of transparency and democratic control; pointed out the risk of conflict of interest for the ECB as well as the lack of a mandate to deal with budgetary, fiscal, and structural issues; and called for the ECB in the future to be only an observer in the troika.

In addition to the greater powers concerning appointments (see above), and the "traditional" systems, the creation of the SSM in 2014 has led to significant progress in terms of democratic control. On the basis of the 2013 regulation conferring tasks on the ECB concerning policies relating to the prudential supervision of credit institutions, an interinstitutional agreement (IIA) was concluded between the European Parliament and the ECB (European Parliament and ECB, 2013). This agreement sets up and specifies the conditions for confidential meetings and the consultation of classified documents, such as the full and comprehensive minutes of the Supervisory Board's deliberations. It is this mechanism, for example, that made it possible for the European Parliament to put pressure on the SSM to respect its mandate, during the adoption of the "Addendum to the ECB Guidance to banks on non-performing loans: prudential provisioning backstop for non-performing exposures" (Gualtieri, 2017; Nouy, 2017).

Beyond these changes in the ECB's institutional role, the question arises of how to control the active or passive redistributive effect of the unconventional monetary policy that was implemented after the great financial crisis through the asset purchase and/or quantitative easing programs. The question is also posed of the ECB's commitment to pursuing the goals that refer to Article 3 of the TEU concerning climate change and the creation of a central bank digital currency.

The secondary mandate and future developments

The impact of monetary policy on the conduct of fiscal policy or on the behavior of the markets, its redistributive effect and the conditions for implementing the secondary mandate raise an obvious democratic question. While defining price stability is clearly within the competence of the ECB, the same cannot be said of redistribution, housing policy, taxation, or how to achieve the goal of carbon neutrality by 2050 (which cannot be reduced to including taxonomy among the ECB's tools). "Reinforcing the power of central banks further today without adapting the legal framework raises a democratic question, which is all the starker because of the context of mistrust in our institutions." (Grjebine, 2021).

This discussion is all the more necessary given that the ECB operates in an entity, the Euro area, which is not, as has been said, a legal entity, that the existence of its public space is more difficult to embody than that of other central banks, and that, contrary to the Fed, it does not have a dual mandate. For a long time, some have felt that the difference in the mandate did not prevent a similar interpretation of the objective of price stability, but this is not the case in an environment of low interest rates, unconventional monetary policy, and where the ECB intends to actively take into account the stakes of climate change or contemplates creating a central bank digital currency.

The ECB must integrate this into its communication strategy and the temptation is great to respond to the call for the ECB to assume a societal responsibility, as it is for other central banks.[10] But such a responsibility can only complement or uphold the ECB's institutional link with the European Parliament. It cannot replace it. It is to the European Parliament – the only institution of the Union directly elected by its citizens – that the ECB is accountable under the terms of the treaties; it is through the Parliament that it owes explanations to European citizens, hence the importance of adjusting this role according to how the ECB's responsibilities evolve.

The treaties made no provision for the ECB to be directly accountable to the European people, any more than it should be to the markets. "If monetary policy remains a conversation between central banks and financial markets, we shouldn't be surprised if people don't trust us. Too many see us as part of a financial system which has failed to deliver growth and fairness. And this also curtails our policy options." (Coeuré, 2019).

This is also true in relation to national parliaments, which the ECB understands perfectly well, but which should cause it all the more so to listen to the European Parliament's calls for change. "In normal times, the ECB itself should not have direct relations with national Parliaments: the ECB, as a European Institution, is accountable only to the European Parliament. Only in highly exceptional times, as a courtesy to the National Parliament concerned, the ECB can, in my opinion, engage in such exchange of views." (Trichet, 2020).

Nevertheless, it was following the Karlsruhe court ruling of May 5, 2020, that the European Parliament raised anew its call for negotiating an IIA with the ECB. In order to demonstrate the proportionality of the ECB's Public Sector Purchase Program (PSPP), the ruling of the German Supreme Court led the central bank to communicate to the Bundestag, via the Bundesbank, documents to which the European Parliament does not have access; the ECB then decided to transmit the documents to the European Parliament, given the clear interest both institutions have in reaffirming the privileged nature of their relationship as defined by the treaties.

Whatever factor triggered this proposal, the forthcoming negotiations should be viewed as an opportunity to undertake the necessary updating of the framework for dialogue between the two institutions. To prepare for this, the European Parliament organized a monetary dialogue (European Parliament, 2020a), a hearing on improving the democratic accountability of the ECB (European Parliament, 2020b), and is calling for "the negotiation of a formal interinstitutional agreement to formalize and go beyond the existing accountability practices regarding monetary functions" (European Parliament, 2021a); ECON has obtained a mandate to negotiate from the Conference of Presidents (European Parliament, 2020c), but the ECB President will still have to convince the members of the Governing Council (European Parliament, 2021b).

That mandate, which in general amounts to codifying existing practices, should be viewed as a starting point and broadened to make it possible to implement a common approach concerning the appointment of the members of the Executive Board and the conditions under which the ECB discharges its secondary mandate; two subjects on which the ECB would be well advised to embrace the proposals allowing the role of the European Parliament to be improved. The 2013 IIA between the European Parliament and the ECB on the exercising of its prudential powers by the SSM should be referred to in order to legitimize the current proposal of the European Parliament to negotiate a new agreement, since the preceding one explicitly concerned the field of monetary policy as defined in Title VIII, Chapter 2, Article 127 of the TFEU. Article 284.3 defines the responsibility of the ECB in relation to the European Parliament in the field of monetary policy. There is nothing in article 284.3 to indicate that a distinction should or could be made in the system of accountability that is to be set up within monetary policy between what would come under paragraphs 1, 2, and 6 of article 127; what is possible for paragraph 6 should be possible for the others.

Beyond the question of improving the expertise available to MEPs to evaluate monetary policy based on unconventional operations – which are becoming increasingly complex – the first question raised has been on how to associate the European Parliament in the strategic review undertaken by the ECB. In reality, the ECB has been informing the European Parliament, as the Fed did with Congress. The review has been treated as one of the topics of a monetary dialogue (European Parliament, 2019c). An ECON delegation visited the ECB in February and May 2021 to discuss it, while both the ECB President and Executive Board member Philip Lane participated in a coordinators' meeting. More could have been made – the European Parliament had already spoken out in 2018 on the issue of sustainable finance for the ECB; the request for an IIA had been formulated and the review would have benefited from more in-depth dialogue with ECON, as evidenced by Pedro Silva Pereira's question on the conditions for extending the Emergency Purchase Program if the Covid-19 pandemic continues (European Parliament, 2021b).

How can or should the European Parliament intervene in this debate about the new ECB doctrines?

Two ways of approaching this challenge can be envisaged.

A whole series of proposals concern the creation of a new structure. The idea of a subcommittee for the Euro area has already been mentioned. Others raise the idea of a structure that would be composed of national parliamentarians from euro area Member States. But that would be at variance with the treaties, which make the European Parliament the interlocutor for the ECB. Before thinking of creating a new body, it is also useful to look at how the Conference of Parliamentary Committees for Union Affairs of the Parliaments of the European Union (COSAC) functions and the difficulty of creating any momentum with it.

Some are proposing a Euro area subcommittee (see above). Eric Monnet (Monnet, 2021), in his remarkable analysis of the evolution of the functioning and the role of central banks, proposes nevertheless the creation of a "European Credit Council" on the grounds that, in his opinion, the European Parliament exercises "extremely limited control over the ECB and over the discussion of monetary policy", due to the unevenness of information and the absence of diverse viewpoints. But that does not reflect the reality of the monetary dialogues or the existence of the European Parliamentary Weeks, which once a year bring together members of national parliaments and MEPs with members of the Council presidency and the Commission. The "council" being proposed seems to be modeled after the European Fiscal Board, an autonomous control body, which allows "national governments [...] to protect themselves from each other" (Magnette, 2000); it is hard to make it into a model for a democratic control body, however good the work it does may be, when it is the political question of the ECB's secondary mandate that should be discussed.

In fact, these proposals underestimate the accumulated practical experience and the genuine obstacles in the Governing Council or the Council; they propose a new institutional adventure – when we know how long it takes to install transnational democratic practices – rather than working to improve the existing framework, which is feasible under the existing treaties.

The fact remains that MEPs sometimes neglect this role of control, given the little impact it has on the actual activity of the Council or the ECB, and concentrate on legislative work instead. Some say that there is no real control by the European Parliament because it has no power to sanction. Which is said to be why it does not even try to exert control. "The Parliament has had a lot of trouble in exercising real control over these diverse and competing bodies. Moreover, it seems to pay little attention to them, concentrating more on its legislative functions." (Magnette, 2000). Giving the Parliament more power would be an effective way to enhance its role.

The other approach is to explore the conditions for a substantive annual debate on "general economic policies in the Union" by the European Parliament. This would shape the macroeconomic debate. Because "coordination of monetary and economic policy is essential to the smooth functioning of EMU", starting in 1998, the European Parliament has proposed "to invite the ECB President to take part in the general debate on monetary and economic developments over the previous and the current year, on the basis of the Annual Report of the ECB and the Annual Economic Report produced by the Commission" (European Parliament, 1998, recital E and paragraph 12). This should be reflected in the presence of the President of the Eurogroup and the Commissioner in charge during the presentation and debate of the ECB's annual report in the plenary session. But Jean-Claude Trichet, President of the ECB, did not respond in April 2006 to the letter from Jean-Claude Juncker, President of the Eurogroup, and Joaquín Almunia, Commissioner for Economic and Monetary Affairs, who proposed to him more in-depth dialogues on economic and monetary policy, nor has this format existed.

This is what we propose around the vote on the ECB's annual report (Berès *et al.*, 2021). This report could be preceded by a discussion with academics and representatives of civil society during the European Parliamentary Week in which the Commission and the Council take part. Such a debate is in perfect conformity with the treaties and the independence of the ECB. Extending this reasoning, some (Boer and Klooster, 2021) propose that the vote on the annual report serve as a basis for a decision by the Council. It should be demanded that such a Council debate be public. If we want to optimize the involvement of MEPs in this process, we should go even further and make this a co-decision (European Parliament, 2011), which could concern an annual definition of "general economic policies in the Union", in the context of the adoption of the report on the annual sustainable growth strategy. Unless a real budget for the Euro area existed – with a counter-cyclical capacity – on which the European Parliament would have to vote.

The political problem that these proposals raise is the risk of jeopardizing the political offensive in support of economic activity led by the ECB and the difficult internal compromises it has successfully realised between "hawks" and "doves". They have resulted in successive resignations from the Executive Board – Jürgen Starck in September 2011 and Sabine Lautenschläger in September 2019, as well as Alex Weber in February 2011 as head of the Bundesbank and member of the Governing Council. These discussions explain to a great extent the delay, in comparison with the Fed or the Bank of England, with which the ECB launched its own quantitative easing program. The "hawks", supporters of ordoliberalism, are waging a battle inside and outside the ECB against any intervention that might go beyond a strict interpretation of its price stability mandate. Paradoxically, they denounce the policies of the ECB, although they are officially sticklers about guaranteeing its independence; they are also often the same ones who refuse to make any significant progress towards a Euro area budget, borrowing capacity, or automatic stabilization tools in the Euro area; they are – in an unnatural alliance – allies of those who, in the name of democratic accountability, demand transparency and oversight of the ECB's actions.

Nevertheless, the ECB has assumed its responsibilities and has been able to or had to play this role in the absence of a consensus among the finance ministers on economic policy. Nicolas Jabko argues that this was all the more important because some governments, after having increased their deficits and debts at the national level in order to save their banks in 2008, did not take responsibility for solidarity with other Member States before their national public opinion. On the basis of populist sovereignty they implemented a policy of austerity, contrary to the widely accepted idea that it was the ECB or the Commission that dictated that approach in the name of ordoliberalism (Jabko, 2021), even though their role in the Troika cannot be ignored. Eric Monnet demonstrates that the ECB is in fact an instrument of the welfare state, especially since the absence of a tool for guiding the area on an economic level and the crises have made its interventions indispensable and welcome (Monnet, 2021).

However, the secondary effects on redistribution and the way in which the ECB implements its secondary mandate require a democratic debate. While respecting the treaties and capitalizing on the positive results of the policies carried out by Frankfurt, it is necessary to risk a democratic debate that goes together with a broad interpretation of its mandate. Various windows of opportunity for progress in this direction should be used, whether it be the negotiation of the IIA, the reform of economic governance, or the conference on the future of the European Union and, ultimately, a possible revision of the treaties.

NOTES

1. TFEU Article 127.1: "The primary objective of the European System of Central Banks (hereinafter referred to as 'the ESCB') shall be to maintain price stability. Without prejudice to the objective of price stability, the ESCB shall support the general economic policies in the Union with a view to contributing to the achievement of the objectives of the Union as laid down in Article 3 of the Treaty on European Union."

2. TEU Article 3.3: "The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance."

3. TFEU Article 127.5: "The ESCB shall contribute to the smooth conduct of policies pursued by the competent authorities relating to the prudential supervision of credit institutions and the stability of the financial system."

Article 127.6: "The Council, acting by means of regulations in accordance with a special legislative procedure, may unanimously, and after consulting the European Parliament and the European Central Bank, confer specific tasks upon the European Central Bank concerning policies relating to the prudential supervision of credit institutions and other financial institutions with the exception of insurance undertakings."

4. TFEU Article 284.3: "The European Central Bank shall address an annual report on the activities of the ESCB and on the monetary policy of both the previous and current year to the European Parliament, the Council and the Commission, and to the European Council. The President of the European Central Bank shall present this report to the Council and the European Parliament, which may hold a general debate on this basis."

"The President of the European Central Bank and the other members of the Executive Board may, at the request of the European Parliament or on their own initiative, be heard by the competent committees of the European Parliament."

5. TFEU Article 283.2: "The Executive Board shall comprise the President, the Vice-President and four other members."

"The President, the Vice-President and the other members of the Executive Board shall be appointed by the European Council, acting by a qualified majority, from among persons of recognised standing and professional experience in monetary or banking matters, on a recommendation from the Council, after it has consulted the European Parliament and the Governing Council of the European Central Bank."

"Their term of office shall be eight years and shall not be renewable."

6. The ECON vote on October 22, 2012 was 20 for rejecting the nomination, 13 against, 12 abstentions; the plenary session on October 25, 2012, voted 325 for rejection, 300 against, 49 abstentions.

7. Council Regulation (EU) 1024/2013 of October 15, 2013, conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.

Article 26.2: "The appointments to the Supervisory Board in accordance with this Regulation shall respect the principles of gender balance, experience and qualification."

Article 26.3: "After hearing the Supervisory Board, the ECB shall submit a proposal for the appointment of the Chair and Vice-Chair to the European Parliament for approval. Following the approval of this proposal, the Council shall adopt an implementing decision to appoint the Chair and the Vice-Chair of the Supervisory Board."

8. Regulation (EU) 2019/2175 of the European Parliament and of the Council of 18 December 2019 amending the ESA statute.

Article 48.2.2: "The Chairperson shall be selected on the basis of merit, skills, knowledge of financial institutions and markets, and of experience relevant to financial supervision and regulation, following an open selection procedure which shall respect the principle of gender balance and shall be published in the *Official Journal of the European Union*. The Board of Supervisors shall draw up a shortlist of qualified candidates for the position of the Chairperson, with the assistance of the Commission. Based on the shortlist, the Council shall adopt a decision to appoint the Chairperson, after confirmation by the European Parliament."

9. Regulation (EU) 2019/2176 of the European Parliament and of the Council on the European Systemic Risk Board, Articles 9.4 and 16.3.

10. See the article by Laurence Scialom in this issue.

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