

Секция «International financial cooperation (секция на английском языке)»

ECB´s Quantitative Easing - Does it Comply with the EU law?

Научный руководитель – doc. JUDr. Petr Mrkyvka, PhD doc. JUDr. Petr Mrkyvka, PhD doc. JUDr. Petr Mrkyvka, PhD

Schweigl Johan

PhD

Masaryk University, Brno, Czech Republic

E-mail: 210729@mail.muni.cz

The issue of public finance covers numerous areas which are subject of all kinds of reviews/controls. In this paper, the author focused on the area of monetary financing, i.e. central banks direct funding of public budgets. In most countries, monetary financing is prohibited. A ban on monetary financing is also embodied in the EU law.

Nevertheless, the economic circumstances of the last few years has led the ECB to employ certain unconventional monetary policy instruments (purchase of sovereign bonds) which might be breaching the monetary financing ban. These actions by the European Central Bank (ECB) were reviewed several times by the Court of Justice of the European Union (CJEU). In 2015, CJEU upheld the ECB´s monetary policy, but in the same time it ruled that there were certain limits that the ECB cannot cross. ECB continued with its unconventional policy including and two years later, in 2017, a new challenge against the ECB´s monetary policy appeared before the CJEU. According to the German Constitutional Court, there are strong indications that ECB breached the monetary financing ban. As of today (March 2018), CJEU has not issued its decision, yet.

Will the CJEU again back the ECB´s monetary policy? What if not? Will ECB have to start selling the sovereign bonds it purchased over the years of its unconventional monetary policy? How will it affect the issuers of the bonds, i.e. the heavily indebted EU countries? The monetary policy of the Eurozone countries is now hard to predict, which raises numerous problems.