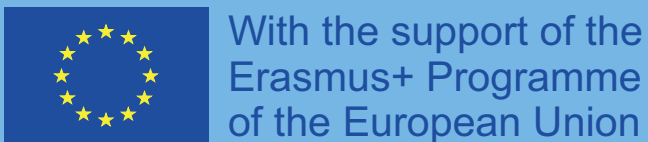


Jean Monnet Module

“Economic Policy in the European Union”

Session 5.2. The influence of the new model of economic governance and the democratic legitimacy of the European Union



Dr Mónica Puente Regidor

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- 1- Introduction
- 2- The characteristics of the ECB in the economic governance model of the EU at its origin
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- 4- The legitimacy problems of the ECB analysed from the Principal-Agent theory
- 5- The deficit of democratic legitimacy of the ECB and its influence on the EU project
- 6- Conclusions

INTRODUCTION



Maastricht Treaty 1992
It begins its operation in 1998



Christine Lagarde
(2019-)

ECONOMIC CRISIS AND THE NEW MODEL OF ECONOMIC GOVERNANCE IN THE EU

European Council

European Central Bank



Parlament

European Commission

THE ECB'S LEGITIMACY ISSUES ANALYSED FROM THE PRINCIPAL-AGENT'S PERSPECTIVE



Defining characteristics of the ECB:

- Mandate
- Independence
- Accountability
- Legitimacy
 - Procedural
 - Result

Principal-Agent Theory

THE ECB'S LEGITIMACY ISSUES ANALYSED FROM THE PRINCIPAL-AGENT'S PERSPECTIVE

CHAPTER II OBJECTIVES AND FUNCTIONS OF THE ESCB Article 2



Goals

In accordance with Article 105 (1) of the Treaty, the primary objective of the ESCB shall be to maintain price stability. Without prejudice to this objective, the ESCB shall support general economic policies in the Community with a view to contributing to the achievement of the Community's objectives, as set out in Article 2 of the Treaty. The ESCB shall act according to the principle of an open market economy and free competition, favouring an efficient allocation of resources and in accordance with the principles established in Article 4 of the Treaty.

THE ECB'S LEGITIMACY ISSUES ANALYSED FROM THE PRINCIPAL-AGENT'S PERSPECTIVE



Defining characteristics of the ECB:

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THE ECB'S LEGITIMACY ISSUES ANALYSED FROM THE PRINCIPAL-AGENT'S PERSPECTIVE

CHAPTER III ORGANIZATION OF THE ESCB Article 7



Independence

As set out in Article 108 of the Treaty, when they exercise the powers conferred on them by the Treaty and these Statutes and carry out the corresponding functions and duties, neither the ECB, nor the national central banks, nor any member of their governing bodies shall request nor will they accept instructions from Community institutions or bodies, from any government of a Member State or from any other body. The Community institutions and bodies, as well as the governments of the Member States, undertake to respect this principle and not to seek to influence the members of the governing bodies of the ECB or of the national central banks in the exercise of their functions.

THE ECB'S LEGITIMACY ISSUES ANALYSED FROM THE PRINCIPAL-AGENT'S PERSPECTIVE



Independence of the ECB:

- Political independence
- Institutional independence
- Personal independence
- Functional and operational independence
- Financial and organizational independence
- Legal independence

THE ECB'S LEGITIMACY ISSUES ANALYSED FROM THE PRINCIPAL-AGENT'S PERSPECTIVE



Defining characteristics of the ECB:

- Mandate
- Independence
- Accountability
- Legitimacy
 - Procedural
 - Result

Principal-Agent Theory

THE ECB'S LEGITIMACY ISSUES ANALYZED FROM THE PRINCIPAL-AGENT'S PERSPECTIVE

Chapter III
Article 15



Information obligations

15.1. The ECB shall draw up and publish reports on the activities of the ESCB at least quarterly. 15.2. A consolidated financial statement of the ESCB will be published each week.

15.3. In accordance with Article 113 (3) of the Treaty, the ECB shall present each year to the European Parliament, the Council and the Commission, as well as to the European Council, a report on the activities of the ESCB and the monetary policy of the previous year and of the current year.

15.4. The reports and states mentioned in this article will be made freely available to interested parties.

CHANGES IN THE MODEL AND THE NEW ROLE OF THE ECB

Single Supervisory Mechanism

Monetary politics

Economic and financial crisis 2008



Supervision of the financial system

Banking Union

THE ECB'S DEMOCRATIC LEGITIMACY DEFICIT AND ITS INFLUENCE ON THE EU PROJECT



Democratic
legitimacy deficit



CONCLUSIONS

- The ECB was created in 1998 as a bank with a priority mandate, with statutes that govern its operation, politically independent and with a limited accountability system conditioned by its political independence.
- The 2008 economic crisis modified its role in the economic governance model, granting it functions that until then it had not reserved in its Statutes.
- Despite this new role, its legislative and action framework has not been modified, which can generate problems regarding its legitimacy.
- Doubts about its political independence and legitimacy have put on the table the need to grant it a new Statute adjusted to its actual activity. Which would mean a transfer of sovereignty by the Member States.
- The lack of democratic legitimacy of the institution raises questions about the very democratic legitimacy of the European integration project.

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