



# **AN EP-ECB INTERINSTITUTIONAL AGREEMENT ON MONETARY POLICY**

**POLITICAL  
EXECUTIVE SUMMARY**

June  
2022

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## **ACKNOWLEDGEMENT**

We would like to thank Nik de Boer, Valentina Caracci, Leo Hoffmann-Axthelm and Drazen Rakic for helpful comments on earlier versions of the report.

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## POLITICAL EXECUTIVE SUMMARY

The ECB is accountable to the European Parliament. This is a key counterpart to the ECB's independence. However, current accountability practices lag behind the dramatic evolution of monetary policy since 2008. To this day the ECB confines itself to a small range of accountability practices, namely drafting and presenting its annual report, and answering written questions as well as oral questions in the context of its quarterly hearings. While these have proven to be effective exchanges, they are no longer sufficient in the face of the new objectives that the ECB today pursues: financial stability, supporting government bond markets, and, more recently, mitigating climate change. The ECB justifies its policies as if they were narrowly focused on price stability, but in practice, it intervenes in bond markets and acts on climate change how it sees fit.

While this is a welcome new role for the ECB, stronger ties with the European Parliament should follow to ensure the democratic legitimacy of the ECB's action. In other words, the evolution of the ECB's role has to go hand in hand with an improvement of the existing accountability practices. This should include a better explanation of what drives the ECB's monetary policy decisions and a stronger role of the parliament in guiding the ECB's so-called secondary objectives - beyond price stability. New instruments and information channels should ensure that Members of the European Parliament can accurately assess the new considerations that inform the ECB's deliberations. At the same time, the European Parliament has an important role to play in democratic guidance to the ECB. It should for instance put forward its interpretation of the "the general economic policies in the Union" referenced in the ECB's secondary objective.

An improvement of the current accountability practices should happen timely given that the ECB is now facing entirely new questions concerning the monetary objects it issues, such as whether it could and should issue a digital form of central bank money available to the public and what design features such digital euro would have. The complex trade-offs between price and financial stability in the current inflationary context further call for a stronger democratic framework surrounding and supporting the ECB's complex tasks.



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