ECB annual report for 2007

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The Committee on Economic and Monetary Affairs adopted an own initiative report by Olle **SCHMIDT** (ALDE, SE) following the ECB annual report for 2007.

The report recalls that the EC Treaty explicitly distinguishes between the ECB's goals of price stability on the one hand and support for general economic policies on the other, and that, therefore, those two goals cannot simply be treated as substitutable. MEPs acknowledge the full independence of the ECB in its fulfilment of this double mandate, and welcome the fact that by means of the Treaty of Lisbon, the ECB will become an EU institution with legal personality and a clearly established independent political and financial status.

Financial stability: the parliamentary committee recognises the excellent work of the ECB in managing the financial turmoil triggered by the US sub-prime mortgage crisis. It considers this, once again, to show the value of a common monetary policy as provided for by the ECB, stabilising the economy in periods of instability.

MEPs highlight the increased need for cooperation between central banks and supervisory authorities, in order to uphold stability in the financial markets, in particular taking into account the increasingly integrated financial systems. They call for the establishment of a European financial supervisory framework in close collaboration with the ECB.

Lastly, the ECB is called upon to analyse and evaluate the aftermath of the financial crisis and examine whether it has sufficient instruments for handling a cross-border European financial crisis, and which powers it needs in order to improve macro-prudential supervision in the Euro area.

Economic and monetary development: the report notes the ongoing discussion on how to define price stability, in regard to which some argue in favour of a direct inflationary targeting. MEPs believe, however, that a two-pillar system based on M3 is the most suitable way of measuring price stability.

The report highlights that the risks of asymmetric economic developments within the Euro area could increase with enlarged membership as the differences in size and maturity of members' economies grow. It calls on the ECB to pay particular attention to this situation and tackle those risks at an early stage as well as communicate them to the Member States.

MEPs emphasise that against the background of the recent correction of growth expectation, any further rise of interest rates should be undertaken with caution in order not to endanger economic growth. The report points out that, in order to support the economic recovery, Member States must implement both the necessary structural reforms and investment activities.

Lastly, recognising the increasing upward pressure on inflation to which food and energy prices contribute in particular, MEPs call on the ECB to strengthen its dialogue with national central banks on the issue to promote a strong focus on price stability globally.

Governance and effective decision-making: in view of the call for more transparency, MEPs ask the ECB to provide Parliament and the public with an annual summary of measures taken to improve its performance. They consider that the monetary policy dialogue between Parliament and the ECB has been a success, and one which should be built on further.

Stressing that the ex-post accountability of the ECB is of primordial importance for confidence, and hence stability, on the financial markets, MEPs call upon the ECB, in its statements following decisions taken by its Governing Council, to elaborate clearly about whether, in the course of discussions, a consensus was reached easily or if divergent views persisted.

The ECB is called upon to present its ideas for reforming the structure of the Governing Council, as the number of governors is expected to exceed 15 from 1 January 2009. As for the procedure for appointing the members of its Executive Board, MEPs emphasise that their nationality should be irrelevant and that democratic accountability would improve if the candidate proposed by the Council were then subject to a vote of approval by Parliament.

Lastly, the report calls for concrete steps to be taken towards a unified Euro area representation within international financial institutions such as the IMF.