



# UNIVERSITY OF TWENTE.

Faculty of Behavioural, Management and  
Social Sciences (BMS)

## Bachelor thesis

**“The European Central Bank in between economic and monetary policy: Is the independence of the European Central Bank threatened by its unconventional policies during the financial crisis?”**

**Elena Havryshchuk (1616765)**

**30. June 2016**

---

**Supervisors:**

Ass. Prof. dr. Donnelly

Prof. dr. Wessel

Public Governance Across Borders  
Thesis preparation & professionalization (2015 2- A)

University of Twente  
P.O. Box 217  
7500 AE Enschede  
The Netherlands

---

**Table of contents**

- Summary ..... 1
- I.** Introduction to the research problem ..... 2
  - a. The emerging European financial crisis ..... 2
  - b. The ECB as a part of the ESCB and the Euro system ..... 2
- II.** Methodology ..... 5
  - a. Research Question ..... 5
  - b. Research Design ..... 6
- III.** Description of the main issues of the European Central Bank ..... 7
  - a. Summary of the legal framework of the European Central Bank and its decision making bodies ..... 7
  - b. Objectives and functions of the European Central Bank ..... 8
- IV.** Independence ..... 9
  - a. General definition of independence ..... 9
  - b. Differentiation between personnel, financial and political independence ..... 9
  - c. Application on the European Central Bank ..... 10
- V.** Which signs of dependencies can be found while analysing SMP, OMT and QE ..... 14
  - a. The financial crisis and the European debt crisis as threats to security ..... 14
  - b. Intervention in past: SMP ..... 16
    - i. Description of the SMP ..... 16
    - ii. Accordance with EU law and the impact on central bank independence ..... 17
  - c. Intervention in past: OMT ..... 19
    - i. Description of the OMT ..... 19
    - ii. Accordance with EU law and the impact on the central bank independence ..... 21
  - d. Intervention in past: QE ..... 23
    - i. Description of the QE ..... 23
    - ii. Accordance with EU law and the impact on central bank independence ..... 24
  - e. Evaluations of the unconventional monetary tools ..... 26
- VI.** The German Federal Constitutional Court against the aid programmes conducted by the ECB ..... 29
- VII.** Conclusive Remarks ..... 32
- VIII.** Literature ..... 34

## **Abbreviations**

CBI	Central Bank Independence
ECB	European Central Bank
ECJ	European Court of Justice
EMU	European Monetary Union
ESCB	European System of Central Banks
EU	European Union
NCB	National Central Bank
OMT	Outright Monetary Transactions
SMP	Securities Markets Programme
TEU	Treaty of the European Union
TFEU	Treaty of the Functioning of the European Union
QE	Qualitative Easing

## **Summary**

By now, many scholars are examining the development of the European financial crisis. Surely, it is important to determine its origins, but in addition to that, it is also necessary to concentrate on the actors within the crisis. The empirical research conducted in the following bachelor thesis serves as a description of the institutional engineering of the European Central Bank, as one of the influential actors within the Eurozone.

Due to its huge importance and accountability in the enduring European financial crisis, the features of the institution, but also its independence as an actor should be analysed in the following paper in detail. By using qualitative data and document reviews for the single case study of the ECB, the main research question should therefore reveal, whether the European Central Banks independence is threatened by one of the unconventional policies which are executed during the European financial and the European debt crisis, and therefore check whether the European Central Bank is negotiating within its competences.

By executing a detailed analysis of the Treaty of the Functioning of the European Union, the study has shown that the three analysed programmes, namely the SMP, the OMT and the QE are all within the competences of the European Central Bank which is also supported by the decision of the European Court of Justice from the 21. June 2016, dealing with the complaint of the Federal Constitutional Court of Germany. Even though, the analysis also illustrated that partly the programmes above can be seen as threats to its independence, which is essential for its functioning as a Central Bank.

## **I. Introduction to the research problem**

### **a. The emerging European financial crisis**

Due to the collapse of the Lehman Brothers in 2008 and its impacts on the worldwide market, the consequences of it were able to spread in the whole area of the European Union. After its collapse, the whole banking system gained a general problem of liquidity.

Several nugatory rest-estate credits of the United States of America were circulating on the European financial market, leading to bad loans and thereby to a general reduction of trade and investment, so that the level of debt of European banks was increasing. To offer a solution, the European Central Bank started to assign loans to the national banks to temper their financial debts. Still, the high costs of supporting the banking system in the Eurozone lead to a debt position of the European Union's Member States and therefore causing a sinking investment into the economy. As a result, the increasing unemployment and therefore the higher costs of social spending of the affected countries entailed additional public debts (Finanzkrise EU, n.d.).

States like Greece which were already in debt before the breakout of the European financial crisis, were highly in need of additional help. Besides, the arising debts of further nations like Spain and Ireland, for instance due to a low demand of raw materials, needed aid programs of the European Central Bank, which should result in low interest rates (Finanzkrise EU, n.d.).

That development of the European financial crisis put additional pressure on the ECB and its mechanisms, so that the current president of the European Central Bank Mario Draghi mentions that “[w]ithin our mandate, the European Central Bank is ready to do whatever it takes to preserve the euro. Believe me, it will be enough.” (Mario Draghi, n.d.). To minimize the pressure and to upgrade the situation of the countries in debts numerous programmes by the ECB were introduced. To give a better insight into them, I will concentrate on the following once in section five: Security Market Programme, Outright Monetary Transactions and Qualitative Easing.

### **b. The European Central Bank as a part of the European System of Central Banks and the Euro system**

On the 1. January 1999 the European Central Bank received the general responsibility for the monetary policy for the whole Euro currency area and became the central institution of the European monetary and currency union. The main objective of the monetary policy, namely the responsibility for the general price stability in that area, was defined in the Treaty of Maastricht in 1992 and came into effect one year later. In detail, the European Central Bank is hereby in charge of a stable inflation rate which should stay under the percentage of two (Pattipeilohy, C. et al., 2013).

The European Central Bank is the main institution of the European System of Central Banks and the Euro system. The ESCB contains the European Central Bank in the centre, working together with the national central banks of every Member State of the European Union, regardless of the adoption of the Euro as currency. In contrast to that, the Euro system is a combination of the European Central Bank with only national central banks with the adoption of the Euro. Concluding, the European System of Central Banks contains all the twenty-eight member states of the European Union, while the Euro system is the monetary authority of the nineteen member states of the Eurozone (Papalexatou, C., 2012).

To become part of the Euro system, the state needs to fulfil several criteria of advocacy, which are called “convergence criteria”, with the main aim to adapt the European law into the national systems of the different states. Next to that, the member-to-be needs to manifest a high level of price stability, a stable budgetary situation within the country’s economy, a stable exchange rate and finally, a conformity of the interest rates (Monetary policy, 2011).

In general, the Euro system is combining a central monetary policy with a decentral financial policy next to it. For the safeguarding of the functioning of the European Monetary Union, the financial concerns stay in the responsibility of the member states, while the monetary concerns are dealt supranationally. To limit the risks for the general price stability, several guidelines were developed for a stable financial policy: Articles 123 TFEU and 124 TFEU declare prohibitions of monetary financing and the access to financial institutions. Besides, Article 126 TFEU was developed in order to control and minimize public debts (Monetary policy, 2011).

To safeguard a functioning of a monetary policy and price stability, one of the important issues which needs to be guaranteed is the general political independence of the European Central Bank. That principle is illustrated in Article 130 TFEU: “By this Treaty and the Statute of the European System of Central Banks, neither the European Central Bank, nor a National Central Bank, nor any member of their decision-making bodies shall seek or take instructions from community institutions or bodies from any government of a Member State or from any other body.” (Monetary policy, 2011). Article 130 TFEU points to the fact that the European Central Bank is not allowed to adopt instructions or directions from any other institutions or the associated bodies (TFEU, 2012).

To ensure such an independence from another party, the European Central Bank was developed to be financially independent from the European Union. Therefore, the ECB possesses its own assets which are assured by incoming payments of the National Central Banks of the Euro area. An additional arrangement to ensure the Central Bank Independence is the long-lasting mandates of the members of the ECB Council and the instruction that the members of the Governing Body cannot be re-elected. These provisions should avoid political influence on the members of the organs of the European

Central Bank. Lastly, the additional prohibition of allocation of central bank loans to public areas should also guarantee independence (Monetary policy, 2011).

The main focus of previous research was on the general question, whether there is a relationship between Central Bank Independence and price stability, or for instance lower inflation rates.

Therefore Daunfeld argues that this relationship is not existing, so that Central Bank Independence is not the cause for lower inflation rates. He adds, that these are partly achieved by special agreements on exchange rates (Daunfeldt, 2008).

A huge amount of former studies on the general independence of Central Banks was concentrating on the question, if it is necessary that they are independent. For instance, Grill et al. (1991), Jonsson (1995) and Alesina and Summers (1993) were able to determine other variables which are causing low inflation and price stability, so that the studies were not able to find a correlation between independence and low inflation rates (Daunfeldt, 2008).

The results of Brentford, who has applied the theory of De Tocqueville on banks have shown that there is no total independence of central banks possible. In addition, he argues that the European Central Bank is not an efficient instrument to ensure legitimacy and that other institutions should be used instead (Brentford, 1998).

Even if some literature argues that Central Bank independence seems to be not required to ensure the aims of the European Central Bank, other sources include criticism on the action of the European Central Bank due to its lack in independence and identify independence of central banks as an important factor. For instance Debelle & Fischer mention, that goal independence is an important element of central banks (Debelle and Fischer, n.d.). In addition to that, a statement of the German Federal Bank also verifies that independence is an important factor to ensure monetary stability (Independence, n.d.).

The general research question was chosen due to the actual evolutions on the financial market. The high value of globalization leads to the fact, that the crisis became worldwide, so that nations and associations of them need to be able to react fast in order to minimize the economical debts. Nevertheless, that measures and programmes need to stay within the competences of the institutions and needs to be legitimized by the Treaties.

The general aim of the paper is to inform about an important economical matter due to the fact, that economy can affect people's lives directly. Next to the actuality of the topic, it is important to take into account that the European Central Bank has got a huge influence on the Euro area and therefore an impact on over 335 million of inhabitants, so that it is necessary to check its extent of independence and to determine whether limitations are given.

“We are forced by nobody. We are independent. We are forming our own opinion [...]” (Sueddeutsche, 2011). The statement by Mario Draghi reveals one of the required characteristics of a Central Bank. To secure a functioning monetary policy within the Eurozone: independence is the leading feature as captured in Article 130 TFEU (TFEU, 2012).

In general, Central Banks should retain a price stability within their area of action. To ensure that, the independence needs to be available, due to the fact that politicians are degenerated to print huge amounts of money (Unabhängigkeit, 2007). The statement above will be checked with the help of analysing different aid programmes created by the European Central Bank to rescue the Member States in debt. I will therefore use them to examine whether the institution is independent to ensure the functioning of the monetary policy.

## **II. Methodology**

### **a. Research Question**

To clarify the research objective of the following bachelor thesis the following question will serve as the actual research question: *“The European Central Bank in between economic and monetary policy: Is the independence of the European Central Bank threatened by its unconventional policies during the financial crisis?”*.

In order to be identified as an independent organisation, the European Central Bank needs to fulfil certain criteria: independence of political instructions, independent leaders and an independent usage of instruments to ensure price level stability (Zentralbank, n.d.). As the main research objective of this bachelor thesis, I will analyse the independence of the central bank regarding to the point that it is not allowed to purchase bond issues directly of governments, due to the prohibition of governance financing. These bonds can only be purchased on the secondary markets. Therefore the aid programmes mentioned above will deal as investigation points. The main focus will lie on the independence of the European Central Bank of political instructions, which will be reviewed using the actual procedure of the German Federal Constitutional Court against the European Central Bank which is led by the European Court of Justice.

After giving an introduction and presenting my methodological usage, I will shortly give an insight into the construct of the European Central Bank. As a next step, the general topic of independence will be dealt. Therefore I will not only concentrate on independence in general but also on the question whether independence should be guaranteed by a Central Bank and afterwards apply it on the European Central Bank.



In order to respond to the main research question completely, one additional sub-question should serve to get a sufficient answer.

The sub-question of the paper will analyse the interventions in past: “*What signs of dependencies can be found while analysing the SMP, OMT and QE aid programmes?*”. That part will concentrate on the detection of signs of dependence of the European Central Bank with the help of analysing some aid programmes made by the institution in past. Therefore my hypothesis which should be checked within this bachelor thesis are the following:

*Hypothesis 1: If the unconventional policies of the European Central Bank are in accord with the European Union law, they cannot be described as a general threat to its independence.*

*Hypothesis 2: If the unconventional policies of the European Central Bank do not go in accord with the Treaties of the European Union, the independence of the European Central Bank can partly be threatened.*

Hereby I will analyse, whether the Securities Markets Programme, the Outright Monetary Transactions and the Qualitative Easing are in accord with the Treaties of the European Union. Both hypothesis are concentrating on the legal constraints of the unconventional programmes.

## **b. Research Design**

Before I will start presenting the concept of the European Central Bank, I shortly want to introduce the methodology used.

The methodological approach utilized to get a sufficient answer of the main research question is a document analysis with the aim to get qualitative data. Therefore I employ scientific articles and papers, but also a literature review of articles and political statements.

To gain qualitative information for the legal framework sections, I make use of the Treaty of the European Union, the Treaty of the Functioning of the European Union and especially of Protocol No. 4 of the Official Journal of the European Union on the Statute of the European System of Central Banks and the European Central Bank, which outlines information about the legal basis, the operating principles and the main tasks and objectives of the European Central Bank (Europa, n.d.).

In addition, a single case study of the European Central Bank is conducted, which should answer the main research question of the ECB’s independence in regard to its unconventional policies. Therefore I will use Security Market Programme, Outright Monetary Transactions and Qualitative Easing as evidence.

### **III. Description of the main issues of the European Central Bank**

#### **a. Summary of the legal framework of the European Central Bank and its decision-making bodies**

The European Central Bank is guided by the Treaties of the European Union and by the Statute of the European System of Central Banks and of the European Central Bank. Article 13 of the Treaty of the European Union clearly states the ECB as an institution of the European Union (TEU, 2008).

Several prohibitions and rules are worked out in order to ensure the Member States preferences: “[i]n accordance with Article 282 (1) of the Treaty on the Functioning of the European Union, the European Central Bank and the national central banks shall constitute the European System of Central Banks. The ECB and the national central banks of those Member States whose currency is the Euro shall constitute the Eurosystem. [Therefore] [t]he ESCB and the ECB shall perform their tasks and carry on their activities in accordance with the provisions of the Treaties and of this Statute” (Official Journal of the European Union, 2012). To summarize the general legal framework of the European Central Bank, it can be said that it has to follow the Treaties of the European Union as well as the Statute of the European System of Central Banks and of the European Central Bank.

The decision-making body consists of the Governing Council, the Governing Body and the General Council.

The Governing Council is composed of the members of the Governing Body and of the Governors of the Central Banks of the Member States with the Euro as their currency (Article 283. TFEU) (TFEU, 2012). The Governing Council is in charge of the decisions which are necessary for the fulfilment of the tasks of the European Central Bank, so that its main function is the execution of the monetary policy and its guidelines (Monetary policy, 2011).

The Governing Body consists of the president, the vice-president and four additional members which are appointed by the European Council. The Governing Body is in charge of the actual businesses of the European Central Bank (Article 129.1 TFEU). Therefore, it executes the decisions made by the Governing Council and coordinates instructions to the National Central Banks (Monetary policy, 2011).

The third organ of the European Central Bank is the General Council. It only exists due to the Member States of the European Union which have not implemented the “convergence criteria” and are therefore no members of the Eurozone. Its main tasks can be described as supporting and consultative once (Monetary policy, 2011).

The general decision-making process on the monetary policy of the European Central Bank is implemented collectively (Art. 129, 132 TFEU) (TFEU, 2012) by all the decision-making bodies described above.

#### **b. Objectives and functions of the European Central Bank**

Vera Lutz Smith presented the objectives of the European Central Bank as a “twin mandate” (Lastra, R., 2012), due to the fact that it should manage monetary stability, and next to that the financial stability in the Euroarea (Papalexatou, C., 2012).

As mentioned in the Treaties of the Union, the main objective of the European System of Central Banks is the insurance of the price stability. In addition to that, the ESCB is in charge of managing the general aims of the European Union which are noticed in Article 3 TFEU, for instance the sustainable development of the European Union with a balanced economic growth. In addition to that, financial stability which is mentioned in Article 127.5 TFEU is also an additional objective of the ESCB which became more important due to the financial crisis (TFEU, 2012). The European System of Central Banks should create a competitive social free market economy aiming at full employment and social progress (Monetary policy, 2011). Next to that, an additional objective of the European System of Central Banks is to behave in accordance to the principle of the open market economy, ensuring free competition and an efficient allocation of resources (Lastra, R., 2012).

The functions of the ESCB can be best divided up into basic tasks and non-basic functions. The basic tasks, which can be found in Article 127.2 TFEU are the following: “to define and implement the monetary policy of the European Union, to conduct foreign exchange operation consistent with the provisions of Article 219, to manage the official foreign reserves of the member states and to promote and smooth operation of payment systems.” (Lastra, R., 2012). These functions, can be added with four additional non-basic once which are communicated by other provisions: “the issues of banknotes with the general meaning of expanding banknotes, contribution to financial stability, advisory functions and collection of statistical information and international co-operation (monetary policy, 2011), which are needed for the implementation of their tasks and external operations, for instance the collaboration with different organs and institutions on the European but also on the international level.” (Lastra, R., 2012).

To sum up the functions above, we can say that the tasks regarding the monetary policy which is the main function of the European System of Central Banks, were transmitted from the national member states level to the supranational level of the European Union (Lastra, R., 2012). The general monetary policy of the European Central Bank is based on a two-pillar strategy, due to the fact that it combines an economic analysis next to the monetary analysis. Both consist of an analysis of monetary factors

and an additional analysis of the risks for the price stability for the whole area (Pattipeilohy, C., 2013). In addition, Article 127.6 TFEU and the European Union provision No. 1024/2013 attributes the task of the control of the credit institutions of the Member States to the European Central Bank (Monetary policy, 2011).

#### **IV. Independence**

##### **a. General definition of independence**

Towards the German Gabler-Lexikon an independent Central Bank is performing its monetary policy without receiving any directions or instructions made by politicians. The Central Bank's main function should be the ensuring of the price level stability (Gabler Lexikon, n.d.).

Still, Haan and Eijffinger (2000) reveal that there can never exist a complete cut between the governments and the Central Banks. Therefore, only a reduction of the relationship's strength, and hence the reduction of the influence is feasible. Thus, a complete Central Bank Independence is not possible to reach (Ullrich, n.d.).

Haan and Eijffinger (2000) characterize the Central Bank Independence as the following concept: "according to the literature on CBI; an independent central bank is a bank that can conduct its delegated policies without political interference, it has the freedom to choose its monetary policy instruments and goals, its independence is enshrined by law, and it has the authority to run its own operations." (Papalexatou, C., 2012).

In addition to the fact that no complete independence can be reached, Walsh (2005) argues, that there are several aspects which always arrange a complexity of the relationship between a Central Bank and a government. Walsh therefore enumerates the power of governments regarding the Governing Board and the appointment and dismissing of the members of the Governing Board. In addition, the governmental budgetary control on the Central Bank and the lending parameters of it towards the government are playing important roles. As a last aspect of complexity, Walsh enumerates the necessity of clearly defined policy goals for the Central Bank in order to operate correctly (Walsh, 2005).

##### **b. Differentiation between functional, institutional and financial independence**

To elaborate the different kinds of independence regarding Central Banks, a differentiation made by Ullrich into three categories will be applied on the European Central Bank: personnel, financial and political independence (Ullrich, n.d.).

Starting with the description of personnel independence, Ullrich sums up all the procedures which are directly linked to the personnel of the Central Bank with regard on its monetary policy. For instance, the procedures of the staff's appointment, but also of its suspension is a measurable variable (Ullrich, n.d.). Generally, it does not mean that the Ministers of the government are not allowed to comment on the monetary policy. Consultations between the personnel of the Central Bank and the governments on monetary policies are also possible. The focus lies on the direct decisions, which needs to be executed by the Central Banks themselves without exterior influences (Fraser, 1994).

A Central Bank can be identified as financially independent, if it is not under the direct pressure of balancing out national deficits. A variable of measurement can here for be whether the Central Bank can dispose of its own capital, or if it is financially dependent on other institutions (Ullrich, n.d.).

The political independence of a Central Bank consist of its independence of the objectives and of instrumental independence regarding the implementation of the objectives. If the Central Bank is able to determine the objectives of the monetary policy by itself, it can be said to fulfil the criteria of goal independence. Besides, instrumental independence can be measured by the ability of the Central Bank to adjust the instruments and tools for the fulfilment of its goals without any pressure from the outside (Ullrich, n.d.).

### **c. Application on the European Central Bank**

In the following section, the three categories of independence (personnel, financial and political) will be applied on the European Central Bank.

The category of personnel independence of the European Central Bank is assured with the validity of Article 130 TFEU: "When exercising the powers and carrying out the tasks and duties conferred upon them by the Treaties and the Statute of the ESCB and of the ECB, neither the European Central Bank, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from Union institutions, bodies, offices or agencies, from any government of a Member State or from any other body. The Union institutions, bodies, offices or agencies and the governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision-making bodies of the European Central Bank or of the national central banks in the performance of their tasks." (TFEU, 2012). The Article clearly states, that any instructions from the outside of the European Central Bank should not be able to influence the decisions made by it.

The longitudinal periods of the Governing Council's membership, as well as the prohibition of re-election of the members of the Executive Board limit the influence from external sources. Therefore,

the mandate of the National Central Banks President lasts for five years, while the members of the Executive Board are appointed for eight years (Monetary policy, 2011).

In addition, the members of the Governing Council which are solely in charge of the monetary decisions are appointed (Monetary policy, 2011).

Resulting out of it, we can state that personal independence of the European Central Bank is ensured. Mostly the guidelines made by the Treaties of the European Union secure the personal independence of the ECB.

Next to the personnel, also the financial independence of the European Central Bank needs to be checked. Article 123 TFEU announces a prohibition of monetary financing: “Overdraft facilities or any other type of credit facility with the European Central Bank or with the central banks of the Member States (hereinafter referred to as "national central banks") in favour of Union institutions, bodies, offices or agencies, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States shall be prohibited, as shall the purchase directly from them by the European Central Bank or national central banks of debt instruments.” (TFEU, 2012). Due to the fact, that the allocation of European Central Bank loans is prohibited, it manifests an independence from the Euro system (Monetary policy, 2011).

The European Central Bank disposes of an own financial asset which is supplied by the National Central Banks of the Euro area. Hereby an own budget is delivered to the ECB, as well as the currency reserves which are also provided by the NCBs. Next to the fact, that the European Central Bank possesses its own budget, it can also solely take decisions on its capital. The European Court of Justice solely rates the efficiency of the European Central Bank after receiving their annual reports, delivered by external consultants which can be described as the only interference into the policy (Monetary policy, 2011).

In general, political independence of the European Central Bank means that it does not take any orders from any political actor. Therefore, not only the European Council or the European Parliament are seen as such possible influencer, but also the Member States themselves, for instance the powerful once like Germany or France.

As one part of political independence, goal independence is ensured with the help of Article 127.1 TFEU: “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. The ESCB shall act in accordance with the principle of an open market economy with free

competition, favouring an efficient allocation of resources, and in compliance with the principles set out in Article 119.” (TFEU, 2012). Attaching it to the analysis, the main objective of price stability is mentioned. Nevertheless, the operationalization of the goals can be solely decided by the European Central Bank (Monetary policy, 2011).

Next to goal independence, instrumental independence can partly be proved with Article 130 of the Treaty of the Functioning of the European Union, due to the fact that the national governments are not allowed to intervene into the monetary policy of the European Central Bank (TFEU, 2012). In addition, the Governing Council is able to decide on the methods of monetary policy: “The Governing Council may [...] decide upon the use of [...] operational methods of monetary control as it sees fit, respecting Article 2.” (Statute of the ESCB, n.d.).

The ECB has got all the competences and powers needed to achieve its main goal, namely price stability. For instance, Article 128 TFEU provides the permission of the banknote’s allocation:” The European Central Bank shall have the exclusive right to authorise the issue of euro banknotes within the Union.” (TFEU, 2012).

Even if the European Commission is regarded as a powerful institution of the European Union, it has got solely legislative power regarding the economic and monetary union. Therefore, it can only partly influence the monetary policy of the ECB (Papalexatou, C., 2012). The aspect that the European Central Bank is able “to bring actions in front of the European Court of Justice”, shows that the ECB is a legal independent institution (Papalexatou, C., 2012), which is protected from the public sector’s influence with the help of Article 101 of the EC Treaty which clearly stating that the Euro system is not allowed to lend money to the public sector (Papalexatou, C., 2012).

The European Central Bank is characterized by a dual independence, because it is not only independent from national governments but also from the other European Union’s institutions. It can finally be said, that the ECB is able to meet most of the Central Bank Independence Criteria which was listed above (Papalexatou, C., 2012).

Nevertheless, the independence of the European Central Bank but also its measures to rescue the economy within the Euro zone were often criticized predominantly by the Member State Germany. The German Finance Minister Wolfgang Schaeuble therefore argued that the low interest rates cause several problems within the federal state of Germany. For instance savers’ and pensioners’ financial plans are cancelled by such low Euro interest rates. He adds, that there is no reason for holding the low interest rates for such a long period of time. The general economic situation within Germany is changing due to it, for instance there is a high degree of esteem regarding savings within the German population, so that such a low interest rate affects huge amounts of the population (Ellyatt, 2016).

Resulting out of that dissatisfaction with the measures of the European Central Bank, there is general uncertainty within the Germany population which gave rise to the right-wing anti-immigration party Alternative for Germany (AfD). Of course, the AfD is benefitting out of that dissatisfaction not solely with additional criticisms on the European Central Bank, but on the European Union in general (Ellyatt, 2016).

After presenting the criteria of independence which is delivered by the European Treaties, I will go on analysing the independence of the European Central Bank, with a special look on its interventions during the financial and the European debt crisis in order to determine if the actions made in past are in accordance with the European Treaties, and therefore support or disprove the hypothesis made above.



## **V. Which signs of dependencies can be found while analysing Securities Markets Programme, the Outright Monetary Transactions and the Qualitative Easing?**

### **a. The financial crisis and the European debt crisis as threats to security**

With the start of the European financial crisis, the European Central Bank was forced to change its former monetary policy and to apply several unconventional methods and programmes in order to minimize the consequences on the Eurozone. Hereby special treatment was needed, due to the fact that the financial crises started to encroach on the economy, leading to worse economic conditions and a worsening of the world trade (Monetary policy, 2011). The traditional monetary policies which were conducted in past, were not able to offer sufficient solutions any longer. Even though, the additional non-standard programmes cannot just be seen as an alternative for the conventional once, but as an additional element (Cour-Thimann, 2013).

For such newly occurring programmes, for instance Arghyrou and Tsouklas developed four different conditions which needs to be fulfilled in order to become efficient. For instance, the ensuring of a strong currency with low inflation rates needs to be created, in order to maintain the European Monetary Union's credibility. Next to that, a dispute between the taxpayers of the European Union needs to be prevented, which can arise due to the fact that the Northern Member States need to support the Southern once. The third condition for the programmes developed is that is needs to be credible with regard on the whole market. Finally, it should also offer additional structural reforms for the Member States in debts (Papalexatou, C., 2012). Next to the conditions made by Arghyrou and Tsouklas, which are in full combination difficult to reach, the newly invented programmes need to go in accord with the European Treaties (Papalexatou, C., 2012).

Besides the global financial crisis, the European debt crisis also brought newly emerging problems with the consequence of additional non-standard measures in order to stabilize the financial system and rescue the Eurosystem (Papalexatou, C., 2012). Due to several problems on the primary and on the secondary market, Member States like Spain, Portugal and Ireland manifested problems with regard on bond issuing (Papalexatou, C., 2012). Another occurring problem was the illiquidity of Greece, which was registered under the IMF rescue package in 2010. With the invention of non-standard procedures, the European Central Bank started to buy Greek bonds on the secondary markets (Papalexatou, C., 2012).

As a first measure, the European Central Bank reduced its main refinancing rate of 3.25% to 1% during October 2008 and May 2009, followed by a special programme which concentrates on a higher level of credit support, namely the Long-term Refinancing Operations (Pattipeilohy, 2013). Due to its introduction, additional modifications were needed in order to rescue the commercial credit institutions (Pattipeilohy, 2013), so that the European Central Bank started an intervention into the

public and the private market with regard on bonds, leading to the possibility of buying different asset was (Belke, 2013).

One of the programmes which should offer assistance within the crisis is the Securities Markets Programme, which was introduced on 10. May 2010, in order to establish price stability and sufficient liquidity on the banking market (Pattipeilohy, 2013) In addition, banks were able to transfer their high risk Greek bonds to the European Central Bank in order to gain liquidity, which is permitted by Article 18 of the Statute of the ESCB: “In order to achieve the objectives of the ESCB and to carry out its tasks, the ECB and the national central banks may: operate in the financial markets by buying and selling outright [...] or under repurchase agreement and by lending or borrowing claims and marketable instruments, whether in Community or in Non-Community currencies, as well as precious metals; conduct credit operations with credit institutions and other market participants, with lending being based on adequate collateral. The ECB shall establish general principles for open market and credit operations carried out by itself or the national central banks, including for the announcement of conditions under which they stand ready to enter into such transactions. ” (Statute of the ESCB, n.d.).

The programme was abandoned with the invention of the Outright Monetary Transactions programme in August 2012 which should regulate the purchasing of government bonds on the secondary market in order to rescue the monetary policy (Pattipeilohy, 2013). Hereby, the occurring difficulty was the accordance of the Outright Monetary Transactions with the Treaty of the Functioning of the European Union, due to the fact that the direct purchase of government bonds is prohibited by the European law. The European Central Bank is solely allowed to purchase them on the secondary market, namely indirectly (Matthes, 2013).

The general purchase of bonds on the secondary market is nevertheless only legitimated, if the primary goal of price stability is not threatened by the actions undertaken. Another prohibition which is offered by the Treaties and could intervene with the Outright Monetary Transactions programme is listed in Article 121.1 TFEU: “Overdraft facilities or any other type of credit facility with the European Central Bank or with the central banks of the Member States [...] in favour of Union institutions, bodies, offices or agencies, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States shall be prohibited, as shall the purchase directly from them by the European Central Bank or national central banks of debt instruments.” (TFEU, 2012). It prohibits the direct monetary state financing by the purchase of bonds.

Summing up, the European Central Bank is therefore not allowed to insert money into the market in order to help Member States in debts as its main goal (Matthes, 2013).

## **b. Intervention in past: Securities Markets Programme**

### **i. Description of the Securities Markets Programme**

One of the programmes which will now be investigated in detail is the Securities Markets Programme, with its objective to ensure minimal depths, a high levels of liquidity and an appropriate monetary policy transmission mechanism (Mandanelli, 2012).

Starting in May 2010, the SMP should serve as a support mechanism for Member States with huge public debts with the main objective of ensuring the liquidity on the stocking secondary market (Falagiarda, 2015). Therefore, an intervention into the secondary markets of Greece, Ireland and Portugal by the purchase of government bonds was conducted (Ghysels, 2014). While the National Central Banks purchases the bonds, the European Central Bank was in charge of its regulation. After noticing additional Member States in debts, like for instance Spain and Italy, the procedure was stopped in 2011 (Ghysels, 2014).

With its main aim to support the monetary and currency policy, the Securities Markets Programme should also provide additional time for the governments in order to solve their state-owned difficulties. Therefore, the European Central Bank invited the governments to invest into macro-economic changes for fostering their stability. Despite that demand made by the ECB, Members States like Greece did not efficiently use the time created by the European Central Bank, resulting in newly emerging debts. The problem hereby was the missing guidelines, which needs to be fulfilled in order to receive assistance (Cour-Thimann, 2013).

Nevertheless, the Securities Markets Programme was able to offer a first aid, in order to temper an increase of government bonds yield, which would negatively affect the level of price stability and prevent the transfer of debts on other Member States of the European Union (Cour-Thimann, 2013).

One of the main effects of the Securities Markets Programme can be summed up as “flow effects” on the general prices of government bonds. By increasing the demand of special bonds, the Securities Markets Programme influenced the balance between buy order and sell order leading to an influence on the general prices. With an incoming absence of buy orders, the SMP was able to influence the prices for demand, so that the mechanism was able to determine prices on the market and hence it avoided insecurities and therefore stabilized it (Hgyels, 2014).

## **ii. Accordance with the EU law and the impact on the central bank independence**

The European Central Bank legitimates the Securities Markets Programme with the following intention: “[...] to conduct interventions in the euro area public and private debt securities markets (SMP) to ensure depth and liquidity in those market segments which are dysfunctional. The objective of this programme is to address the malfunctioning of securities markets and restore an appropriate monetary policy transmission mechanism.” (Helm, 2012).

Generally, the Securities Markets Programme is often seen as controversial due to the fear of monetarization of public debts, which is illegal due to Article 123.1 TFEU: “Overdraft facilities or any other type of credit facility with the European Central Bank or with the central banks of the Member States (hereinafter referred to as "national central banks") in favour of Union institutions, bodies, offices or agencies, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States shall be prohibited, as shall the purchase directly from them by the European Central Bank or national central banks of debt instruments.” Therefore, some scientists assess it as a breach of the European law and also as a threat to the independence of the European Central Bank.

It is generally questionable, if the European Central Bank as an institution of the European Union has got the competence to intervene into the policies like they did with the Securities Markets Programme. Some scientists present the opinion that the European Central Bank should only support the Member States as it is said in Article 127.5 TFEU: “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.” (TFEU, 2012). The Member States of the European Union are still the main authorities while the supranational level should just assume a supportive position (Helm, 2012). In contrast to that, Article 127.1 TFEU authorizes the European System of Central Banks to secure financial stability, leading to the fact, that the European Central Bank is ensuring the monetary policy with the help of the Securities Markets Programme within the given competences (Helm, 2012).

Resulting out of it, the Securities Markets Programme is within the competences of the European Central Bank and can be described as a supportive action with regard to Article 127.5 (TFEU, 2012), which only contains a restriction of the ECB to a supportive role on supervisory measures (Helm, 2012).

Due to the fact, that the European law prohibits to buy bonds on the primary market, they are bought indirectly. The Securities Markets Programme concentrates solely on the secondary one, which consists of already issued bonds which are handed between different institutions (Helm, 2012).

In general, several scepticism arises about the legality of the SMP. For instance, Article 125 TFEU mentions, that the Union is not accountable for any commitment of any Member State (TFEU, 2012). The question hereby is whether the bond purchase of the Securities Markets Programme is combinable with the Article above, due to the fact, that normally the other Member States cannot be forced to pay for the other once in debts (Helm, 2012).

An additional occurring questions is whether the Securities Markets Programme is a breach of Article 123.1 TFEU, which is called the bail-out-clause: “Overdraft facilities or any other type of credit facility with the European Central Bank or with the central banks of the Member States (hereinafter referred to as "national central banks") in favour of Union institutions, bodies, offices or agencies, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States shall be prohibited, as shall the purchase directly from them by the European Central Bank or national central banks of debt instruments.” (TFEU, 2012). Even if some argue, that the SMP purchases a breach to European Union’s law because it exceeds the boundaries of its competence and empowerment as set by Article 123.1 TFEU” (Helm, 2012), we need to take into consideration that the purchases takes place on the secondary markets and is therefore legitimized.

Finally, even if the Securities Markets Programme is in compliance with the Articles mentioned, the aid programme still remains questionable. Therefore as a next step, its compatibility with the independence of the European Central Bank will be elaborated.

To illustrate the aspects of political independence Jürgen Stark, a former head of economics at the European Central Bank argues that the Securities Markets Programme is not able to clearly separate monetary and fiscal policy. The reduction of public debts, as aimed by the SMP is connected to “conditional behaviour of the Member States” (Helm, 2012). Therefore Stark argues, that such a combination leads to political dependence. If such decisions are taking into account different Member States, fiscal policy is included. Within the decision on the SMP, the European Central Bank clearly stated a connection of bond purchase to Member States behaviour (Helm, 2012), which is problematic. As the Member States receive influence on the European Central Bank through the keeping up of bond purchases, political dependence is partly given (Helm, 2012).

Financial independence can be checked with the application of Article 123 TFEU, which prohibits credits on governments (TFEU, 2012). Due to the fact, that the European Central Bank does not directly finance the governments with the Securities Markets Programme, financial independence is given in that point. Nevertheless, an additional part of financial independence is threatened, namely the fact that the Euro system has to be independent from the Member State’s funding. By having its own capital, the European Central Bank independence is ensured. But if additional economic difficulties arise, the European Central Bank would be threatened by the Member States which are

“less favourable to price stability” (Helm, 2012). As its ability to solely execute monetary policy is threatened, financial dependence can result.

Adding the fact that personal independence is not threatened, we can state that even if the European Central Bank has normally has a huge level of independence, the Securities Markets Programme can be seen as an indirect threat to it. The link between fiscal and monetary policy which is resulting out of it is clearly not provided by the European Union’s law, nevertheless the threat is not an obvious one (Helm 2012). Even if the Securities Markets Programme is in accord with the EU law, several risks of political and financial dependencies needs to be taken into account. While political independence cannot be assured if purchases are linked to the behaviour of the Member States, the potential losses resulting out of defaulting bonds are leading to a reduction of its capital and therefore can also be seen as an indirect risk of financial dependency (Helm, 2012).

### **c. Intervention in past: Outright Monetary Transactions**

#### **i. Description of the Outright Monetary Transactions**

The dismissal of the Securities Markets Programme in September 2012 was closely connected to the introduction of the “Outright Monetary Transaction” Programme, a bond-buying programme conducted by the European Central Bank aiming at secure monetary policy within the Euro area through the purchase of government bonds (Cour-Thimann, 2013). Therefore, “the liquidity injected through the SMP will continue to be absorbed as in the past, and the existing securities in the Securities Markets Programme portfolio will be held to maturity.” (European Central Bank, 2012).

Due to several arising fears of the investors regarding to the reversibility of the Euro, the aim of the programme was to reduce the falsifications on the government bond markets, which was occurring based on the investor’s fears. Secondary, the Outright Monetary Transactions serves as a method of security of destructive settings, which would be a threat to the general price stability within the Euro area (Cour-Thimann, 2013).

The Outright Monetary Transactions Programme is not pre-limited to a maximum amount of the transaction costs and its created liquidity should be sterilised (European Central Bank, 2012). Mr. Draghi therefore mentions, that he would do whatever it takes to rescue the Euro area (Mario Draghi, n.d.). The programme should operate with regard to so-called “tail-risks”, which sum up high values of losses, which are causing an increase of the values of government bonds revenues and also other bonds, with an influence on the market access. Therefore, the OMT programme is said to be an adjustment of the general terms and conditions for the companies and households (Cour-Thimann, 2013).

Still, the Outright Monetary Transactions programme is not solely able to ensure the functioning of the monetary transmission mechanism, due to the fact that the efficiency of the Outright Monetary Transactions programme is contingent on the behaviour of the governments in debts, in order to stabilize the Euro zone. Therefore, the Outright Monetary Transactions programme clearly introduced several requirements, in contrast to the SMP. For instance, the countries in debts need to manifest an effective conditionality which needs to be added by an adequate European Stability Mechanism (ESM-Programme). A possible intervention of the ESM into the primary market arises, if the country in debt is in accord with the conditions given by the OMT programme (Cour-Thimann, 2013).

Such an unconventional programme of the European Central Bank also includes financial instruments of the whole Euro area and partly needs to be signed by several governments, which means that the European Central Bank checks the ability of the governments to finance and help to rescue the situation, before it is inserting its own capital of the government bonds market. Such a financial assistance of the European Central Banks need an adequate monetary policy justification, before the programme is implemented (Cour-Thimann, 2013).

The conditions occurring though the introduction of the Outright Monetary Transactions are concerning every party on that market. Therefore not only the Member States, whose government bonds are on the market are affected by the guidelines made by the OMT, but the governments of every Member State, due to the fact that they are also financing the ESM programmes and can hence be affected by the actions. In addition, the European Central Bank and the International Monetary Fund (dependent on its intervention) are also affected by the guidelines. As a consequence of defiance of the guidelines by a state, the European Central Bank clearly announces a dismissal of the OMTs for the concerned Member State, which was not clearly announced in the former Securities Markets Programme before (Cour-Thimann, 2013). In contrast to that, an achievement of the guidelines and of the aid programme in general is advanced with supported alternatives to enable the exit of the Outright Monetary Transactions (Cour-Thimann, 2013).

In addition to the clear guidelines, the Outright Monetary Transactions can also be differentiated of the Securities Markets Programme by its shorter transit time of the government bonds, its acceptance of the bonds as coordinate (“pari passu”) (Cour-Thimann, 2013), and a higher level of transparency with regard to the transactions made by the Member States in debts. The higher level of transparency should for instance be ensured by a weekly publication of the market values and the holdings of the OMT (ECB, 2012). All that differences in contrast to the SMP, should lead to a higher level of acceptance of the programme within the Euro area (Cour-Thimann, 2013). Nevertheless, it needs to be noticed, that until now, no purchase of government bonds was conducted within the framework of the Outright Monetary Transactions.

## **ii. Accordance with the EU law and the impact on the central bank independence**

Next to the Securities Markets Programme, the OMT programme is also often a subject of criticism. Even if it should serve as an improvement of the SMP, the Outright Monetary Transactions programme also indicate several differences. For instance, several debates are hold on its legality, its economic stability and its political feasibility (Siekmann, 2015).

Article 123.1 TFEU clearly prohibits the purchase of government bonds directly from the Member States of the European Union on the primary market. Therefore, it indicates a prohibition of monetary financing of the budget. Even if the purchase of the Outright Monetary Transactions is hold on the secondary market, and is consequently an indirect purchase, the question of its legality remains, due to the fact that the laws and guidelines made by the Treaties can be interpreted in different ways. Due to the fact that the purchase takes place on the secondary market, it is nevertheless legitimized (Siekmann, 2015).

The general problem is hence whether the Outright Monetary Transactions are within the European Union's law. The main mandate of the European Central Bank is limited to monetary policy, while Article 119 TFEU and 127 TFEU state that the economic policy stays within the responsibilities of the Member States (TFEU, 2012). Article 3.1 TEU clearly separates monetary from economic policy, so that it does not belong to the competences of the European Union and consequently also not to the competences of the European Central Bank. In addition, such an aid programme, which differentiates between Member States is clearly economic (Siekmann, 2015).

Article 127.5 TFEU clearly mentions that “[t]he 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.” (TFEU, 2012). With regard to economic policy, the Member States of the European Union are in charge of it, so that the supranational level should just remain a supportive actor (Siekmann, 2015).

Article 18.1 of the Statute of the European Central Bank states that all the operations of the European Central Bank are made to achieve its objectives and to carry out its tasks. Economic policy is not mentioned within the Articles. Therefore, the main problem of the Outright Monetary Transactions is that the aid programme does not directly aim at price stability, which is the main tasks of the European Central Bank within the whole system of the ESCB, nor it ensures the additional tasks mentioned in Article 127.2 TFEU (Siekmann, 2015).

Partly one can argue, that economic and fiscal policy are closely linked, so that often monetary policies lead to economic consequences. Even then, the European Central Bank does not have the competences to deal with economic policies (Siekmann, 2015).



In the beginning of the financial crisis, the European Central Bank started with supportive measures which can be clearly legitimated by the European law. But after several years of financial distress, added by debt crisis within several Member States like Greece, the housing crisis in its neighbourhood countries and the general problematic situation in the Southern banking systems, the measures which are conducted now, cannot be just described as supportive once to provide liquidity (Siekmann, 2015).

Somehow, every Member States is partly affected by the Outright Monetary Transactions programme as described above and in addition, Article 125 TFEU throws up several questions, due to the fact that the European Union is not accountable for any Member State (TFEU, 2012).

Nevertheless, Article 127.1 TFEU allows the ECB to act to ensure the financial stability of the European Union as its main goal. Therefore, it can select its instruments by itself, so that that Article can partly give competences to the European Central Bank. Even if the Outright Monetary Transactions can be legitimized with the European law, it can still be seen as a danger to the European Central Bank's independence (TFEU, 2012).

The "German Finance Minister Wolfgang Schaeuble warned [...] that the ECB's OMT bond purchasing programme substantially threatens the central bank's independence." (Financial Market News, 2013), because the long-term low interest rates are difficult to deal for such an economy like the Germany, for instance the pensioners and the savers are suffering huge losses, as already described above.

Therefore Schaeuble mentions that the initiation of a special bond purchase by the European Central Bank is associated with the agreement on reforms within the Member State in debts or in a crisis. Before getting access to such an aid programme, the national parliaments will debate about the monetary policy, which according to Schaeuble "threatens the ECB independence" (Financial Market News, 2013).

The statement above, can serve as an issue of political independence. Due to the fact that aid programmes are connected to reforms within the states, political dependence develops. The Outright Monetary Transactions programmes clearly connects the purchase of bonds to the behaviour of the Member States, so that several conditions and guidelines need to be fulfilled, which was already criticized about the Securities Markets Programme (Helm, 2012). Next to that, the fact that fiscal and monetary policy cannot be clearly separated with regard to the Outright Monetary Transactions also leads to the fact that political dependence is emerging.

Besides to political independence, financial independence can for instance be checked with Article 123 TFEU, which prohibits credits on governments. Due to the fact, that the European Central Bank

uses the Outright Monetary Transaction to purchase bonds on the secondary and not on the primary market, direct financing cannot be detected (TFEU, 2012).

Even if financial independence is not established, and there is no clue for personal independence, the political one is partly given. The fact, that the Outright Monetary Transactions is in a discrepancy between acting within monetary policy with given competences and financial policy without the necessary competences, shows that the Outright Monetary Transactions can be somehow identified as dangers to political independence of the European Central Bank.

#### **d. Intervention in past: Qualitative Easing**

##### **i. Description of the Qualitative Easing programme**

Within the aid programme “Qualitative Easing” starting in March 2015 the European Central Bank tries to create new money which is offered to financial institutions to buy assets like government bonds. That procedure would allow government to raise money and in return for interest payments. The buying of such bonds would push their prices up and drive the general interest rates down. Therefore, governments would receive the possibility to borrow money (Claeys, 2015).

In detail, the Euro system will start buying sovereign bonds from the governments of the European area and the securities from European and national institutions (Claeys, 2015). The general volume of the Qualitative Easing programme which is replacing the Outright Monetary Transactions, will account of monthly 60 billion Euros (Claeys, 2015).

Out of that 60 billion Euros, 10 billion will be entitled to the covered bonds and asset-backed securities, while 50 billion Euros will be addressed to the Public Sector Purchase Programme. That 50 billion, will be divided into six billion Euros to the monthly purchase of the debt of supranational institutions, which are located in the Euro area. The additional 44 billion Euro will serve for the purchase of sovereign debt securities. A part of that will also be used to buy additional bonds issued by national agencies (Claeys, 2015).

The Qualitative Easing should be carried out until at least September 2016. Nevertheless, Draghi already mentioned that there is a possibility of extension of that aid programmes if it is necessary to rescue the Euro zone (Claeys, 2015).

Due to the prohibition of monetary financing of the European Central Bank, the Governing Council of the ECB determined several limits for that aid programme which are about the length and the general size of the Qualitative Easing Programme (Claeys, 2015).

Summing up, Qualitative Easing is another aid programme which can be described as an extension of the amount of money offered by the European Central Bank and resulting out of the purchase of government bonds. The aim is therefore that the received money will be invested, for instance into risky bonds and will therefore stimulate the economic situation, due to the fact that it sinks the interest levels of bonds, so that the banking system is able to receive additional liquidity (Wallstreet, n.d.).

## **ii. Accordance with the EU law and the impact on the central bank independence**

“If the European Central Bank had to intensify the use of its instruments to ensure that it achieves its price stability, it would.” (Clinch, 2015). The statement by Mario Draghi on the general conference regarding the introduction of the Qualitative Easing as a new aid programme of the European Central Bank, clearly illustrates his belief into an improved situation within the European Union with the help of QE.

In general, such a huge investment of money but also that purchase of government bonds is often seen controversial, for instance due to Article 123.1 TFEU: “Overdraft facilities or any other type of credit facility with the European Central Bank or with the central banks of the Member States (hereinafter referred to as ‘national central banks’) in favour of Union institutions, bodies, offices or agencies, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States shall be prohibited, as shall the purchase directly from them by the European Central Bank or national central banks of debt instruments.” (TFEU, 2012). Hereby, the European Union’s Treaties clearly prohibit a monetarization on public debts. Even it is seen controversial, the interpretation can represent both sides and the fact that the bonds are not both directly on the primary market, but solely on the secondary one leads to the fact that Qualitative Easing is in accordance with Article 123.1 TFEU.

Going further with the question of the competence of the European Central Bank on that matter, Article 127.5 TFEU reminds of the concern that the European Central Bank shall solely act supportively if its general competences which are listed for instance in 18.1 in the Statute of the European System of Central Banks are ensured (Statute of ESCB, n.d.). Hereby, the problem of interpretation again occurs in connection to 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. The ESCB shall act in accordance with the principle of an open market economy with free competition, favouring an efficient allocation of

resources, and in compliance with the principles set out in Article 119.” (TFEU, 2012), which authorises the European Central Bank to ensure the price stability and therefore leads to the fact that Qualitative Easing can be said to be within its competences.

An occurring problem of the Qualitative Easing as an aid programme is the question whether it is able to be tolerated with Article 125 TFEU which illustrates, that the Union is not accountable for any commitments of a Member States of the European Union (TFEU, 2012). Hereby, we need to ask the question whether such a huge amount of money which is invested into the Qualitative Easing is a breach to the Article above, due to the fact that none should pay for any other Member State in debt. With the indirect purchase and also the concentration on the banking market, the European Central Bank argues that the actions are solely undertaken to strengthen the economic situation within the Euro zone.

As the purchase is taking place on the secondary market and not directly, Qualitative Easing does also go in accordance with Article 123.1 TFEU: “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. The ESCB shall act in accordance with the principle of an open market economy with free competition, favouring an efficient allocation of resources, and in compliance with the principles set out in Article 119.” (TFEU, 2012).

After presenting the Articles above, we can state that the European Union law can be interpreted in such a way, that Qualitative Easing is legitimized, but it is nevertheless important to check its influence on the European Central Bank’s independence.

In general, the extensive bond purchase is partly influencing the political independence of the European Central Bank due to the fact that the action of the Qualitative Easing is not solely monetary one, leads to the fact that the European Central Bank loses parts of its political independence due to the dependence on bond purchases in order to make the Qualitative Easing work.

In order to check the financial independence of the ECB, Article 123 TFEU is implemented: “Overdraft facilities or any other type of credit facility with the European Central Bank or with the central banks of the Member States (hereinafter referred to as "national central banks") in favour of Union institutions, bodies, offices or agencies, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States shall be prohibited, as shall the purchase directly from them by the European Central Bank or national central banks of debt instruments.” (TFEU, 2012). Consequently, credits on governments are prohibited. Even if the Qualitative Easing does not directly finance any governments, their aim of rescuing the Member

States in debts is distinct. Nevertheless, the fact that the European Central Bank disposes over its own capital leads to the fact that it is only partly dependent.

As personnel independence is not affected, we can sum up that the Qualitative Easing aid programme somehow limits the political and financial independence of the European Central Bank which is needed for its proper functioning. Even if it seems to be in accordance with the European Union's Treaties, partly the European Central Bank independence is indirectly threatened.

In addition, Qualitative Easing is often criticized by scientists. For instance, such huge expansions of money can possibly lead to inflation. If prices increase, all branches of the economy can be directly affected, for instance leading to difficulties, like the housing crisis in Spain (Gödert, 2014).

Often it is mentioned, that banks which are using Qualitative Easing are mostly concentrating on the economic policy which should be regularly executed by the Member State, and not on monetary policy and therefore also not on its main goal of maintaining price stability (Gödert, 2014).

Nevertheless, the aspect which is mostly criticized in regard with Qualitative Easing is Article 123 TFEU, which clearly prohibits the purchase made by the aid programmes described above and is therefore indirectly breached (TFEU, 2012).

#### **e. Evaluations of the unconventional monetary tools**

So far, the legal status of European Central Bank is often criticized. Even if the analysis above has shown that there are no direct and clear breaches of law due to the fact that no obvious clues are given, one can still mention that somehow several indirect threats to the European Central Bank's independence are emerging, depending on the interpretation of law. The European Central Bank tries to bypass the prohibitions and limitations predetermined by the Treaties, so that no clear threats can be identified but solely vague ones.

The problem about all the three aid programmes described above is that the European Central Bank is not in competence to purchase governmental bonds directly, due to the fact that direct bond purchase is associated with state financing which is prohibited due to Article 123 TFEU (TFEU, 2012). Nevertheless, the ECB has got the allowance to purchase governmental bonds on the secondary market, namely indirectly from other investors, like for instance banks so that government do not receive central bank money from the ECB.

Partly, the secondary market purchase of government bonds was aiming at financial market stability within the Euro area. That procedure does not threaten the general aim of price stability due to the fact

that the financial market stability lowers the risks of crises and therefore also the risks of deflations. The real danger for price stability within the Euro area occurs through the danger of fiscal dominance, namely if the monetary policy has a too high impact on the financial policy. A high increase of the interest rate to combat high inflation can consequently lead to bankruptcy of the Member States in high debts (Matthes, 2013).

Within the OMT, the SMP and the QE, the roots of criticism seem to remain the same. On the one hand, many scientists argue in a supportive position. For instance, the low interest rates resulting out of the programmes are supporting the general economic activity. In addition, that aid programmes are offering additional time for countries in debts in order to introduce special reform steps within the problematic sectors. Another important aspect in favour of the aid programmes is the aspect that several banks and Member States would already deal with bankruptcy without the measures by the European Union and in addition the possibility of the general failure of the Euro could arise due to the fact that several defaulter would have become insolvent.

Next to that advantages, also a huge wave of criticism was remarked on the aid programmes. For instance, several Member States like for instance France or Germany, are expressing their criticism regarding the general implementation, due to the fact that often the reform programmes are not implemented and the allocation of the received credits seems to go into the wrong direction. The Member States in debts try to use the received capital in order to quieten down the populations for instance by using it as pension payments instead of investing into reforms.

In addition, the purchase of government bonds on the secondary market is solely legitimized in order to implement the monetary policies. The European Central Bank in contrast purchases the bonds of Member States in debts in order to finance the budgetary deficits. Therefore the problem of indirect public or state finance develops which is prohibited in Article 125 and 130 TFEU (TFEU, 2012).

Next to that, the aim of the aid programmes, namely to improve the situation for smaller companies within the Euro zone does not comply, due to the fact that they did not receive a better access to credits, so that the money which is created does not reach the real economy in order to improve the situation.

The general currency area is in danger due to the divergent development structures of the Member States. Each of them has own different problems which are in need of specialized aid programmes instead of complex once like the once described above. The Euro currency area was started with conceptual and institutional difficulties. The competition of the institutions and especially the credibility of the European Union's institutions needs to be enhanced. In addition the different levels of performance between the Member States needs to somehow be adapted.

In order to answer my sub-question dealing with the signs of dependencies which can be found while analysing the Securities Markets Programme, the Outright Monetary Transactions and the Qualitative Easing as exemplary aid programmes, we can finally state that the European Central Bank has faced different threats due to its unconventional ways of action.

Nevertheless, all the three programmes are in accord with the Treaties of the European Union, so that none of them is a real and obvious threat to its independence within the legal analysis. Consequently, my first hypothesis “If the unconventional policies of the European Central Bank are in accord with the European Union law, they cannot be described as a general threat to its independence.” Can be verified with regard to the unconventional programmes, leading to a falsification of the second hypothesis (see page six). Within the three measures, there is no direct breach to the law, performed by the European Central Bank.

Even though, the next section of the bachelor thesis which is dealing with the complaint of the German Federal Constitutional Court in front of the European Court of Justice should investigate other difficulties or threats to the independence of the European Central Bank’s independence, next to the legal focus.

## **VI. The German Federal Constitutional Court against the aid programmes conducted by the European Central Bank**

The German Federal Constitutional Court started a complaint at the European Court of Justice regarding the two unconventional aid programmes executed by the European Central Bank: the Securities Market Programme and the Outright Monetary Transactions Programme. The complaint was started by the German politician Gauweiler and the Federal Minister of Justice Däubler-Gmelin. Additional 12000 German citizens joined that complaint. The CSU politician Gauweiler criticized that the Outright-Monetary-Transactions can be determined as a collectivisation of the responsibility of debts which is clearly prohibited in the Treaties. In addition, he argues that the European Central Bank is carrying out economic policy, which is also prohibited due to the fact that it is within the competences of the Member States and not of the European Union (bpb, 2016).

The general issue of that complaint is about the exceeding of competences that the ECB is blamed for. The resulting question is whether the European Central Bank is really executing monetary policy, or if their unconventional actions are already bordering on economic policy, which is clearly committed to the Member States of the European Union. The German Federal Constitutional Court therefore argues, that the European Central Bank is practicing budget financing and state financing with the help of the SMP and the OMT, which is clearly prohibited in the Treaty of the European Union and the Treaty of the Functioning of the European Union (TFEU, 2012). The European Central Bank is not acting in order to finance states or to allocate credits within the Euro zone (Bundesverfassungsgericht, 2016).

The general problem is that the European Central Bank is not allowed to practice direct state financing (Article 123 TFEU) (TFEU, 2012). The direct purchase of government bonds is therefore prohibited. The OMT programme would for instance allow such a purchase in an indirect way. Resulting out of that, many lawyers value it as an action of economic and not solely monetary policy (bpb, 2016).

Another criticism remarked by the German Federal Constitutional Court is the difficulty of democratic legitimacy. The general problem is hereby the fact that Mario Draghi, the President of the ECB is not elected but solely appointed. Resulting out of that, the German Court mentioned that economic policy should be only executed by elected politicians in order to gain the democratic legitimacy by the population (Bundesverfassungsgericht, 2016).

Due to the fact that the European Court of Justice is in charge of the interpretation of the European Union's law and consequently the special interpretation of the Treaties, it is in the need to examine that question and to check the complaint.

The whole process, which started years ago gained a lot of attention all over the world, due to the fact that the European Central Bank is always said to be acting without any legal supervision. The



complaint by the German Federal Constitutional Court again brought up the question of German unlimited power, for instance because a defeat of the German Federal constitutional Court would partly detect some pressure which is put on the European Central Bank and therefore limit its independence (Bundesverfassungsgericht, 2016).

Within Germany, everything is legitimized with the use of the German Grundgesetz, which is its Treaty since 1949. Out of that Grundgesetz, several Articles are important to understand the complaint made by the German Federal Constitutional Court. For instance, within the German state, the whole legitimation is made democratically, and therefore consequently by the population, which is laid down in the democratic principle of Article 30 Grundgesetz (Grundgesetz, n.d.). The democratic principle is determined as unchangeable (Art. 79.3 GG). Therefore the difficulty of relocation of competences emerges. The legitimation within Germany is resulting out of democratic elections, so that the government cannot easily shift their own competences on the supranational level. Any implementation of decisions made by any institution of the European Union which is not sufficiently legitimized in a democratic way is therefore ignoring the principle of the sovereignty of the German population (Article 20.2 Grundgesetz) (Grundgesetz, n.d.). To support the articles above, the fundamental protection right is limiting the individual empowerment with regard to contractual norms, which is also developed to secure the German Grundgesetz. In addition the basic amending law is ensuring that the European Union is only able to start its actions, if the measures cannot be directly dealt on the Member States level (Grundgesetz, n.d.).

After several criticism which was mentioned regarding the European Parliament as an inaccurate representative organ of the European population, the German Federal Constitutional Court started the complaint and the organ-contentious procedure against the European Central Bank. The general difficulty is about two of the measures for the purchase of government bonds on the secondary market, for instance of the governmental bonds of the European Member States. Article 38 Grundgesetz is the German commitment to parliamentary democracy, so that the German Bundestag has to accept every aid programme which is created by the European Union to rescue the Member States in debts. The main aspect is hereby the fact that the general budgetary right is a central element of the political decision-making procedure (Grundgesetz, n.d.). Resulting out of it, it cannot simply be transferred to other actors. As the German Bundestag is in charge of avoiding erupting pressures of limits of the German domestic budget, it clearly states that the European Central Bank as an actor of the European Union is not democratically legitimized in its actions (Bundesverfassungsgericht, 2016).

The results of the complaint and the organ-contentions procedure can be divided into legal and economical once.

Out of the legal point of view, the Securities Market Programme and the Outright Monetary Transactions do not compromise the budgetary management of the German Bundestag, therefore the

European Central Bank does not clearly act without having the required competences. The result was therefore, that there is no threat to the budgetary right of the German Bundestag and in order to support that decision as distinct, several limitations were introduced by the European Court of Justice (Bundesverfassungsgericht, 2016). Hence, the judgement of the 21. June finishes a long lasting procedures of complaints. For instance, the general purchases need to be limited to a certain volume and are not allowed to be announced before. In addition, deadlines need to be negotiated before the contract and the debt securities which are bought, are solely of Member States to ensure their access to the bond market (Bundesverfassungsgericht, 2016).

Therefore, both complaints of the German Federal Constitutional Court are ineligible, so that the European Central Bank is allowed to continue its aid programmes with taken into account the limitations named above. The German Bundesbank is now also allowed to take part on the implementation of the Outright Monetary Transactions aid programme if the measures and limits are fulfilled and observed by the European Central Banks (Bundesverfassungsgericht, 2016), due to the fact that the lawsuit was rejected by the European Court of Justice which is in charge of the interpretation of the Treaties of the European Union.

From the economical point of view, the purchase of government bonds on the bonds market by the European Central Bank is invented to stabilize the Euro currency area. Therefore the intervention occurs directly, due to the fact that the ECB is achieving a huge demand on the market which would not be developed otherwise. Consequently, several economist title it as direct financing, which is clearly prohibited in the European Union's Treaties.

The whole process was observed in detailed around the globe, due to the fact that first limitations were set on the European Central Bank. In addition, the independence of the ECB was questioned, due to the fact that a won case by the German Federal Constitutional Court would also illustrate the power of Germany on the decisions of the European Central Bank. Mario Draghi therefore mentions: "We have a mandate to pursue price stability for the whole euro zone, not only for Germany. We obey the law, and not politicians, because we are independent, as stated by law." (European Central Bank, 2016).

At the end of the whole process, the German Federal Constitutional Court for now agreed on the decision made by the European Court of Justice, nevertheless it is not in accordance with the interpretation of the European Treaties which was conducted by the ECJ. The legal dispute illustrated, that the European Central Bank is limited by a legal supervision, namely the European Court of Justice, which was questionable before (Bundesverfassungsgericht, 2016).

## VII. Conclusive Remarks

In order to answer my research question whether the independence of the European Central Bank is somehow threatened by its unconventional policies during the financial crisis, my procedure was the following: After a general description of necessary background information of the European Union and especially of the European Central Bank, I have presented the general legal framework of the European Central Bank, which should help detecting threats to independence afterwards. Going on with the general concept of independence, my aim was to detect and collect possible categories in order to apply them of the three aid programmes of the European Central Bank: SMP, OMT and QE. Next to the legal analysis, I tried to use the complaint of the German Federal Constitutional Court as an example of additional threats of the European Central Banks.

Therefore this thesis has examined, that from the legal point of view, no direct threats to the independence of the European Central Bank can be found. Even if for instance, the Securities Markets Programme and the Outright Monetary Transactions are blurring the borders between fiscal policy which is in the competences of the Member States, and monetary policy which is linked to the European Union's level, the interpretation of the European Court of Justice has shown, that the ECB does not exceed its competence. So that even if some threats are emerging, the implementation and the interpretation of the law is key for the results.

In addition, also the Qualitative Easing entails several difficulties. For instance, Article 123 TFEU clearly prohibits the purchase of government bonds. Due to the fact that the European Central Bank purchase the bonds on the secondary and not on the primary market, solely shown how it bypasses the prohibition of the Treaties.

Of course I agree on the fact, that maybe the programmes have rescued some countries from the debts, the results seem to be not convincing and for instance, even such rapid operations which were necessary due to the emerging financial crisis should be clearly legitimized by the European Union's Treaties, and not solely "rescued" by the interpretation of law. "Within our mandate, the European Central Bank is ready to do whatever it takes to persevere the euro. Believe me, it will be enough." (Mario Draghi, n.d.) That promise, which was made by Draghi, was not fulfilled until now, due to the facts, that several Member States of the European Union still remain in debts. In addition, that quote can also be used to criticize the procedures of Mario Draghi as the President of the European Central Bank, due to the fact that the statement to do "whatever it takes" (Mario Draghi, n.d.) is somehow misleading. In addition, his decisions can also be seen as problematic, due to the fact that he, as the President of the ECB is not elected democratically, but solely appointed.

Next to the interpretation of the aid programmes, its significance is also partly limited by its impacts. For instance, countries like Greece still remain in debts, after being part of the aid programmes for

several years. Additional pressures, like the migration crisis lead to the fact, that they cannot easily implement the guidelines of the European Union and also cannot get out of debts. Consequently, the gap between the richer countries in the Northern area and the financially weaker once in the South is growing. Additionally, the dissatisfaction of the other Member States which are not in such huge debts is growing. For instance, Great Britain's exit from the European Union shows the uncertainty and the dissatisfaction within the European population.

The general monetary or currency area has many institutional problems. Furthermore, not all the Member States agree on the actions which were undertaken to rescue the countries in debts. That becomes clear through the complaint of the German Federal Constitutional Court in front of the European Court of Justice. Even if that complaint was rejected, it does not mean that the German Federal Constitutional Court will completely accept that decision, even if some limitations were made.

The study demonstrates that even if the unconventional programmes which are undertaken by the European Central Bank are in accord with the Treaties of the European Union, they still can partly remain as threats to its independence. So even if my sub-question which was concentrating on the signs of dependencies are found within that aid programmes was shown that they are in accord with the legal constraints, the general research question revealed, that not solely the accordance with the Treaties needs to be checked in order to detect dependence.

Therefore as a conclusion, one can summarize, that even if the Securities Markets Programme, the Outright Monetary Transactions and the Qualitative Easing are in accordance with the European Union's Treaties, they however manifest certain threats to the independence of the European Central Bank from the economical point of view. The European Central Bank solely tries to bypass the prohibitions listed in the Treaties of the European Union. That result can also support the study of Brentfort (1998) and Haan and Eijffinger (2000), which also revealed that there is no total independence of central banks possible, due to the fact that there is never a complete cut between the governments and the Central Banks.

## VIII. Literature

Belke, A. (2013). 3-year LTROs: A first assessment of a non-standard policy measure. ROME Discussion Paper Series, No. 13-09, 4-13

Bpb. 2016. Bundesverfassungsgerichtsurteil zum OMT-Programm. Retrieved from: <http://www.bpb.de/politik/hintergrund-aktuell/229552/urteil-zum-omt-programm> (20.06.2016)

Brentford, P. (1998). Constitutional Aspects of the Independence of the European Central Bank. *International and Comparative Law Quarterly*, 47, pp 75-116.

Bundesverfassungsgericht. (2016). Leitsätze zum Urteil des Zweiten Senats vom 21. Juni 2016. Retrieved from: [https://www.bundesverfassungsgericht.de/SharedDocs/Entscheidungen/DE/2016/06/rs20160621\\_2bvr272813.html](https://www.bundesverfassungsgericht.de/SharedDocs/Entscheidungen/DE/2016/06/rs20160621_2bvr272813.html) (20.06.2016)

Claeys, G. (2015). European Central Bank Quantitative Easing: The Detailed Manual. Retrieved from: [http://bruegel.org/wp-content/uploads/imported/publications/pc\\_2015\\_02\\_110315.pdf](http://bruegel.org/wp-content/uploads/imported/publications/pc_2015_02_110315.pdf) (02.06.2016)

Clinch, M. (2015). Draghi: We're ready and able to intensify QE. Retrieved from: <http://www.cnbc.com/2015/12/14/draghi-were-ready-and-able-to-intensify-qe.html> (10.06.2016)

Cour-Thimann, P.; Winkler, B. (2013). The ECB's non-standard monetary policy measures. *Oxford Review of Economic Policy*. Vol. 28, No. 4, 765 - 803

Daunfeldt, S. O., & De Luna, X. (2008). Central bank independence and price stability: evidence from OECD-countries. *Oxford Economic Papers*, 60(3), 410-422.

Debelle, G. & Fischer, S. (n.d.). How Independent should a central bank be?. Retrieved from: <http://webcache.googleusercontent.com/search?q=cache:kEt8iwBfwlIJ:www.bostonfed.org/economic/conf/conf38/conf38f.pdf+&cd=3&hl=de&ct=clnk&gl=de> (18.03.2016)

Diem-Meier, M. (2012). Probleme mit der LTRO-Arznei. Retrieved from: <http://blog.tagesanzeiger.ch/nevermindthemarkets/index.php/7545/probleme-mit-der-ltro-arznei/> (01.06.2016)

Elgie, R. (2002). The Politics of the European Central Bank: Principal-Agent Theory and the Democratic Deficit. Retrieved from:

[http://scholar.google.de/scholar\\_url?url=http://doras.dcu.ie/65/1/ECB\\_JEPP.doc&hl=de&sa=X&scisig=AAGBfm0vnUTOKM8HU5vabH6rm0CXWzOByQ&nossl=1&oi=scholar&ved=0ahUKEwiX4fP82ovMAhXE8ywKHXYCLwQgAMIHCgAMAA](http://scholar.google.de/scholar_url?url=http://doras.dcu.ie/65/1/ECB_JEPP.doc&hl=de&sa=X&scisig=AAGBfm0vnUTOKM8HU5vabH6rm0CXWzOByQ&nossl=1&oi=scholar&ved=0ahUKEwiX4fP82ovMAhXE8ywKHXYCLwQgAMIHCgAMAA) (12.04.2016)

Ellyatt, H. (2016). The Germans are revolting over ECB policy. Retrieved from: <http://www.cnbc.com/2016/04/21/the-germans-are-revolting-over-ecb-policy.htm>. (22.06.2016)

Europa. (n.d.). Wirtschafts-und Währungsunion. WWU. Retrieved from: [http://ec.europa.eu/economy\\_finance/euro/emu/index\\_de.htm](http://ec.europa.eu/economy_finance/euro/emu/index_de.htm) (21.03.2016)

European Central Bank. (2012). Technical features of Outright Monetary Transactions. Retrieved from: [http://www.ecb.europa.eu/press/pr/date/2012/html/pr120906\\_1.en.html](http://www.ecb.europa.eu/press/pr/date/2012/html/pr120906_1.en.html) (16.04.2016)

European Central Bank. (2016). Mario Draghi defends ECB independence and ultra-low interest rates. Retrieved from: <http://app.ft.com/cms/s/62c513c6-07b4-11e6-a623-b84d06a39ec2.html?sectionid=stream/topicsId/YTQ5NmQ1MzQtN2Y2MS00NTY5LWI1ZjgtZmM2YmE0ZjZhM2Q4-VG9waWNz> (20.06.2016)

Falagiarda, M.; Reitz, S. (2015). Announcements of ECB unconventional programs. *Journal of International Money and Finance*. Vol. 53, 276 – 295. (19.05.2016)

Financial Market News. (2013). Schaeuble: OMT Substantially Threatens ECB's Independence. Retrieved from: <https://mninews.marketnews.com/content/schaeuble-omt-substantially-threatens-ecbs-independence> (16.04.2016)

Finanzkrise. (n.d.). Ursachen und Auswirkungen der Finanzkrise auf die EU. Retrieved from: <http://www.tagesgeld.info/informationen/finanzkrise-in-der-eu/> (17.02.2016)

Fraser. (1994). Central Bank Independence: What Does It Mean?. Retrieved from: <http://www.rba.gov.au/publications/bulletin/1994/dec/pdf/bu-1294-1.pdf> (19.05.2016)

Gabler Lexikon. n.d. Unabhängigkeit der Zentralbank. Retrieved from: <http://wirtschaftslexikon.gabler.de/Definition/unabhaengigkeit-der-zentralbank.html> (15.05.2016)

Ghysels, E., et al. (2014). A high frequency assessment of the ECB securities markets programme. Working Paper Series, No. 1642, 1 – 14 (18.05.2016)

Gilardi, F. (2001). Principal-Agent Models Go to Europe. Independent Regulatory Agencies as Ultimate Step of Delegation. Retrieved from:  
<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.202.2258&rep=rep1&type=pdf>  
(12.03.2016)

Gödert, T. (2014). Quantitative Lockerung – Geldpolitik der EZB. Retrieved from:  
<http://www.bankenvergleich.de/quantitative-lockerung-geldpolitik-der-ezb/> (10.06.2016)

Grundgesetz. (n.d.) Deutscher Bundestag. Grundgesetz. Retrieved from:  
<https://www.bundestag.de/grundgesetz> (20.06.2016)

Helm, L. (2012). The ECB's securities markets programme. An analysis of economics, law and central bank independence. Retrieved from:  
[https://www.google.de/?gws\\_rd=ssl#q=helm+The+ECB%E2%80%99s+securities+markets+programme.+An+analysis+of+economics,+law+and+central+bank+independence.&nfpr=1](https://www.google.de/?gws_rd=ssl#q=helm+The+ECB%E2%80%99s+securities+markets+programme.+An+analysis+of+economics,+law+and+central+bank+independence.&nfpr=1) (18.05.2016)

Independence. (n.d.). Independence of the central bank. Retrieved from:  
[https://www.bundesbank.de/Navigation/DE/Service/Glossar/\\_functions/glossar.html?lv2=129526&lv3=146702](https://www.bundesbank.de/Navigation/DE/Service/Glossar/_functions/glossar.html?lv2=129526&lv3=146702) (17.03.2016)

Kassim, H. & Menon, A. (2003). The principal-agent approach and the study of the European Union. Promise unfulfilled? Retrieved from:  
[https://www.researchgate.net/profile/Anand\\_Menon/publication/228750613\\_3\\_The\\_principal-agent\\_approach\\_and\\_the\\_study\\_of\\_the\\_European\\_Union/links/09e415075d3f779e6a000000.pdf](https://www.researchgate.net/profile/Anand_Menon/publication/228750613_3_The_principal-agent_approach_and_the_study_of_the_European_Union/links/09e415075d3f779e6a000000.pdf)  
(12.04.2016)

Lastra, R. (2012). The Evolution of the European Central Bank. School of Law Legal Studies Research Paper No. 99/2012

Mandanelli, S. (2012). The Impact of the Securities Markets Programme. Research Bulletin No. 17

Mario Draghi. (n.d.). Mario Draghi Quotes. Retrieved from:  
[http://www.brainyquote.com/quotes/authors/m/mario\\_draghi.html](http://www.brainyquote.com/quotes/authors/m/mario_draghi.html) (12.03.2016)

Marks, G. & Hooghe, L. (1996). European Integration from the 1980s: State-Centric v. Multi-level Governance. *Journal of Common Market Studies*, Vol.34, No. 3, 341-378 (17.03.2016)

Matthes, J.; Dematy, M. (2013). Überschreitet die EZB mit ihren Staatsanleihekäufen ihr Mandat? Wirtschaftsdienst. Vol. 93, No.9, 607 – 615 (18.05.2015)

Monetary policy. (2011). Die Geldpolitik der EZB. Retrieved from:  
<https://www.ecb.europa.eu/pub/pdf/other/monetarypolicy2011de.pdf?0651d17c4b69dd55f5d21d93aa600694> (3.5.2016)

Official Journal of the European Union. (2012). Protocol No. 4. Retrieved from:  
[https://www.ecb.europa.eu/ecb/legal/pdf/en\\_statute\\_from\\_c\\_11520080509en02010328.pdf](https://www.ecb.europa.eu/ecb/legal/pdf/en_statute_from_c_11520080509en02010328.pdf)  
(10.5.2016)

Papalexatou, C. (2012). Central Bank Independence. European Central Bank and the Financial Crisis. Retrieved from: <https://dspace.lib.uom.gr/bitstream/2159/15719/3/PapalexatouChrysoulaMsc2012.pdf>  
(3.5.2016)

Pattipeilohy, C. et al. (2013). Unconventional monetary policy of the ECB during the financial crisis. An assessment and new evidence. DMB Working Paper, No. 381

Pratt, J.W. & R. Zeckhauser. (1985). Principal and agents: the structure of business, Harvard Business School Press

Siekmann, H. (2015). The Legality of Outright Monetary Transactions (OMT) of the European System of Central Banks. Institute for Monetary and Financial Stability. Working Paper Series No. 90 (2015)

Smits, R. (1996). The European Central Bank: Institutional Aspects. International and Comparative Law Quarterly, 45, pp 319-342. doi:10.1017/S0020589300059017.

Statute of the ESCB. (n.d.) Protocol on the Statute of the European System of Central Banks and of the European Central Bank. Retrieved from: [https://www.ecb.europa.eu/ecb/legal/pdf/en\\_statute\\_2.pdf](https://www.ecb.europa.eu/ecb/legal/pdf/en_statute_2.pdf)  
(20.5.2016)

Stone Sweet, A & Sandholtz, W. (1997). European Integration and Supranational Governance. Retrieved from:  
[http://digitalcommons.law.yale.edu/cgi/viewcontent.cgi?article=1086&context=fss\\_papers](http://digitalcommons.law.yale.edu/cgi/viewcontent.cgi?article=1086&context=fss_papers)  
(13.04.2016)



Sueddeutsche. (2011). Der EZB-Krisenkurs unter Mario Draghi in Zitaten. Retrieved from: <http://www.sueddeutsche.de/news/wirtschaft/ezb-der-ezb-krisenkurs-unter-mario-draghi-in-zitaten-dpa.urn-newsml-dpa-com-20090101-140605-99-01959> (20.03.2016)

Torres, F. (2013). The EMU's Legitimacy and the ECB as a Strategic Political Player in the crisis context. Retrieved from: <http://www.tandfonline.com/doi/abs/10.1080/07036337.2013.774784#.Vw42snoqtf0> (12.04.2016)

TEU. (2008). Treaty on the European Union. Retrieved from: [http://www.eudemocrats.org/fileadmin/user\\_upload/Documents/D-Reader\\_friendly\\_latest%20version.pdf](http://www.eudemocrats.org/fileadmin/user_upload/Documents/D-Reader_friendly_latest%20version.pdf) (20.03.2016)

TFEU. (2012). Treaty on the Functioning of the European Union. Retrieved from: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A12012E%2FTXT> (20.03.2016)

Ullrich, K. (n.d.) Unabhängigkeit und Verantwortlichkeit der Europäischen Zentralbank. Centre for European Economic Research. Discussion Paper No. 03-65 (15.05.2016)

Unabhängigkeit. (2007). Warum sollen Zentralbanken unabhängig sein? Retrieved from: <http://www.faz.net/aktuell/wirtschaft/unternehmen/erklae-mir-die-welt-42-warum-sollen-zentralbanken-unabhaengig-sein-1409177.html> (20.03.2016)

Verdun, A. (2002). The Euro. European Integration Theory and Economic and Monetary Union. Retrieved from: <https://books.google.de/books?id=j8jItybMHC4C&pg=PA140&lpg=PA140&dq=supranational+governance+and+ECB&source=bl&ots=vjumFw4t89&sig=ST6w5S1sShEJ9ftOI0Jdal-OVFU&hl=de&sa=X&ved=0ahUKEwiIy8jbxIvMAhXFCywKHeQADPQQ6AEIRDAF#v=onepage&q=supranational%20governance%20and%20ECB&f=false> (12.04.2016)

Walsh. (2005). Central bank independence. Retrieved from: [http://people.ucsc.edu/~walshc/MyPapers/cbi\\_newpalgrave.pdf](http://people.ucsc.edu/~walshc/MyPapers/cbi_newpalgrave.pdf) (16.05.2016)

Wiener, A. & Diez, T. (2009) European Integration Theory. (Oxford University Press: USA) (19.03.2016)

Zentralbank. (n.d.). Unabhängigkeit der Zentralbank. Retrieved from: <http://wirtschaftslexikon.gabler.de/Definition/unabhaengigkeit-der-zentralbank.html> (20.03.2016)