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Central Bank Accountability in Times of Crisis. The Monetary Dialogue: 2009-2014

NOTE

Abstract

The Monetary Dialogue between the European Parliament and the ECB is a major factor in assuring the legitimacy of European institutions. This note provides new evidence in the efficiency of the Dialogue for the crisis management and presents the results of a survey conducted among the members of the ECON Committee.

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EXECUTIVE SUMMARY

- The time of the European Parliament's 7th legislative term (2009-2014) was overshadowed by the severe global and European financial crises. This has transformed the conduct and environment for monetary policy. While the ECB is independent and member states are autonomous, the Monetary Dialogue (MD) is one of the few bridges to link monetary policy with other policy considerations and it contributes importantly to the legitimacy of the ECB.
- The European Central Bank is one of the most independent central banks in the world and it has, therefore, a particular responsibility for ensuring transparency and accountability in the conduct of its policies. The note reviews the theoretical arguments for parliamentary accountability, as well as earlier studies of the Monetary Dialogue.
- In the public debate about monetary policy, the European Parliament was hardly as audible as it deserves. While the Monetary Dialogue has often served to clarify the policy stances of the ECB, the Parliament has never taken a well-defined policy stance for Europe or developed a debate about clear-cut policy alternatives. Although questions posed by MEPs are often pertinent, they remain enmeshed in the day-to-day management of the political machine of which the agenda is set by the Council and the Commission. As a consequence, the Monetary Dialogue has served primarily as one of several communication instruments for the ECB.
- One of the major failures during the legislature was the fact that the European Parliament has not questioned the major policy blunder when the ECB raised interest rates prematurely in 2011. However, the quality of exchanges has significantly improved since Mario Draghi became President of the ECB.
- Econometric evidence does not show a stabilizing effect from the Monetary Dialogue during the Euro crisis. With the exception of Italy, yield spreads amplified in all crisis countries in the days after the Monetary Dialogue (or fell less if the general tendency was to reduce them). Volatility increased slightly in Spain and very marginally in Italy. However in Greece, market volatility falls while spreads increase, which means markets are more certain about the risks for Greece as a consequence of the information obtained from the Dialogue.
- The note also reports the opinions of MEPs about the dialogue. Less than two thirds of the members of the ECON Committee have asked questions to the ECB President. In general, the frequency of interventions by MEPs represents the strength of their parliamentary group in the Parliament overall, although ALDE outperforms other groups and S&D underperform. Crisis countries have more than average questions and non-Euro members have also participated actively.
- Most MEPs are aware that the Monetary Dialogue did not improve the crisis management during the crisis, but they consider it useful for themselves and for the citizens they represent. In general, pro-European parties on the centre-right have a good opinion about the Monetary Dialogue, left of centre and anti-European MEPs are more critical.
- MEPs feel well prepared for the exchanges with the ECB, but they feel less informed how parliamentary control is done in other major economies.

1. INTRODUCTION

As the European Parliament's 7th legislative term is coming to an end, it is time for stock taking. The time of this Parliament (2009-2014) was overshadowed by the severe global and European financial crises. Financial markets were in uproar. Interest rates were cut to the lower bound close to zero and stimulating the economy in the middle of a liquidity trap became a new task. In all major economies of the world, traditional monetary policy had to be supplemented by unconventional approaches. The global crisis was doubled by the Euro crisis, which nearly brought the European currency and even the European integration project close to the point of implosion.

In this context, parliamentary oversight of monetary policy was certainly more justified than ever. In the end the collapse has been avoided and all the evidence points to the European Central Bank (ECB) as the principal actor for salvaging the euro, while member state governments have often amplified the crisis.

According to standard economic theory, monetary and fiscal policy ought to be coordinated in a crisis of this dimension, but the Euro Area's institutional architecture was more an obstacle than help for such coordination. Member states and the Council remain in charge of economic and fiscal policies, despite extensive external effects on all citizens in the currency union. Greece is the paradigmatic case that has shown how much damage for all European citizens can be done by uncooperative national policies, but the logic applies to all other member states, regardless of whether they are small or large.

The European Parliament has played an ambivalent role in this process. It has been a strong ally for the ECB in holding the Euro Area together, but many of its reports and proposed remedies in the crisis had little or no impact on member state policies; when it had legislative competences, the Parliament has been able to foster and deepen cooperation, but often it has simply condoned and only marginally modified policies that were proposed by powerful member states and promoted by the European Commission.

The Committee on Economic and Monetary Affairs has played a particular part in this context, because it is the only forum in the institutional architecture that can hold the ECB accountable. Of course, its responsibilities are much broader than this, but as economic theory has taught for decades, the interaction between monetary, fiscal and other economic policies is crucial for overcoming the crisis. While the ECB is independent and member states are autonomous, although fiscal policy is constrained by an ever closer net of rules, the Monetary Dialogue (MD) is one of the few bridges to link monetary policy with other policy considerations.

The European Parliament's role for holding the ECB to account is based on article 284(3) of the Treaty on the Functioning of the European Union, which states: "The European Central Bank shall address an annual report on the activities of the ESCB and on the monetary policy of both the previous and current year to the European Parliament, the Council and the Commission, and also to the European Council. The President of the European Central Bank shall present this report to the Council and to the European Parliament, which may hold a general debate on that basis. The President of the European Central Bank and the other members of the Executive Board may, at the request of the European Parliament or on their own initiative, be heard by the competent committees of the European Parliament." The Protocol (No 4) on the Statute of the European System of Central Banks and of the European Central Bank reasserts this function. Formally the Monetary Dialogue was set up by the European Parliament's Resolution on "democratic accountability in the third phase of EMU of 4 May 1998" which called for the organisation of a dialogue between

the European Parliament and the future ECB on monetary and economic affairs, the framework for which dialogue should be confirmed through a mutual agreement.[1]

Although the Treaty requires only one meeting a year, the Monetary Dialogue takes place quarterly in the form of a meeting between the Committee on Economic and Monetary Affairs (ECON) and the President of the ECB. This frequency exceeds the average appearances by other central banks before their parliaments (Eijfinger and Mujagic 2004). Prior to the meetings of the Dialogue, two subjects are usually identified for discussion and an expert panel is requested to submit notes as background information. During the formal session, the President is first asked to give a short introductory statement and then he replies to the questions from MEPs which do not necessarily stick to the previously identified subjects. Over the years, the time allowed for the initial statement has been shortened in order to give MEPs the opportunity to ask more questions.

Evaluating the impact of the Monetary Dialogue is difficult, because the consequences of a discussion are diffuse and because the ECB is formally independent and does not take any instructions from European or national institutions. Earlier assessments of the Monetary Dialogue have often been critical.[2] Academics have observed lack of forcefulness and insufficient qualification of MEPs; a tendency to talk cross-purpose; the absence of common grounds or concerns between ECB and EP, reinforced by the large size of the ECON; questions have covered less often monetary and more frequently fiscal policy; and on most issues the ECB holds the discursive monopoly. Nevertheless, in their study of previous parliaments, Eijfinger and Mujagic (2004) have observed that in 71% of the cases the ECB had implemented changes requested by the ECON. Moreover, they claimed that the transmission from the panel of economic experts to ECON was equal to 100 %. No wonder some of their policy recommendations read as if the experts were driving the Monetary Dialogue. Siebert (2005) also finds some evidence that the Economic and Monetary Committee was more successful in influencing monetary policy when it was in line with the expert panel advising it.

Nevertheless, I believe that the experts (including myself!), who are asked to evaluate the Monetary Dialogue, have a tendency to take themselves far too seriously. Economic theories usually have a fairly short life-cycle (10-15 years) and most academic economists run with the herd because that is required to get published. However, as de Grauwe and Gros (2009) nicely demonstrate, following the mainstream is no guarantee that a theory is true. They present a model in which the exclusive focus on price stability and the neglect of financial stability may have been a cause (!) for mistaken monetary policies leading to the financial crisis. My point is not to say all experts got it wrong, but to insist that plurality in expert opinions, challenges of mainstream views, and questioning orthodoxies must be an important part of the process by which the ECB is held to account, especially in a society as diversified as the Euro Area's. This diversity is, of course, deeply reflected in the European Parliament, and in fact more so here than in any other European institution. It is precisely for this reason that the Monetary Dialogue is important. The need to respond to all the concerns of citizens will anchor the ECB firmly in society, generate a public sphere and increase the acceptability and legitimacy of European institutions.

In the rest of this note, I will quickly review theories why central bank accountability is important, especially during the crisis, and then look at the impact the Monetary Dialogue

[1] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:51998IP0110:EN:HTML

[2] See: De Grauwe and Gros, 2009; Amtenbrink and Van Duin, 2009; Wyplosz, 2005; Siebert, 2005; Eijfinger and Mujagic 2004; Gros, 2004.

has had during the 7th Parliament in terms of the quality of the exchanges, econometric evidence and the views MEPs have themselves about the usefulness of the dialogue.

2. THE IMPORTANCE OF ACCOUNTABILITY AND COMMUNICATION IN CENTRAL BANKING

2.1 Accountability and the paradigm of central bank independence

The European Central Bank is one of the most independent central banks in the world and it has, therefore, a particular responsibility for ensuring transparency and accountability in the conduct of its policies. *Noblesse oblige*. Because money is the economy's hard budget constraint, central bank independence is often criticized for imposing constraints on the sovereignty of states and therefore called undemocratic.[3] In principle this argument applies to an independent national central bank as much as to a transnational central bank such as the ECB: if the central bank can refuse to monetize public debt in order to maintain low inflation, the sovereignty of governments is no longer absolute. However, this concept of state sovereignty is pre-democratic. It has overshadowed political conflicts in the 17th and 18th century, but with the Glorious Revolution in England (1688), with the American Revolution (1876) and Constitution (1787), and with the French Revolution (1789), the idea that *states are sovereign* has been replaced by the democratic principle that people, i.e. *the ensemble of all citizens, are the sovereign* who authorizes the laws that are applied to citizens themselves. Since then systems of checks and balances have become the widely accepted institutional guarantee that any form of political *power* remains subordinate to the *authority* and sovereignty of citizens.

The euro and the European Central Bank have been created by law, i.e. by the Treaty on European Union and national monetary laws, and the ECB takes decisions that apply to all citizens living in the Euro Area, with external effects on the European Union as a whole. There is therefore a need for checking the power of the central bank and doing this is the purpose of parliamentary surveillance and the Monetary Dialogue. Yet, a central bank has by definition only a limited technical task as the bank of banks which alone supplies the legal tender currency. The ECB has a clear political mandate for preserving price stability as the first priority and for contributing to financial stability, as well as supporting other economic policies provided price stability is achieved. In order to fulfil this function efficiently, interferences from other institutions ought to be minimized and this is best achieved by making the central bank independent, i.e. not subject to any orders or directives. Nevertheless, as in all instances of delegated tasks, there is always a question whether an agent, in this case the central bank, makes enough efforts to achieve the mandated purposes. It is, therefore, one of the noblest tasks of the European Parliament to hold the European Central Bank to account and check if and how it fulfils its mandate.

The concept of central bank independence has gained prominence in the 1970s and 1980s. After the System of Bretton Woods had collapsed, money was no longer directly or indirectly pegged to gold; it had become pure fiat money, which is based on the trust and confidence of economic agents. Quickly it became clear that without a credible anchor, unconstrained money supply would only generate inflation, thereby undermining the

[3] For example Baimbridge et al. (1999) wrote: „The ECB's problems arise from its lack of democratic accountability, its arbitrary objectives, its outdated economic philosophy, and its potential for intermittent conflict with the national governments whose destinies it possesses considerable influence over. Therefore the ECB as currently constituted is an anti-democratic, economically inept institution. Its lack of accountability, transparency and democratic legitimacy makes clear that no British government concerned for the efficiency of the UK economy and capacity for self-governance could submit to the ECB's monetary authority." Although this statement is 15 years old, and I believe it is factually wrong, it may have more supporters today than ever.

functionality of a monetary economy. In the 1980s it also became increasingly evident that an independent central bank like the German Bundesbank was likely to preserve price stability better than central banks under political control, so that the necessary stabilisation policies had less negative social consequences for employment.[4] Economists developed the theory of institutions as commitment devices and rules that prevent time inconsistency in discretionary policy making (Kydland and Prescott, 1977). Monitoring that the commitments are met was seen as crucial for maintaining the trust in the system. It was argued that when monetary policy had only one primary objective, namely maintaining price stability, the rule was simple and could be monitored easily. Other objectives were subordinated to attaining and keeping low inflation. Economic growth was thought to be determined in the long run by structural factors in the "real", i.e. non-monetary economy and maintaining stable value of money would allow markets to expand and improve employment and welfare. In countries like the United States, where the Fed was given the mandate to pursue two symmetrical objectives, employment and price stability, monetary policy sought to minimise the deviation from the inflation objective and potential long run growth of output (which was again determined by structural factors). This philosophy was expressed in the well-known Taylor Rule and inflation targeting became the widely accepted framework for the conduct of monetary policy, even when central banks focussed primarily on price stability.

The existence of the monetary pillar in the ECB's operating framework indicates that it is not a pure inflation targeter. However, all important central banks in the world, including the ECB, have accepted that justifying and explaining their policies to a democratically elected body and communicating carefully to markets and the broader public was a necessary condition for the effectiveness of their actions, because the transmission of interest rate changes to the real economy was largely dependent on expectations among economic agents.

2.2 The challenges for monetary policy during and after the crisis

With the Financial Crisis in 2007-9 the foundations of this dominant economic theory have been shaken. While the debate about policy objectives used to focus on the short term trade-off between inflation and unemployment, it has now become obvious that conventional monetary policy must be grounded in financial stability. Focussing on medium term price stability supported by central bank independence, accountability and clear communications was by itself not enough to guarantee financial stability (Vayid, 2013). The source of the financial instability caused by the global financial crisis was the build-up of asset price misalignments (bubbles), which had led to asset overvaluations and persistent debt accumulation. In principle, the ECB could have prevented credit bubbles by controlling monetary and credit aggregates in the monetary pillar of its strategy framework. In reality, it is extremely difficult to detect the early stages of a bubble and in the Euro Area asset bubbles were localised in some member states. The ECB has therefore, like all other central banks, given priority to inflation targeting of consumer prices, which excludes asset prices. Nevertheless, one may ask why the Committee on Economic and Monetary Affairs has not pushed the ECB harder to explain the development of asset prices before the crisis. During the 7th Parliament, the Committee did raise the issue during almost every session, but the ECB's answers have remained evasive and were rarely linked to the monetary pillar.

[4] The most prominent economic theory behind this claim is the Barro-Gordon Model, which is now taught in most universities and text books around the world. See De Grauwe (2012) for the application to EMU.

The crisis has generated new challenges for monetary policy. First of all, how should the ECB deal with financial instability? The Euro Area was slow to seize the full policy implications from the crisis. The European Commission, under pressure from important member states, persisted with old-fashioned structural policies and imposed austerity as a response to the debt crisis, while financial markets were heading to a meltdown with massive fire sales re-enforcing the dynamics of financial instability. The disaster was only avoided when the ECB explicitly acknowledged that maintaining financial stability was one of its objectives and President Draghi declared that the ECB would "do whatever it takes to preserve the Euro". In practical terms, the ECB reacted by unconventional policies, namely by providing ample liquidity through the 3-year LTROs, by open market purchases under the SMP, and finally by setting up the Outright Market Transaction (OMT).

Secondly, the crisis has posed questions for the future conduct of monetary policy. Should the ECB address financial imbalances and asset price misalignments pre-emptively (lean against the wind) or rather clean up after they unwind?[5] As Europe is painfully learning now, a lesson Japan had learned already earlier, unwinding imbalances involves extensive and lengthy debt deleveraging, which is associated with persistently weak demand, low growth, rising unemployment and fiscal constraints (Vayid, 2013: 21).

The implications of these developments are still under debate. How should the objective of financial stability be integrated into monetary policy? In the Euro Area, discussions focus at the moment on the creation of a Banking Union and macro-prudential supervision. These issues will have far-reaching consequences in the future for the conduct of monetary policy in general and for the communication and accountability of monetary policy in particular.[6]

The European Parliament has not been absent to these discussions, but among all the other voices commenting on monetary policy it was hardly as audible as it deserves. While the Monetary Dialogue has often served to clarify the policy stances of the ECB, the Parliament has rarely taken a well-defined policy stance for Europe or developed a debate about clear-cut policy alternatives. Although questions posed by MEPs are often pertinent, they remain enmeshed in the day-to-day management of the political machine of which the agenda is set by the Council and the Commission. As a consequence, the Monetary Dialogue serves primarily as one of several communication instruments for the ECB. But how efficient is this tool?

[5] According to J. C. Trichet, the ECB anticipates: "Our monetary analysis, which concentrates on the monitoring of money and credit, (…) is a strategic framework that embeds a degree of implicit 'leaning against the wind' of excessive money, credit and asset price growth. Judgement is, of course, necessary in addressing asset price dynamics. The ECB has developed considerable expertise in the analysis of monetary and credit developments and their implications for risks to price stability, which has proved an invaluable asset also throughout the financial crisis." Monetary Dialogue With Mr Jean-Claude Trichet, Brussels, Monday 22 March 2010; http://www.europarl.europa.eu/committees/en/econ/home.html

[6] Vayid (2013: 1) writes: „Since the global financial crisis, there has been nothing short of a 'revolution' in the use of central bank communications as a distinct policy tool under the unconventional monetary policies. Furthermore, with many central banks now playing a role in promoting financial stability, questions about the extent of transparency in communication on financial risks and vulnerabilities have also been the focus of attention and debate." However, Carréa et al. (2011) are uncertain whether the paradigm shift is permanent or temporary.

2.3 Parliamentary scrutiny of central banks

The academic literature distinguishes between central bank transparency and accountability. Transparency is the broader concept. It applies to all forms of communication about the conduct of monetary policy. It includes setting up a coherent strategic and operating framework, the publication of forecasts, sometimes also the publication of internal records on the debates in the policy making bodies. In addition to these structural arrangements, transparency requires the frequent communication to financial markets and the public at large. The ECB does this through its *Monthly Bulletin*, its *Annual Report*, the *Financial Stability Report* and published research, including forecasts, and the frequent speeches by its staff and directors.

Accountability means explaining and justifying policy decisions *ex post*, i.e. by making clear why the ECB did what it did and why the measures taken may or may not have achieved their purpose. However, with unconventional policies, *ex ante* explanations, or forward guidance, have become important areas where transparency and accountability overlap. This generates new demands on the Monetary Dialogue. Accountability for central banks is always towards democratically elected representatives, either parliaments or governments. Stasavage (2003) has studied the arrangements in 44 countries and found 32 had a specific requirement for central bank officials to testify before a national parliament on a regular basis. However, in some countries there were also provisions for governments to override central bank decisions. The literature has emphasised that transparency and accountability might improve the efficiency of monetary policy although it has been argued as well that if accountability includes the possibility of overriding the central bank, it might be counterproductive. This is why the ECB has been given both instrument and goal independence, which means it can determine the quantitative benchmarks for the realisation of its primary objective as well has the instruments by which it can achieve them.

How strong is the impact of transparency on the efficiency of monetary policy? Stasavage (2003) has estimated the relation between transparency, accountability and the cost of disinflation. He found significant effects for the reduction of these social welfare costs with respect to forecast transparency, the possibility of governments overriding central banks and wage coordination. However, most interestingly, reporting to the legislature was always statistically insignificant and had a positive cost-increasing sign in high income OECD countries. This result ought to encourage modesty and keep us from exaggerating the role of the Monetary Dialogue of European Parliament. Transparency might be more important than accountability in the narrow sense.

However, the European Parliament may also be a driver in making the ECB more transparent. In the past, it has demanded and obtained the publication of forecasts; more recently President Mario Draghi has considered the option of publishing the minutes of discussions in the Governing Council.[7] However, in the future – and that will be a major task for the next Parliament – communicating and clarifying a convincing exit strategy from unconventional monetary policies without creating further instability in financial markets will be the greatest challenge.

[7] http://www.sueddeutsche.de/wirtschaft/ezb-praesident-draghi-will-geheime-ezb-protokolle-veroeffentlichen-1.1734972

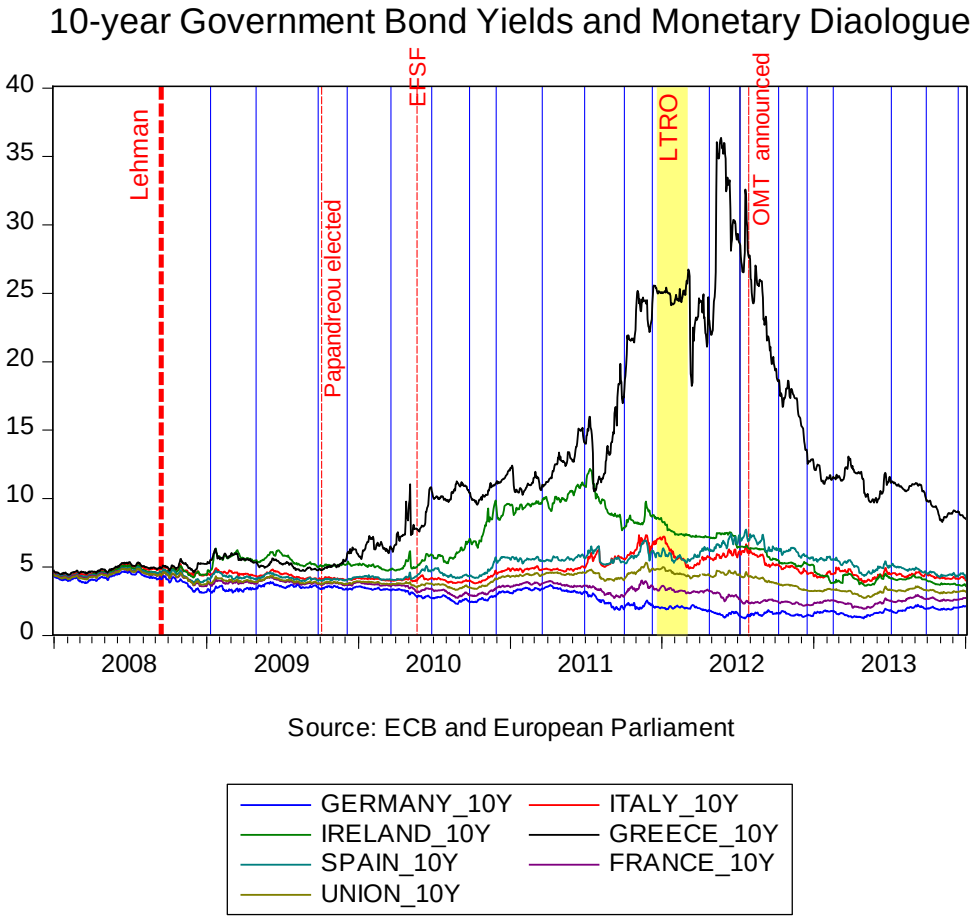
3. THE IMPACT OF THE MONETARY DIALOGUE

Has the Monetary Dialogue made a difference during the Euro crisis? Figure 1 shows the yields on 10-year government bonds for some selected Euro member states. The widening spread relative to Germany (lowest line) is an indicator for the evolution of the crisis.[8] Interest rate spreads are most dramatic for Greece, but it is clear that Italy and Spain were also increasingly affected.

The blue vertical lines indicate days at which the Monetary Dialogue took place during the 7th legislative term of the European Parliament. Important monetary policy events have often occurred between these dates. Thus, the appearance of the ECB President before the Committee could have been an opportunity to either prepare the MEPs for the next step in the unfolding drama, or to justify decisions taken after the event.

In this section, I will first make some observations about the style and content of the exchanges of opinion and then present some econometric evidence for the impact of the Monetary Dialogue. In the third section I will present the views members of the ECON Committee have about the Monetary Dialogue.

Figure 1.



Source: ECB and European Parliament

[8] The chart also shows the yields for a weighted average, which I have called Union Bonds in the past. See Collignon, 2011

3.1 Style and content of the dialogue

The 7th Parliament has covered the full unfolding of the Euro crisis. During its term, the Monetary Dialogue has taken place 20 times. Initially, the ECB was represented by President Jean-Claude Trichet, after 1 November 2011 by Mario Draghi. Thus, this Parliament has seen many transformations of monetary policy and its environment and that would have justified thorough scrutiny.

The style of interactions has changed significantly during the five year period. In the early days, MEPs asked Mr Trichet questions in a somewhat submissive fashion, to which he replied in the broadest possible way. Dwyer and Clarida (2012: 38) have argued that this was a deliberate policy: "The ECB realized that keeping a certain level of opaqueness allows more flexibility and credibility in non-standard measures, especially since the ECB does not want to expose itself to speculative attacks". MEPs seemed to go along with this philosophy. However, at the later stages of the crisis it became clear that markets needed clarity and guidance, not opacity. By 2013, the Parliament's exchanges with Mr Draghi had become the expression of an emancipated working relationship, where clearly everyone was a partner trying to solve the Euro Area's problems, even if in different roles.

Some of the subjects under discussion re-appeared in every session: growth, price stability (in this order), fiscal policy, internal and external competitiveness, financial and macro prudential supervision. Others clearly gained prominence with the intensification of the crisis: liquidity provision and yield spreads; institutional innovations (EFSF, ESM, Fiscal Compact, SMP, LTRO, OMT), even constitutional issues (van Rompuy Report, exit from the Euro area), and of course austerity. While the discussions with President Trichet covered broad macroeconomic issues and remained more superficial, the Dialogue with President Draghi has become more operational and technical. Trichet frequently stopped technical questions by referring to the ECB's mandate; Draghi is willing to answer even hypothetical questions as this example shows: "I still claim that our LTROs have been quite timely and, all in all, successful. If the only thing we have achieved is buying time – and it is not the only thing – that would in itself be an extraordinary success. Think about what could have happened: EUR 230 billion-plus of bank bonds due in the first three months of this year and more than that in sovereign funding due, and markets completely closed. We avoided that."[9]

However, if the purpose of the Monetary Dialogue is to hold the ECB to account, there have been some spectacular mishaps.

On 9 March 2009[10] (the last session of the previous Parliament), the global financial crisis had already thrown the world into its deepest recession since World War II,[11] but the ECB President and MEPs still seemed to be in relatively optimistic mood, believing in the Euro Area's resilience after the earlier important interest rate cuts. Nevertheless, Trichet already pointed at three subjects, which were to dominate the next five years: asset price dynamics, mainly in the housing market, internal macroeconomic imbalances, and the need for macro prudential supervision. John Purvis (PPE), who did not return to the next Parliament, asked the pertinent question whether there was a contingency plan "in case one of the Member States really got into very substantial difficulties and was unable to fund its public debt?" Trichet replied; "it is absolutely absurd to imagine that one member

[9] Monetary Dialogue With Mario Draghi, Brussels, Wednesday, 25 April 2012; http://www.europarl.europa.eu/committees/en/econ/home.html

[10] Monetary Dialogue With Mr Jean-Claude Trichet, Brussels, Monday 30 March 2009; http://www.europarl.europa.eu/committees/en/econ/home.html

[11] On 22 March 2010, Trichet even ventured to say: "we have had to cope with the worst crisis since World War II, perhaps even potentially the worst crisis since World War I."

country of the eurozone could be in a situation which would create a problem for the eurozone as a whole." One year later, he had to admit: "It is true that the simple fact that a country that only represents 2.5% of the euro area's gross domestic product – in other words a tiny fraction of the euro area – has an influence on the whole of the euro area that is visible and perceptible to all of our fellow citizens is precisely a way of realising that we do indeed share a common destiny and that all of us therefore – I am talking of the governments here – are justified in exercising this common responsibility, this collective responsibility which is essential."[12] No MEP asked Trichet why he had come to the new conclusion. Maybe it was too obvious in the changed environment, but the incidence shows that mistakes in assessment are often shared by the scrutinized as well as by the scrutiniser.

Another example for insufficient scrutiny is what may actually be the biggest blunder in the short history of the ECB. On 7 April 2011, the Governing Board increased its policy interest rate by 25 basis points, because inflation had shot up above the 2 percent target and economic growth had been forecasted between 1.5% and 2.3%. Speaking to MEPs, Trichet justified the decision by saying that the Governing Council "sees the monetary policy stance as still accommodative".[13] At the same time he supported fiscal consolidation and the reduction of public borrowing. Not surprisingly in the fragile environment, demand collapsed after the usual 2-quarter lag and the Euro Area fell again into recession, while in the USA growth was sustained at a moderate level. See Figure 2. The amazing fact is that at the first Monetary Dialogue after the rate hike, on 20 June, not even one MEP questioned or criticised the interest decision. Instead, MEPs kept riding their hobby horses on rating agencies and talking of constitutional quantum leaps.[14] Admittedly, with hindsight one is always smarter.[15] But the case is an interesting example for how little accountability the ECB can get away with in the context of the Monetary Dialogue with the European Parliament. When the ECB corrected the mistake a few month later, President Draghi was not challenged either. However, the President of the ECB explained clearly the purpose of unconventional monetary policies, of which "the first objective is to help restore the credit process for households and for small and medium-sized companies, because that is where we have to work to avoid an even more significant weakening in growth than we have already had". Thus, unconventional policies were different from other central banks like in the USA or the UK, because "banks represent 80% of the lending to the euro area."[16]

It is, however, true that Draghi responded to certain policy concerns previously expressed by members of the Parliament with regards to the ECB's mandate. In July 2012 he said: "Our monetary analysis gives a picture consistent with price stability over the medium term – and remember, whenever I say 'price stability' I mean price stability in both directions, upwards and downwards."[17] He also acknowledged criticism of austerity: "There is no trade-off between austerity and growth. Austerity creates a short-term contraction. We cannot dispute this. Austerity creates a short-term contraction, but we should ask the

[12] Monetary Dialogue With Mr Jean-Claude Trichet, Brussels, Monday 22 March 2010; http://www.europarl.europa.eu/committees/en/econ/home.html

[13] Monetary Dialogue With Mr Jean-Claude Trichet, Brussels, Thursday 30 June 2011; http://www.europarl.europa.eu/committees/en/econ/home.html

[14] See Monetary Dialogue With Mr Jean-Claude Trichet, Brussels, Thursday 30 June 2011; http://www.europarl.europa.eu/committees/en/econ/home.html

[15] I remember defending the ECB decision myself.

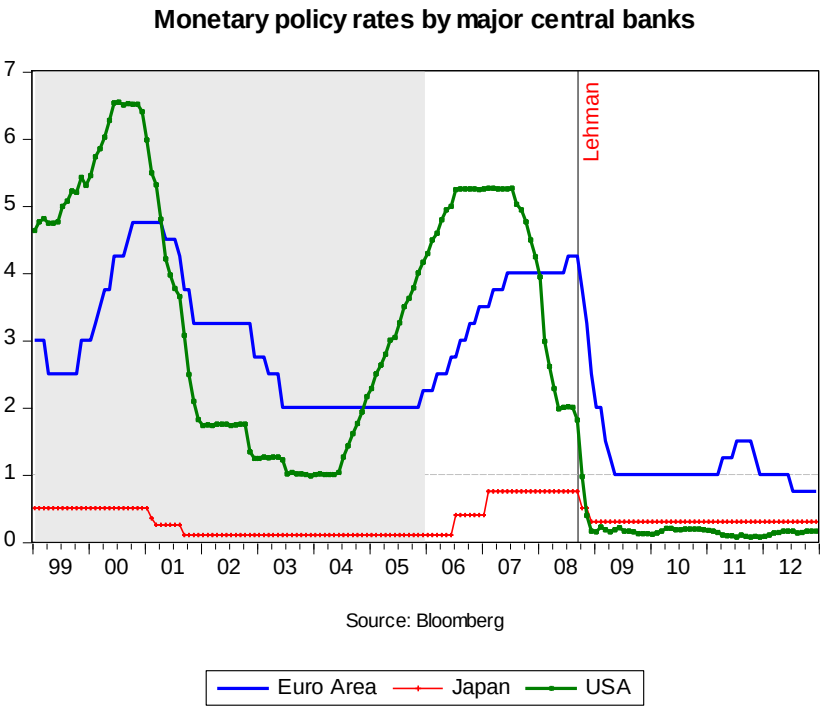
[16] See Monetary Dialogue With Mr Mario Draghi, Brussels, Monday 19 December 2011; http://www.europarl.europa.eu/committees/en/econ/home.html

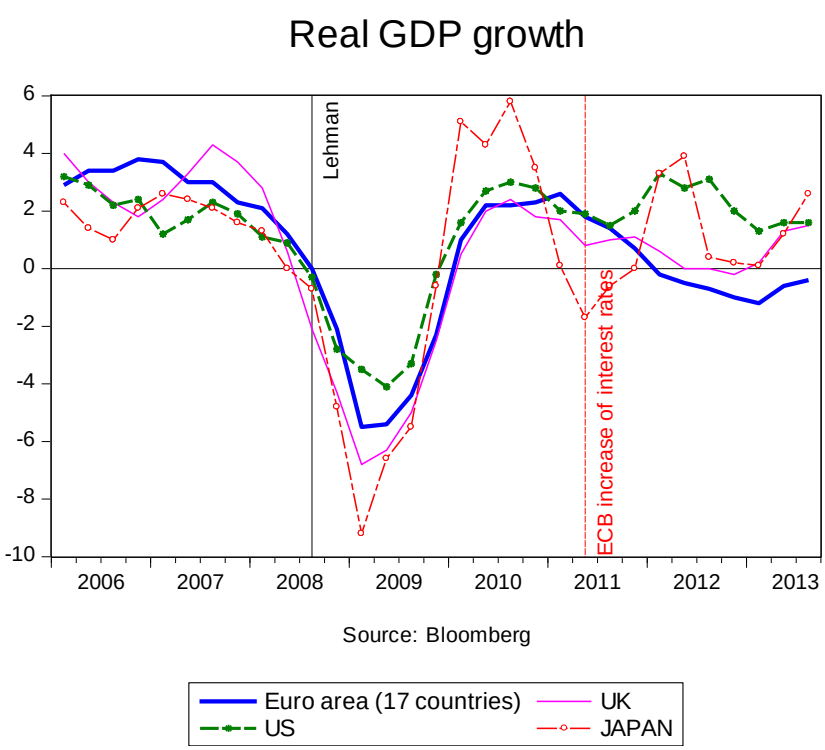
[17] See Monetary Dialogue With Mr Mario Draghi, Brussels, Monday 9 July 2012; http://www.europarl.europa.eu/committees/en/econ/home.html

question: is this avoidable? Was the previous situation sustainable? Basically there was no choice."[18]

In summary, reading the protocols from the Monetary Dialogue conveys a sense of progress towards a clearer way of communicating by the ECB and more pertinent questions by MEPs. One ought to hope that the next Parliament will take up the relay.

Figure 2.





[18] See Monetary Dialogue With Mr Mario Draghi, Brussels, Monday 19 December 2011; http://www.europarl.europa.eu/committees/en/econ/home.html

3.2 Econometric evidence

The previous section has referred to some salient exchanges between MEPs and the President of the ECB that may elucidate certain features and patterns in the Monetary Dialogue, but to see how the process has worked, we need a more thorough assessment of its impact during the life of the 7th Parliament. In accordance with the academic literature, we hypothesize that the transparency and accountability of monetary policy would reduce the cost of economic adjustment in the crisis. The mechanism through which these beneficial effects would come about is a clearer understanding by financial markets of the macroeconomic environment and the generation of more reliable expectations. This could be interpreted as a form of "output legitimacy", because more efficiency in the conduct of monetary policy may increase the acceptance of the institution.[19]

This hypothesis can be formally tested. The alternative hypothesis would be that some forms of communication may at times raise volatility and uncertainty. I mentioned already that Stasavage (2003) has estimated a positive but insignificant sign for the impact of parliamentary accountability on the cost of adjustment. Born et al. (2012) found that while the Financial Stability Report tends to reduce volatility in financial markets, speeches and interviews increase volatility and uncertainty. Collignon, Esposito and Lierse (2013) confirmed that speeches by the German Chancellor Merkel have increased uncertainty during the crisis and pushed up the spreads for Greek bond yields. In that case, the value of the Monetary Dialogue would be the generation of "input legitimacy", namely by the fact that a debate among and with the elected representatives of citizens takes place and thereby satisfies the conditions of democratic control and scrutiny.

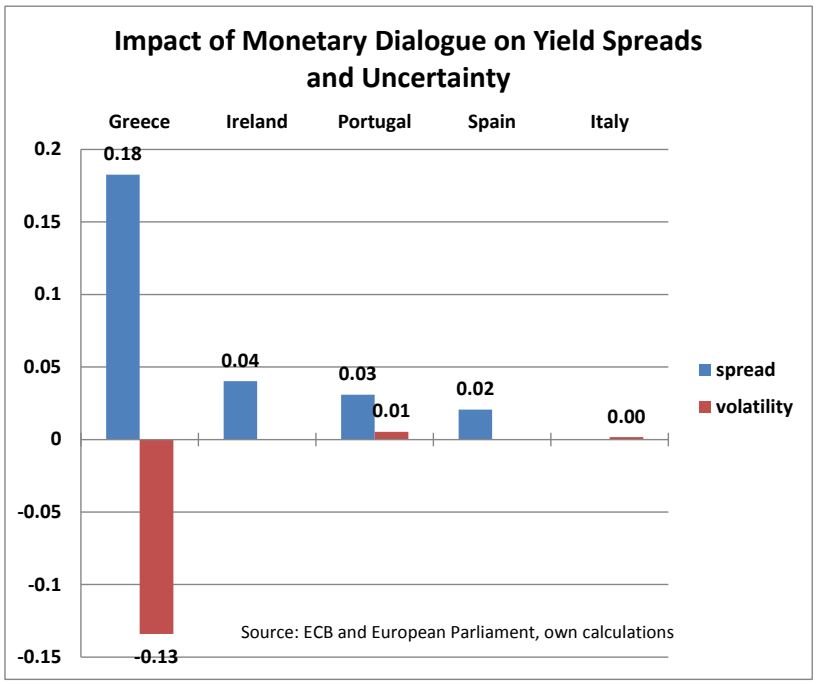
In order to find out whether the Monetary Dialogue has had a stabilizing effect in the Euro crisis, I have estimated a Garch model for changes in bond yield spreads of crisis countries on a dummy variable where the day of the Monetary Dialogue takes the value 1 and 0 for all other days. Ideally we would expect that in the day(s) after the Monetary Dialogue the volatility in yield spreads is reduced and spreads come down or at least their increases slow down. At least we would hope to see that volatility and uncertainty decrease. Unfortunately, our results are not confirming the hypothesis of a stabilizing effect. The econometric output is attached as Annex 1. Figure 3 summarises the information in a chart that shows the aggregate effects over three days on the rate of change of spreads and on the volatility in the bond market.

With the exception of Italy, yield spreads increased more rapidly in all crisis countries after the Monetary Dialogue. If the general tendency was for spreads to fall, say because financial markets felt reassured by OMT, the monetary dialogue slowed down this reduction. Volatility increased slightly in Spain and very marginally in Italy. However, in Greece market volatility fell while spreads increased more rapidly, which means markets were more certain about the risks for Greece as a consequence of the information obtained from the Dialogue. This is odd. Admittedly, the econometric estimates are not very robust and might yield better results if we added a full-fledged economic model, but our results are consistent with the findings by Stasavage (2003), Born et al. (2012) and Collignon et al. (2013) who all found that statements by public authorities rarely calm markets. Actions do. The ECB has helped to overcome the crisis by flooding banks with liquidity and setting up formal mechanisms for intervening in the markets.

The implication of this result is that the Monetary Dialogue is less an instrument for generating output legitimacy, but essentially contributes to input legitimacy.

[19] This distinction between output and input legitimacy was made by Scharpf (1999).

Figure 3.



3.3 How MEPs see the Monetary Dialogue

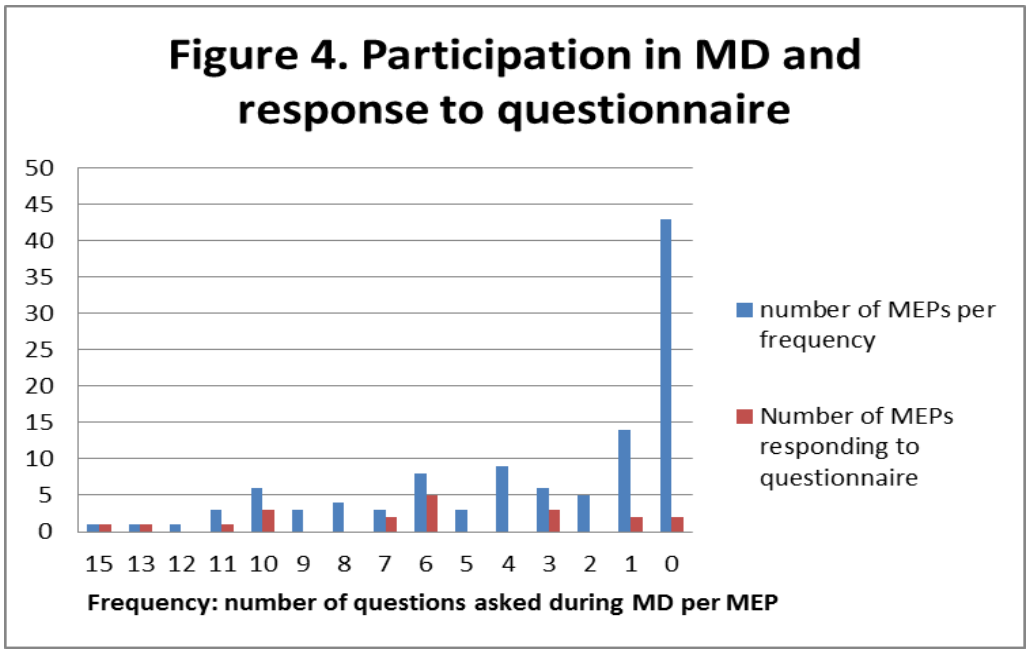
Accountability is a two-way story. While the European Parliament takes the ECB to account, electors will take the Parliament to account. This section reports the performance of the members of ECON during the 7th Parliament and presents the answers to a questionnaire submitted to all members of the ECN Committee inquiring how they assess the Dialogue themselves.

The Committee on Economic and Monetary Affairs has 99 members, of which 43 have never asked a question during the 5-year term of the Parliament. With respect to those who have participated, the average number of questions per session asked by MEPs was 22.5. Sylvie Goulard was the most active member in the Dialogue with 15 questions, followed by Jean-Paul Gauzès (13 questions), Sharon Bowles (12) and Philippe Lamberts (11) and Elisa Ferreira (10). See Annex 2. In general, the frequency of interventions by MEPs represents the strength of their parliamentary group in the Parliament overall, although ALDE outperforms other groups and S&D underperforms.

The ECON Committee is made up of 67% euro area and 32% of non-euro area MEPs. Members from the Euro Area have asked 79% of all questions addressed to the ECB President. Representatives from Germany, France and Spain are the most active participants in the Dialogue. Members from Greece, Ireland and Luxemburg also participated more than their overall weight in the Parliament or the ECON would reflect. Presumably the interest is higher when the country one represents is subject to policy control by the Troika. MEPs from Italy, the Netherlands and Finland have participated least in the Dialogue relative to the number of seats they have in ECON.

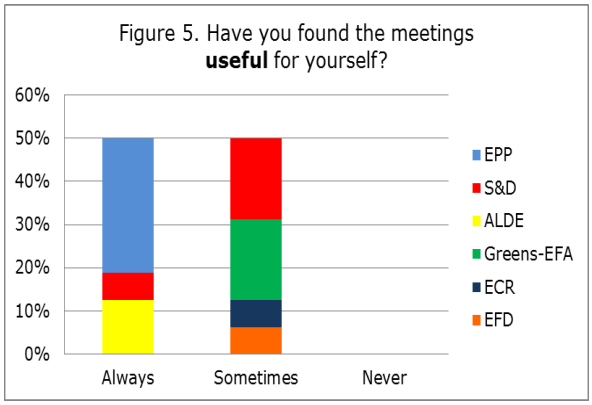
Out of the 99 members, 20 have responded to our questionnaire. Figure 4 shows the frequency of questions asked by individual MEPs over the 7th Parliament. On the horizontal axis we report the number of questions asked by one MEP ("frequency"); on the vertical axis we show how many MEPs have asked a given number of questions and how many of

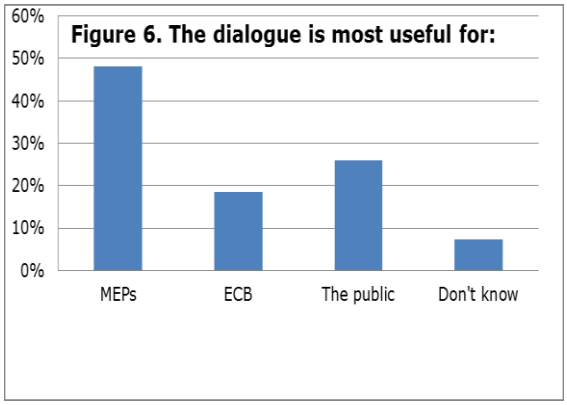
them have responded to our questionnaire. We consider that this is a reasonably equal distribution, which allows making general conclusions.



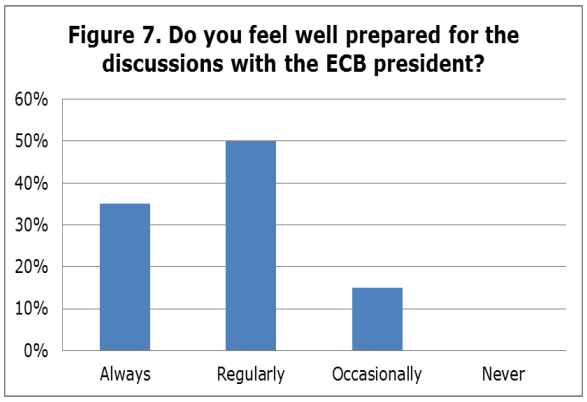
The results from our questionnaire show the following opinions from members of ECON.

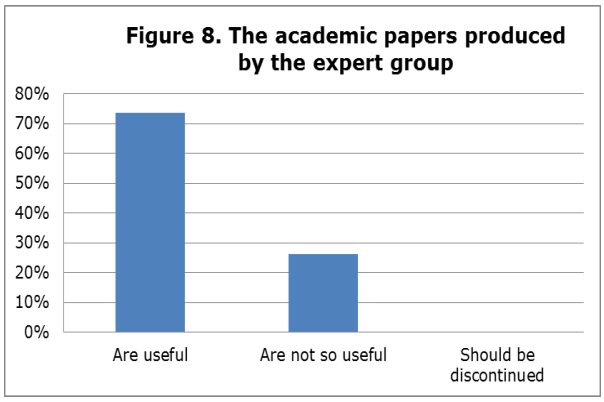
Most MEPs (75%) say they participate regularly or always in Dialogue and so do 85% of their staff. 85% of MEPs find the Monetary Dialogue (at least sometimes) useful for themselves (48%), for the general public (26%), and for the ECB (19%). Broadly, the picture is that pro-European parties on the right of center find the Monetary Dialogue more useful than parties on the left and Eurosceptics. See Figure 5 and 6.



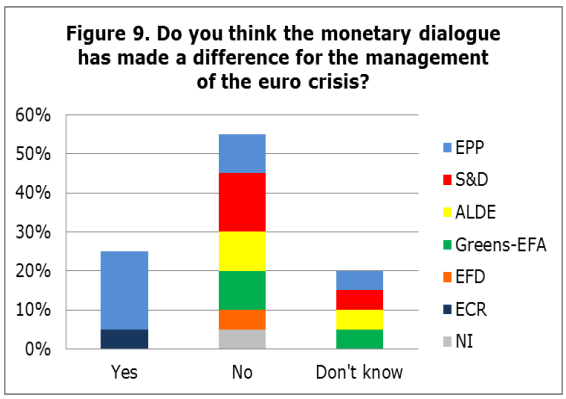


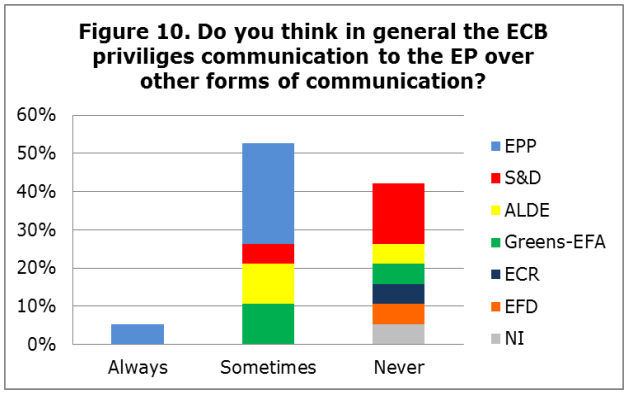
85% feel always (35%) or regularly (50%) well prepared for the dialogue. 74% find the academic papers produced by the expert group useful. Figure 7 and 8.

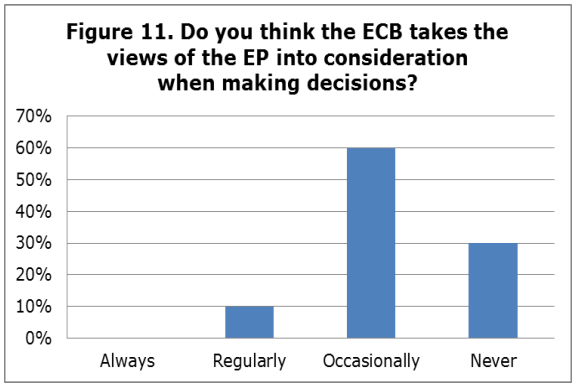


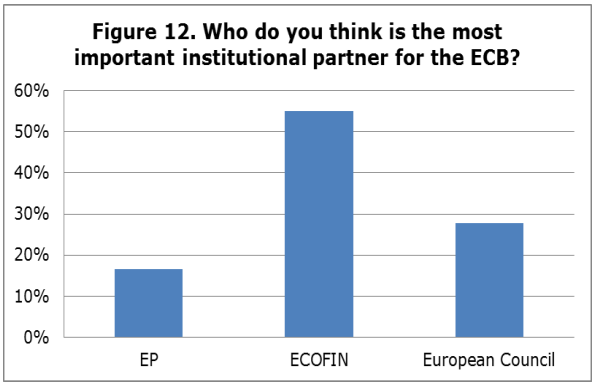


However, most MEPs (55%) think the Dialogue has had no impact on the management of the crisis and most feel the ECB rarely privileges the EP over other institutions. The ECB is also not trusted to take the opinions of MEPs into consideration when making decisions. 55% think ECOFIN is the most important partner of ECB (EP: 17%, European Council: 28%). See Figures 9-12.









Although all MEPs have responded that Central Bank Independence is "a good thing", only 55% think ECB's transparency is adequate; 70% want it to publish internal minutes. Most MEPs feel ECB is less accountable than the American FED (74%) or the Bank of England, but in general MEPs are not well informed about democratic accountability in the most important euro area partner countries. See Figures 13-15. Half of the responding MEPs think that media coverage of the Monetary Dialogue is insufficient.

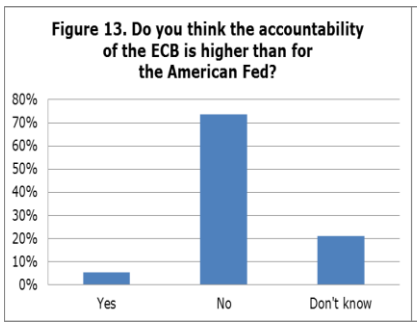


Figure 13. Do you think the accountability of the ECB is higher than for the American Fed?
80%
70%
60%
50%
40%
30%
20%
10%
0%
Yes
No
Don't know

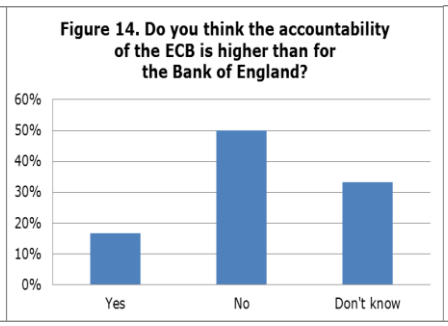


Figure 14. Do you think the accountability of the ECB is higher than for the Bank of England?
60%
50%
40%
30%
20%
10%
0%
Yes
No
Don't know

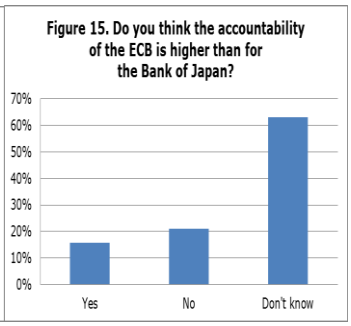


Figure 15. Do you think the accountability of the ECB is higher than for the Bank of Japan?
70%
60%
50%
40%
30%
20%
10%
0%
Yes
No
Don't know

4. CONCLUSION

The accountability of an independent central bank is important, but probably less for reasons of policy efficiency than for reasons of democratic legitimacy. Hence, the Monetary Dialogue is and remains an essential pillar of the institutional architecture of European Monetary Union. Our study has shown that yield spreads in most crisis countries of the Euro area have increased in the days after the Dialogue, and MEPs correctly feel that the Dialogue did not make a big difference for the management of the Euro crisis. However, they do appreciate its role for informing themselves and the European public, even if they wish an improvement of media coverage.

Not all members of the ECON Committee participate in the Monetary Dialogue, but those who do feel well informed and prepared for their exchanges with the President of the ECB. The quality of these exchanges has continuously improved over time. Pro-European and centre-right MEPs view the Dialogue generally more positively than those of the left and Eurosceptics. However, the personal commitment by some individual MEPs has been crucial for the high quality of the exchanges.

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ANNEX 1. ECONOMETRIC EVIDENCE FOR THE IMPACT OF THE MONETARY DIALOGUE ON BOND MARKETS

It is a standard hypothesis that uncertainty affects market volatility, which increases bond yields due to a higher risk premium. Volatility can be measured by the conditional variance in yields, dependent on previous periods' variance. This is done in standard GARCH models. However, one can also estimate the direct impact on yields or changes of yields (the 'acceleration'). This is done by GARCH-M models, which estimate simultaneously the mean bond yield and the conditional variance. The table below shows the results for the four southern crisis countries. The dependent variable is the first difference of daily bond yields. When the estimates were statistically not significant, i.e. outside the confidence interval of 5%, we have discarded the measured coefficients for Figure 3 in the text above.

Portugal

Dependent Variable: D_SP_PT					Dependent Variable: D_SP_PT				
Method: ML - ARCH					Method: ML - ARCH				
Date: 02/14/14 Time: 16:46					Date: 02/14/14 Time: 16:44				
Sample (adjusted): 1/03/2008 1/06/2014					Sample (adjusted): 1/02/2008 1/06/2014				
Included observations: 1568 after adjustments					Included observations: 1569 after adjustments				
Convergence achieved after 132 iterations					Convergence achieved after 21 iterations				
Presample variance: backcast (parameter = 0.7)					Presample variance: backcast (parameter = 0.7)				
GARCH = C(2) + C(3)*RESID(-1)^2 + C(4)*GARCH(-1) + C(5)*					GARCH = C(1) + C(2)*RESID(-1)^2 + C(3)*GARCH(-1) + C(4)*DUM_MD				
C(6)*DUM_MD0(-1) + C(7)*DUM_MD0(-2)									
Variable	**Coefficier**	**Std. Error**	**z-Statistic**	**Prob.**	**Variable**	**Coefficier**	**Std. Error**	**z-Statistic**	**Prob.**
	Mean Equation								
DUM_MD0	**0.030886**	**0.014559**	**2.121483**	**0.0339**					
	Variance Equation					Variance Equation			
C	1.38E-05	1.50E-06	9.162439	0.0000	C	1.35E-05	1.45E-06	9.307612	0.0000
RESID(-1)^2	0.118257	0.006207	19.0536	0.0000	RESID(-1)^2	0.117247	0.005624	20.84828	0.0000
GARCH(-1)	0.900605	0.004354	206.8586	0.0000	GARCH(-1)	0.903041	0.003902	231.4484	0.0000
DUM_MD0	-0.00028	0.001464	-0.19204	0.8477	DUM_MD0	**0.005322**	**0.001072**	**4.963527**	**0.0000**
DUM_MD0(-1)	0.001914	0.002655	0.720984	0.4709					
DUM_MD0(-2)	**0.005364**	**0.002323**	**2.30913**	**0.0209**					
R-squared	-0.00107	Mean dependent v		0.0020	R-squared	-0.00017	Mean dependent v		0.0020
Adjusted R-squ	-0.00107	S.D. dependent va		0.1561	Adjusted R-squa	0.000468	S.D. dependent va		0.1561
S.E. of regressi	0.156226	Akaike info criteric		-1.7124	S.E. of regressio	0.156056	Akaike info criteric		-1.7146
Sum squared re	38.24518	Schwarz criterion		-1.6884	Sum squared res	38.2108	Schwarz criterion		-1.7009
Log likelihood	1349.487	Hannan-Quinn crit		-1.7035	Log likelihood	1349.091	Hannan-Quinn crit		-1.7095
Durbin-Watson	1.626282				Durbin-Watson s	1.627277			

Ireland

Dependent Variable: D_SP_IR					Dependent Variable: D_SP_IR				
Method: ML - ARCH					Method: ML - ARCH				
Date: 02/14/14 Time: 16:49					Date: 02/14/14 Time: 16:43				
Sample (adjusted): 1/03/2008 1/06/2014					Sample (adjusted): 1/02/2008 1/06/2014				
Included observations: 1568 after adjustments					Included observations: 1569 after adjustments				
Convergence achieved after 28 iterations					Convergence achieved after 16 iterations				
Presample variance: backcast (parameter = 0.7)					Presample variance: backcast (parameter = 0.7)				
GARCH = C(5) + C(6)*RESID(-1)^2 + C(7)*GARCH(-1)					GARCH = C(1) + C(2)*RESID(-1)^2 + C(3)*GARCH(-1) + C(4)*DUM_M				
Variable	Coefficier	Std. Error	z-Statistic	Prob.	Variable	Coefficier	Std. Error	z-Statistic	Prob.
Mean Equation									
SQRT(GARCH)	-0.01215	0.022129	-0.54895	0.5830					
DUM_MD0	0.024855	0.020299	1.224466	0.2208					
DUM_MD0(-1)	-0.0058	0.012072	-0.48066	0.6308					
DUM_MD0(-2)	**0.040148**	**0.01102**	**3.64314**	**0.0003**					
	Variance Equation					Variance Equation			
C	2.15E-05	1.59E-06	13.52558	0.0000	C	2.08E-05	1.45E-06	14.35109	0.0000
RESID(-1)^2	1.47E-01	7.52E-03	19.62456	0.0000	RESID(-1)^2	1.43E-01	6.77E-03	21.09161	0.0000
GARCH(-1)	0.881951	0.004902	179.899	0.0000	GARCH(-1)	0.882947	0.004518	195.4099	0.0000
					DUM_MD0	**0.001305**	**0.000503**	**2.592376**	**0.0095**
R-squared	0.00009	Mean dependent v		0.0008	R-squared	-0.00006	Mean dependent v		0.0009
Adjusted R-squ	-0.00183	S.D. dependent va		0.1131	Adjusted R-s	0.00058	S.D. dependent va		0.1131
S.E. of regressi	0.11319	Akaike info criteric		-2.2542	S.E. of regres	0.113018	Akaike info criteric		-2.2562
Sum squared r	20.03804	Schwarz criterion		-2.2302	Sum squared	20.04108	Schwarz criterion		-2.2425
Log likelihood	1774.258	Hannan-Quinn crit		-2.2453	Log likelihoo	1773.971	Hannan-Quinn crit		-2.2511
Durbin-Watsor	1.556522				Durbin-Wats	1.5627			

Spain

Dependent Variable: D_SP_ES					Dependent Variable: D_SP_ES				
Method: ML - ARCH					Method: ML - ARCH				
Date: 02/14/14 Time: 16:45					Date: 02/14/14 Time: 16:41				
Sample (adjusted): 1/03/2008 1/06/2014					Sample (adjusted): 1/02/2008 1/06/2014				
Included observations: 1568 after adjustments					Included observations: 1569 after adjustments				
Convergence achieved after 40 iterations					Convergence achieved after 29 iterations				
Presample variance: backcast (parameter = 0.7)					Presample variance: backcast (parameter = 0.7)				
GARCH = C(4) + C(5)*RESID(-1)^2 + C(6)*GARCH(-1) + C(7)					GARCH = C(1) + C(2)*RESID(-1)^2 + C(3)*GARCH(-1) + C(4)*DUM				
C(8)*DUM_MD0(-1) + C(9)*DUM_MD0(-2)									
Variable	**Coefficier**	**Std. Error**	**z-Statistic**	**Prob.**	**Variable**	**Coefficier**	**Std. Error**	**z-Statistic**	**Prob.**
Mean Equation									
DUM_MD0	0.021942	0.011247	1.950888	0.0511					
DUM_MD0(-1)	-0.00858	0.01689	-0.50783	0.6116					
DUM_MD0(-2)	**0.020623**	**0.009577**	**2.15335**	**0.0313**					
	Variance Equation					Variance Equation			
C	1.81E-05	2.00E-06	9.03693	0.0000	C	1.69E-05	1.76E-06	9.623273	0.0000
RESID(-1)^2	0.116599	0.008061	14.46386	0.0000	RESID(-1)^	0.114217	0.007765	14.70962	0.0000
GARCH(-1)	0.893349	0.006578	135.817	0.0000	GARCH(-1	0.894728	0.006268	142.7466	0.0000
DUM_MD0	-0.00053	0.000772	-0.68996	0.4902	DUM_MD(	0.000205	0.000317	0.647985	0.5170
DUM_MD0(-1)	0.002686	0.003056	0.878741	0.3795					
DUM_MD0(-2)	-0.00211	0.002651	-0.79737	0.4252					
R-squared	-0.00019	Mean dependent v		0.0012	R-squared	-0.00015	Mean dependent v		0.0012
Adjusted R-squ	-0.00147	S.D. dependent va		0.0992	Adjusted I	0.000483	S.D. dependent va		0.0991
S.E. of regressi	0.099252	Akaike info criteric		-2.6127	S.E. of reg	0.099124	Akaike info criteric		-2.6157
Sum squared re	15.41671	Schwarz criterion		-2.5820	Sum squar	15.4162	Schwarz criterion		-2.6020
Log likelihood	2057.365	Hannan-Quinn crit		-2.6013	Log likelih	2055.98	Hannan-Quinn crit		-2.6106
Durbin-Watsor	1.685327				Durbin-W	1.689885			

Italy

Dependent Variable: D_SP_IT					Dependent Variable: D_SP_IT					
Method: ML - ARCH					Method: ML - ARCH					
Date: 02/14/14 Time: 16:51					Date: 02/14/14 Time: 16:50					
Sample (adjusted): 1/03/2008 1/06/2014					Sample (adjusted): 1/02/2008 1/06/2014					
Included observations: 1568 after adjustments					Included observations: 1569 after adjustments					
Convergence achieved after 27 iterations					Convergence achieved after 17 iterations					
Presample variance: backcast (parameter = 0.7)					Presample variance: backcast (parameter = 0.7)					
GARCH = C(1) + C(2)*RESID(-1)^2 + C(3)*GARCH(-1) + C(4)*DUM					GARCH = C(1) + C(2)*RESID(-1)^2 + C(3)*GARCH(-1) + C(4)*DUM					
C(5)*DUM_MD0(-1) + C(6)*DUM_MD0(-2)										
Variable	**Coefficier**	**Std. Error**	**z-Statistic**	**Prob.**	**Variable**	**Coefficier**	**Std. Error**	**z-Statistic**	**Prob.**	
	Variance Equation					Variance Equation				
C	3.09E-05	3.44E-06	8.988012	0.0000	C	2.96E-05	3.26E-06	9.093726	0.0000	
RESID(-1)^	0.116443	0.009047	12.87059	0.0000	RESID(-1)^	0.11046	0.008511	12.97901	0.0000	
GARCH(-1	0.88673	0.007479	118.5677	0.0000	GARCH(-1	0.891776	0.007141	124.8843	0.0000	
DUM_MD(	0.000729	0.001275	0.57196	0.5673	**DUM_MD**	**0.001591**	**0.000449**	**3.542462**	**0.0004**	
DUM_MD(	-0.00097	0.001228	-0.79297	0.4278						
DUM_MD	**0.001853**	**0.000604**	**3.068281**	**0.0022**						
R-squared	-0.00011	Mean dependent v		0.0010	R-squared	-0.00011	Mean dependent v		0.0010	
Adjusted I	0.000528	S.D. dependent va		0.0983	Adjusted I	0.000527	S.D. dependent va		0.0983	
S.E. of reg	0.09831	Akaike info criteri		-2.5360	S.E. of reg	0.098279	Akaike info criteri		-2.5407	
Sum squa	15.15452	Schwarz criterion		-2.5155	Sum squa	15.15452	Schwarz criterion		-2.5270	
Log likelih	1994.188	Hannan-Quinn crit		-2.5283	Log likelih	1997.177	Hannan-Quinn crit		-2.5356	
Durbin-W	1.832967				Durbin-W	1.832967				

Greece

Dependent Variable: D_SP_GR					Dependent Variable: D_SP_GR				
Method: ML - ARCH					Method: ML - ARCH				
Date: 02/14/14 Time: 16:49					Date: 02/14/14 Time: 16:38				
Sample (adjusted): 1/03/2008 1/06/2014					Sample (adjusted): 1/02/2008 1/06/2014				
Included observations: 1568 after adjustments					Included observations: 1569 after adjustments				
Convergence achieved after 12 iterations					Failure to improve Likelihood after 28 iterations				
Presample variance: backcast (parameter = 0.7)					Presample variance: backcast (parameter = 0.7)				
GARCH = C(4) + C(5)*RESID(-1)^2 + C(6)*GARCH(-1) + C(7)*					GARCH = C(2) + C(3)*RESID(-1)^2 + C(4)*GARCH(-1) + C(5)*DUM_MD0				
C(8)*DUM_MD0(-1) + C(9)*DUM_MD0(-2)									
Variable	**Coefficier**	**Std. Error**	**z-Statistic**	**Prob.**	**Variable**	**Coefficier**	**Std. Error**	**z-Statistic**	**Prob.**
	Mean Equation					Mean Equation			
DUM_MD0	**0.101982**	**0.046924**	**2.173358**	**0.0298**	DUM_MD0	0.052496	0.006825	7.69182	0.0000
DUM_MD0(-1)	**0.08055**	**0.032109**	**2.508644**	**0.0121**					
DUM_MD0(-2)	0.010767	0.032999	0.326274	0.7442					
	Variance Equation					Variance Equation			
C	0.075519	0.002787	27.09472	0.0000	C	0.018496	0.001031	17.94725	0.0000
RESID(-1)^2	0.611029	0.027565	22.16681	0.0000	RESID(-1)^2	0.645035	0.022946	28.11041	0.0000
GARCH(-1)	0.330608	0.011269	29.3373	0.0000	GARCH(-1)	0.497056	0.0107	46.45176	0.0000
DUM_MD0	-0.10099	0.009412	-10.7301	0.0000	**DUM_MD0**	**-0.03748**	**0.001738**	**-21.5685**	**0.0000**
DUM_MD0(-1)	**-0.04728**	**0.014047**	**-3.36603**	**0.0008**					
DUM_MD0(-2)	**-0.08677**	**0.000773**	**-112.287**	**0.0000**					
R-squared	-0.00197	Mean dependent v		0.0039	R-squared	-0.00084	Mean dependent v		0.0039
Adjusted R-squ	-0.00325	S.D. dependent va		0.4323	Adjusted R-squ	-0.00084	S.D. dependent va		0.4322
S.E. of regressic	0.433031	Akaike info criteric		0.5467	S.E. of regressi	0.432372	Akaike info criteric		0.0305
Sum squared re	293.4619	Schwarz criterion		0.5775	Sum squared re	293.131	Schwarz criterion		0.0475
Log likelihood	-419.617	Hannan-Quinn crit		0.5581	Log likelihood	-18.9024	Hannan-Quinn crit		0.0368
Durbin-Watson	1.587361				Durbin-Watson	1.587914			

ANNEX 2. FREQUENCY OF QUESTIONS INDIVIDUAL MEPS HAVE ASKED

Rank	MEP name	Group	Nationality	frequency
1	Sylvie GOULARD	ALDE	FR	15
2	Jean-Paul GAUZÈS	EPP	FR	13
3	Sharon BOWLES	ALDE	UK	12
4	Philippe LAMBERTS	Greens-EFA	BE	11
5	Werner LANGEN	EPP	DE	11
6	Astrid LULLING	EPP	LU	11
7	Burkhard BALZ	EPP	DE	10
8	Derk Jan EPPINK	ECR	BE	10
9	Elisa FERREIRA	S&D	PT	10
10	Ramon TREMOSA i BALCELLS	ALDE	ES	10
11	Diogo FEIO	EPP	PT	9
12	Antolín SÁNCHEZ PRESEDO	S&D	ES	9
13	Gay MITCHELL	EPP	IE	9
14	Nikolaos CHOUNTIS	GUE-NGL	HE	8
15	Sven GIEGOLD	Greens-EFA	DE	8
16	Liem HOANG NGOC	S&D	FR	8
17	Olle SCHMIDT	ALDE	SE	8
18	Udo BULLMANN	S&D	DE	7
19	Peter SIMON	S&D	DE	7
20	Kay SWINBURNE	ECR	UK	7
21	Pablo ZALBA BIDEGAIN	EPP	ES	6
22	Markus FERBER	EPP	DE	6
23	Gunnar HÖKMARK	EPP	SE	6
24	Wolf KLINZ	ALDE	DE	6
25	Jürgen KLUTE	GUE-NGL	DE	6
26	Rodi KRATSA-TSAGAROPOULOU	EPP	HE	6
27	Hans-Peter MARTIN	NI	AT	6
28	Anni PODIMATA	S&D	HE	6
29	Leonardo DOMENICI	S&D	IT	5
30	Corien WORTMANN-KOOL	EPP	NL	5
31	Marisa MATIAS	GUE-NGL	PT	5
32	Arlene McCARTHY	S&D	UK	4
33	Othmar KARAS	EPP	AT	4
34	Sławomir NITRAS	EPP	PL	4
35	Ivo STREJČEK	ECR	CZ	4
36	Pervenche BERÈS	S&D	FR	4
37	Vicky FORD	ECR	UK	4
38	Robert GOEBBELS	S&D	LU	4
39	Godfrey BLOOM	NI	UK	3

40	George Sabin CUTAŞ	S&D	RO	3
41	Alfredo PALLONE	EPP	IT	3
42	Sampo TERHO	EFD	FI	3
43	Danuta Maria HÜBNER	EPP	PL	3
44	Roberts ZĪLE	ECR	LV	3
45	Lajos BOKROS	ECR	HU	2
46	Sophia in 't VELD	ALDE	NL	2
47	Thomas MANN	EPP	DE	2
48	Theodor Dumitru STOLOJAN	EPP	RO	1
49	Marianne THYSSEN	EPP	BE	1
50	Thijs BERMAN	S&D	NL	1
51	Bas EICKHOUT	Greens-EFA	NL	1
52	Roberto GUALTIERI	S&D	IT	1
53	Eva JOLY	Greens-EFA	FR	1
54	Olle LUDVIGSSON	S&D	SE	1
55	Theodoros SKYLAKAKIS	ALDE	HE	1
56	Emilie TURUNEN	S&D	DK	1

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