

'Relations between the ECB and the national banks remain sensitive' from Le Monde (16 February 2002)

Caption: Article from the daily newspaper Le Monde on the organisation of the 'euro system'. The components of the system, the European Central Bank and the 12 national central banks, are seeking to strike a balance between the centralisation required to guarantee the efficiency of the system as a whole and sufficient decentralisation to maintain the powers and responsibilities of the national central banks.

Source: Le Monde. dir. de publ. Colombani, Jean-Marie ; RRéd. Chef Plenel, Edwy. 16.02.2002, n° 17748. Paris: Société Editrice du Monde (SAS). ISSN 0395-2037. "Les relations entre la BCE et les banques nationales restent délicates", auteur:Ricard, Philippe , p. 22.

Copyright: (c) Translation CVCE.EU by UNI.LU
All rights of reproduction, of public communication, of adaptation, of distribution or of dissemination via Internet, internal network or any other means are strictly reserved in all countries.
Consult the legal notice and the terms and conditions of use regarding this site.

URL:
http://www.cvce.eu/obj/reactions_between_the_ecb_and_the_national_banks_remain_sensitive_from_le_monde_16_february_2002-en-97d63771-3a80-4f8d-bfod-4b0a6f04cfb6.html



Last updated: 05/07/2016

Relations between the ECB and the national banks remain sensitive

Analysis: some central banks suspect that Frankfurt aspires to further centralism

Frankfurt

from our correspondent

It is an extremely sensitive issue. The launch of the euro and the increased power of the European Central Bank (ECB) have changed everything for national central banks. They must adapt to the new order. For more than three years, they have given up their monetary prerogatives to the ECB, but they still carry significant weight. The subtle balance that has been created behind the scenes since the launch of the euro is based on a highly complex web of relationships.

First of all, the ECB and its older national sisters remain closely linked. Proof is found in the fact that the only formal decision-making body at the top of the euro-system — the Governing Council — comprises the 12 governors of the central banks and 6 Members of the ECB's Executive Board. It is a close-knit circle, headed by Wim Duisenberg, which makes, in particular, important budgetary choices: it therefore has a say as regards decisions on increasing its staff — and therefore the clout — of planet ECB at the heart of the constellation.

The bank of issue (ECB) does indeed direct monetary policy from Frankfurt, but its national components are responsible for implementing its decisions in each of the Member States. They are still forces to be reckoned with on many relatively minor issues. A dozen committees and ad hoc working parties regularly meet experts from the various Member States to discuss matters of common interest: banknotes, information technology, banking supervision, communication, payment systems, statistics, etc.

Moreover, with barely 1 100 employees, the ECB is forced to rely upon its associates, of which the combined staff numbers almost 55 000 people. 'Relations are good, it is in everyone's interests to work together', concluded one of the senior officials in Frankfurt. The distribution of tasks has, over the last three years, been more or less formalised. The ECB has above all established itself as an instrument for decision making and coordination. Initially, it had to juggle sensibilities and allay fears in order to create a niche for itself. One aspect made things easier: more than half the staff at the bank of issue comes from the national central banks.

Divergent reactions

Nevertheless, those constant exchanges sometimes cause friction. In terms of communication, for example, the ECB was embarrassed by contentious declarations from national central bankers, particularly in Germany. Conversely, some central banks suspect Frankfurt of wanting further to centralise operations as a whole. And they do not hesitate to defend themselves. During the first months of the euro, attempts by one of the Members of the ECB's Executive Board, Italy's Tommaso Padoa-Schioppa, to increase its role in banking supervision gave rise to very divergent reactions among his national colleagues.

Similarly, in 2001, discussions on the reorganisation of banknote production lasted for several months: the compromise reached seeks to handle the autonomy of each national component carefully, by improving the efficiency of the system. While, before 1 January 2002, a single national bank printed all the banknotes ordered in its country, each site now specialises in one denomination. Despite the fact that, at all events, the ECB does not have printing facilities, it has not been easy to achieve acceptance of the new scheme by all the national components. 'Very often, the same problems emerge time and again, without really being resolved: how far should centralisation go?' mused a senior euro-system executive. Some central banks have proved to be particularly prudent. 'The Banque de France, relatively centralised in its own country, has never had such a decentralised approach since the launch of the euro', said an expert, with irony. The Bundesbank, on the verge of major reform, knows how to continue to cultivate an 'autonomous profile', in the words of its Governor, Ernst Welteke.

‘It is naturally logical for a fledgling institution to seek to centralise its activities, but the banks allied to the ECB have been able to demonstrate their expertise, particularly in view of the relatively youthful staff at the ECB’, said a national central banker. The ECB must adopt a pragmatic approach: to centralise only where it is necessary to do so in order to improve efficiency, while respecting the role played by the national components. This principle has, without doubt, shaped the first three years of the guardians of the euro. However, there is no evidence to suggest that it will be sustainable in the long term. According to many observers, the current organisation of the euro system is too complex, too costly and does not encourage swift decision making.

Philippe Ricard