

President of the European Council,
Mr. Charles Michel
President of the European Commission,
Madam Ursula Von Der Leyen
President of the European Central Bank,
Madam Christine Lagarde

Subject: On the consecutive increases in the reference interest rate decreed by the ECB and its impact on workers and households

Following successive increases, at its most recent monetary policy meeting, the European Central Bank (ECB) set the reference interest rate at 4%. This is a decision with impact, among others, on housing loans for families and workers, representing an increase of 0.25 percentage points in relation to the value set at the beginning of May. In addition, the ECB has also announced a further increase next month.

In the May plenary session, the European Parliament discussed the impact of the ECB's monetary policy in various countries, particularly those where variable interest rates predominate. In the debate, commissioner Nicolas Schmit said, "wage-price spiral risks appear extremely contained", pointing to ECB studies, which conclude, "increase in profits had been significantly more dynamic than that in wages" over the previous two years. He also said, "inflation is strongly regressive", i.e. that "poorer households are more severely affected by high inflation as they spend a higher share of their income on food and energy consumption", cautioning inflation, according to estimates, to "have already increased poverty and social deprivation by up to five percentage points in the EU, with important differences across Member States".

Despite this, and following the announcement that the Euro Zone has entered into recession, the ECB is insisting on promoting a restrictive monetary policy on demand, with profound, albeit differentiated, impacts on workers and their families in various Member States. In addition to preparing new interest rate raises in the near future, the ECB confirmed that it would not repurchase public debt assets, pressuring the financing of some States, and is threatening measures that would put even greater pressure on wages, despite the fact that these have already fallen in real value.

This policy aggravates social injustice and inequalities. On the one hand, it contributes to the unbearable increase in mortgage instalments, leading to a significant reduction of families' disposable income, while it also contributes to hindering the financing capacity of micro, small and medium-sized enterprises (MSMEs) and of States themselves. On the other hand, it benefits the banking sector, which, by passing on rate increases to loans but not to deposits, takes advantage to significantly increase its financial margins and profits.

For the above reasons, the signatories of this letter consider that the situation caused by the successive decisions of the ECB reinforces the need for discussion about the lack of democratic scrutiny of the ECB's decisions, despite their profound economic, social and political impacts. In addition, the signatories advocate the need for the following measures:

- To halt and reverse the rise in interest rates, in light of the consequences it is having for workers and their families, for MSMEs and for States; meanwhile, in the immediate term, to

ensure that the impact of the increases already decided upon is borne primarily by the growing profits of the banking sector and not by families and MSMEs;

- An increase in salaries and pensions, safeguarding purchasing power;
- The control of prices of essential goods and services;
- To fight speculation and the taking advantage of rising prices so as to increase profits;
- Taxing the profits of large economic groups in order to promote development and social progress;
- To promote national production in the different Member States, both of consumer or intermediate goods, including in the energy sector, fostering the use of the endogenous renewable energy potential and contributing to the stabilisation of production and distribution chains.

João Pimenta Lopes

Sandra Pereira

Ana Miranda

Clare Daly

Fabio Massimo Castaldo

Giorgos Georgiou

Idoia Villanueva

José Gusmão

Kateřina Konečná

Konstantinos Arvanitis

Leïla Chaïbi

Luke Ming Flanagan

Manu Pineda

Marc Botenga

María Eugenia Palop

Marina Mesure

Marisa Matias

Martin Schirdewan

Mick Wallace

Miguel Urban

Monika Beňová

Niyazi Kizilyürek

Sabrina Pignedoli

Sira Rego

Steilios Kouloglou

Tatjana Ždanoka