Introduction
The European Central Bank (ECB) is the central bank of the eurozone. It is a key part of the European System of Central Banks (ESCB), which aims to co-ordinate the monetary policy of EU member states. The ECB controls the monetary policy of all the member states that use the Euro. Its main aim is to maintain stable prices by keeping inflation under control and it uses interest rates to do this. The ECB has many of the powers of a national central bank. However, questions have been raised over whether it can ever really successfully manage the competing monetary demands of eurozone members while maintaining independence from them and while only controlling one strand of economic policy.

History
The structure of the ECB was outlined in the Maastricht Treaty (1992) as part of the programme to create Economic and Monetary Union (EMU). The Treaty set up the ESCB and a European Monetary Institute (EMI). The ECB came into being in 1998 when those member states that decided to join the Euro agreed to fix their exchange rates. At this point the EMI was closed and the ECB took over its responsibilities. The Lisbon Treaty (2007) formally established the ECB as an EU institution.

The ECB is based in Frankfurt, Germany. The first President of the ECB was Wim Duisenberg. He oversaw the launch of the Euro on 1 January 1999 and the Euro notes and coins in 2002. He was replaced by Jean-Claude Trichet in 2003. In its first two years, the ECB was much criticised due to the drop in the value of the Euro after its launch, although later the exchange rate against the dollar recovered well. However, the ECB is also often held responsible for poor economic growth and high unemployment in several eurozone countries.

In June 2011, Italian Mario Draghi was voted in to be the next President of the ECB for the period November 2011 to October 2019. The appointment was not without controversy, however, as consequently the Executive Board contained two Italians, and there was no longer a French presence.

How does the ECB work?
The ECB is headed by an Executive Board made up of the President, Vice-President and four members nominated by eurozone countries. Decision-making is led by the Governing Council, which is made up of the Executive Board members plus the heads of the thirteen eurozone central banks. The system operates like a web, with the ECB at the centre setting monetary policy and the Eurozone central banks on the outside implementing it. Eurozone central bankers can advise on policy, but the final decisions rest with the ECB. The ECB also has relations with non-Eurozone EU members through the General Council, which brings together the President, Vice-President and the heads of the central banks of all EU member states. However, because non-eurozone members are still free to set their own monetary policy, the ECB does not have the same influence over them. The most important goal of the ECB is to maintain stable prices. It tries to keep the rate of inflation below (but close to) 2% by controlling interest rates. This presents serious problems because the economies of eurozone countries grow at different speeds and the bank cannot influence member states’ taxation and spending.
How does a General Election actually work?

The UK is a liberal democracy. This means that we democratically elect politicians, who represent our interests. It also involves that individual rights are protected.

The type of liberal democracy we have is a constitutional monarchy, where the powers of the monarch are limited by the terms and conditions put down in the constitution.

Parliamentary system

The UK has a parliamentary system of democratic governance. Unlike presidential and semi-presidential systems, there is an interconnection between the legislative (law-making) and executive (law-enforcing) branches of government in a parliamentary system. In the UK, this means that the executive (consisting of the Queen and the governments of England, Scotland, Wales and Northern Ireland) is accountable to the legislature or Parliament (House of Commons, House of Lords and devolved Assemblies in Wales and Northern Ireland).

Appointed Prime Minister (or chancellor) as Head of Government and a monarch (or ceremonial president) as Head of State.

First-Past-The-Post

Members of Parliament in the House of Commons are elected using the first-past-the-post electoral system. Each of the 650 voting constituencies in the UK are represented by an MP. During the general and most local elections, the candidate with most of the votes becomes the local representative. Candidates campaign door-to-door, hold debates and publish manifestos (comparable to shopping list of what they are planning to do once they are in power). Eligible voters, about 46m in the UK, receive their polling card once they register online, or they can vote by post.

Party with most of the votes is invited by the Queen to form a government. If there is no clear winner, there is a hung Parliament. In this case, a minority or coalition government can be formed. A minority government does not have an overall majority in Parliament. A coalition government means that two or more political parties agree to share power in government. If that does not work out, new elections may be called.

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Facts and figures

- Nearly 50% of the ECB’s €4 billion reserve comes from the German Bundesbank and the French Banque de France.

Arguments

For

- The ECB is vital for the smooth operation of the Euro.
- A central monetary policy helps to mould the EU into a single market.
- Because the ECB is above national politics it is a ‘safer pair of hands’ to control sensitive monetary policy.

Against

- It is impossible to create a unified monetary policy for countries with different patterns of growth because they need different conditions at different times.
- The ECB is not fully independent because it is dominated by the most influential eurozone members.
- Because the ECB only controls one part of economic policy, it is difficult to prevent member states from acting against the Bank’s wishes.

“I would like the European System of Central Banks to speak with one voice... and we are doing our utmost to achieve that by organising, let’s say... at least a harmonious choir.”

Wim Duisenberg, ECB President, 1999

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Technical Terms

- **Central Bank**: a central authority that regulates monetary and financial institutions and markets.
- **Eurozone**: the nickname commonly used to describe the thirteen member states that use the Euro.
- **Monetary Policy**: the policies employed by Governments or Central Banks to control money supply and interest rates in order to achieve economic goals.
- **Inflation**: upward movement in the average level of prices.
- **Bond**: loan typically given to banks by investors over a fixed term, in return for a fixed rate of interest upon repayment.

Links