

Frankfurt's double standard: The politics of the European Central Bank during the Eurozone crisis

Dr. Clement Fontan

In this article, I examine the political bias in favour of financial markets displayed by the European Central Bank (ECB) during the Eurozone crisis. I combine the political economy literature on central banking and on democratic systems to identify the ECB's channels of influence and its impact on society. Having analysed the roots of the ECB's bias, I explore the discrepancy between the conditionality of ECB financial support which is directed towards states and that which is directed towards markets. On the one hand, the ECB has exerted strong coercive and cognitive pressures to reform Eurozone economic governance in a market-friendly way. On the other hand, it has employed monetary measures to save large Eurozone banks from a complete meltdown without controlling how these banks use their provided liquidities. I conclude by stressing the democratic problems engendered by the ECB's political bias.