

WINTER 2020

Monetary Policy in the European Union

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Prompt for Discussion

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The European Central Bank played an important and powerful role in the management of the eurocrisis. Today, in the midst of the COVID-19 pandemic, the ECB once more emerges as a crucial actor. With its Pandemic Emergency Purchase Programme it is taking decisive steps to address the fallout from the crisis – not only attempting to safeguard financial stability, but also to prevent massive unemployment. As the ECB becomes an indispensable actor in crisis management, as its private and public sector bond purchase programmes become ever more far-reaching and larger in volume, it attracts more and more attention. A vibrant debate amongst legal and economic experts and with civil society actors confronts ECB practice with important questions of legality, democracy and policy.

Questions of legality include the following: Is the ECB still acting within its mandate? Can quantitative easing programmes – such as the public sector purchase programme or the pandemic emergency purchase programme – be qualified as monetary policy measures; or are they really economic policy measures that remain within the competence of member states? Is the ECB

acting in violation of the prohibition of monetary financing (Art. 123 TFEU) when it purchases public sector bonds in such large quantities and with the aim of ameliorating refinancing conditions of member states? Is the ECB pursuing with its crisis measures the primary objective of price stability (as mandated by Art. 127 TFEU) or are the ECB's policy decisions not only informed, but guided by other – secondary – objectives? These questions have been at the heart of two constitutional complaints before the German Federal Constitutional Court (FCC) against two ECB quantitative easing programmes (OMT and PSPP) which triggered a confrontation between the FCC (doubting the legality of the programmes) and the Court of Justice of the European Union (adopting a quite lenient standard of review and confirming their legality).

Apart from debates of legality, questions of legitimacy, democracy and social justice take center stage: Given that the ECB is such a powerful actor and given the distributive consequences of its policy measures, shouldn't it be subject to greater democratic control? Should monetary policy be democratized? What would it mean to democratize ECB policy? Here, too, views are divided. They are divided as concerns the empirics – the effects of QE programmes on social inequality, the actions of corporations and capital concentration. They are also divided as concerns democracy and democratization: Should central bank independence from politics be safeguarded and in return monetary policy powers be reined in and subjected to strict judicial review (this appears to be the view of the FCC)? Or should the conduct of monetary policy – in recognition that monetary policy cannot be neatly separated from non-monetary economic policy – be “politicized” and become more transparent and inclusive.

Finally, policy considerations are heatedly debated: If the ECB has such powerful policy instruments at its disposal, might it/must it employ them to address pressing public concerns such as climate change, social inequality and

structural imbalances between member states? Suggestions for the (re-)deployment of monetary policy abound: to selectively support green industry; to engage in more outright monetary financing to support the budgets of member states; to start a programme of peoples' QE, *inter alia* to promote social cohesion. Yet, can monetary policy make up for the “design flaws” of European monetary union with its separation of monetary policy (as an exclusive EU competence) from fiscal/economic policy (remaining largely a competence of the member states)? Can “more money” – even if directed with precision towards social objectives – be a solution to the current existential crises or does it fuel a growth spiral that is co-responsible for the social and ecological crises we are in?

While the ECB currently addresses some of these questions in its Strategy Review 2020, we wish to join the debate with this roundtable. Our aim is, ideally, to forge a transatlantic debate. We hope to address common concerns raised by central bank monetary policy and in particular quantitative easing – once considered unconventional monetary policy and today widely used by the ECB, the Fed and other central banks around the world. We also want to identify the specificities of ECB monetary policy that result from the particular institutional design of the European monetary union when compared, for example, to the United States system of government.

Contributions

February 26, 2021

The Hegemony of Central Bankism and Authoritarian Neoliberalism as Obstacles to Human Progress and Survival

Jeremy Leaman, Loughborough University

February 18, 2021

Opening up ECB's Black Box and Painting it Green- the Monetary Policy Mandate in the Age of New Challenges and Uncertainty

Agnieszka Smoleńska, European Banking Institute

February 10, 2021

The Distributive Impact of Central Banks' Quantitative Easing Program

Brigitte Young, University of Münster

February 3, 2021

Money and the Debunking of Myths

Jamee K. Moudud, Sarah Lawrence College

January 25, 2021

Post-Crisis Central Banking and the Struggle for Democratic Oversight in Europe – a Trilemma and a Paradox

Sebastian Diessner, European University Institute and London School of Economics

January 18, 2021

The ECB, the climate, and the interpretation of “price stability”

Jens van't Klooster, KU Leuven

January 12, 2021

Beneath the Spurious Legality of the ECB's Monetary Policy

Marco Dani, University of Trento, Edoardo Chiti, Sant'Anna Scuola Universitaria Superiore Pisa, Joana Mendes, University du Luxembourg, Agustín José Menéndez, Universidad Autónoma de Madrid, Harm Schepel, University of Kent, Michael A. Wilkinson, London School of Economics

January 4, 2021

Rekindling Public Trust in Central Bankers in an Era of Populism

Annelise Riles, Northwestern University

December 28, 2020

Quantitative Easing, Quasi-Fiscal Power and Constitutionalism

Will Bateman, Australian National University

Date