Press release | 06.09.2012

Euro crisis/sovereign debt

ECB again forced to fill vacuum left by EU political leadership but democratic concerns persist

Commenting on the announcement by the European Central Bank of its intention to reactivate a scheme to buy governments bonds from Eurozone members in economic difficulty (1), Greens/EFA economic and finance spokesperson **Sven Giegold** (MEP, Germany) said:

“The ECB has been again forced to fill the vacuum resulting from the persistent failure of the EU's political leaders to agree and implement concrete measures to resolve the sovereign and banking debt crises in the Eurozone. With a number of Eurozone sovereigns facing unmanageably high interest rates, the ECB has to act, however this raises clear concerns about democratic scrutiny and control.

"It is a shocking indictment of the EU's political leadership that we are still waiting for a lasting solution to the Euro crisis. Stop-gap intervention by the ECB is not the solution. We will only draw a line under the crisis by mutualising sovereign debt, namely through Eurobonds, and we urgently need a roadmap towards this. However, in order to relieve the pressure from the sovereign and financial debt crises in the interim, EU leaders need to immediately introduce other measures, notably a banking licence for the ESM and a common redemption fund.

"Regrettably, the ECB is relying on the same failed conditionality that has accompanied the EU's bail-out funds, with governments benefiting from the bond buying scheme required to commit to sweeping fiscal contraction. While imbalances in budgets and competitiveness clearly need to be addressed, the pro-cyclical tonic of austerity has exacerbated the Euro crisis and it is high time Europe's policy-makers accepted this and recalibrated the conditionality imposed on countries in receipt of assistance to give them a perspective for recovery, rather than recession. This implies ending the blinkered focus on public spending cuts and looking to alternatives such as taxation for balancing public budgets. Finally moving towards European tax harmonisation would be crucial in this regard."

(1) See the ECB press release: http://www.ecb.int/press/pr/date/2012/html/pr120906_1.en.html

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Sven Giegold

Member

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