I. RT5: Independence and accountability: the case of the European Central Bank (ECB)

Responsible persons: Jérôme Creel (OFCE)
                         Renaud Dehousse (CEE, Sciences-po)
                         Jacques Le Cacheux (OFCE, U. of Pau)

Date and place: 24 October 2006 at Sciences-po in Paris

Detailed programme:

09.00 - 11.00: Session I.
The ECB independence: historical perspective and current practices.
Jean-Victor Louis, ULB
Hubert Kempf, Paris I/Banque de France
Jacques Le Cacheux, Jérôme Creel and Eloi Laurent,
OFCE: « Self-delegation: the ECB and the quiet hijacking of the Euro »
General discussion

11.30 - 13.00: Session II. Keeping the ECB under control: a comparative outlook.
Deirdre Curtin, Utrecht: “Accountability and control in EU law and institutional practice”
Nicolas Jabko, CERI: “Central bank accountability practices in the European union, the United States and Japan”
Discutant: Jim Rollo, Sussex

14.30 - 16.00: Session II (end).
Jean-Paul Fitoussi, OFCE: « le rôle des experts dans les mécanismes de contrôle »
Iain Begg, LSE: “Contested meanings of transparency in central banking”
Discutant: Renaud Dehousse, CEE

16.30 - 17.30: Session III. How could accountability be strengthened?
Panel discussion with the participation of: Chiara Zilioli (ECB);
Jacques Le Cacheux (OFCE); Jérôme Creel (OFCE); Philip Manow (MPI, Cologne)

List of participants:
Iain Begg, LSE
Jérôme Creel, OFCE
Deirdre Curtin, U. of Utrecht
Renaud Dehousse, CEE – Sciences-po
Nicolas Jabko, CERI
Hubert Kempf, Paris I – Banque de France
Eloi Laurent, OFCE
Jacques Le Cacheux, OFCE – U. of Pau
Short description of the activity’s goals and objectives

The purpose of this workshop was to deepen the analysis of the problems that have come to the fore during the May 2005 Workshop organised on “Delegation and Multi-level Governance”, which enabled to highlight the ex ante mechanisms that culminate in the creation of institutions and independent agencies, and their consequences in terms of both political and economic efficiency. The ECB, as the most federal institution of the EU but also as a member of the European System of Central Banks, seems to be the perfect “case study” of delegation politics in the EU.

Indeed, multilevel governance (at the national and supra-national levels) may create difficulties in decision-making and in the implementation of decisions. These difficulties could jeopardize the credibility of the institution; in order to improve the latter, fostering transparency could be a solution; adopting a flexible rule or committing to “constrained discretion” could be another option, maybe a first-best one.

Moreover, the strong independence of the ECB, with low accountability, can complicate policy coordination at the EU level: the strong interdependence between monetary, fiscal and welfare policies should encourage EU countries to coordinate their policies. However, the hierarchy in the objectives of the different EU bodies can differ; for some of them for instance, this hierarchy is context-dependent and is thus able to change relatively frequently. This complex situation is not prone to foster coordination.

Lastly and more generally, the peculiar position of the ECB raises cross-cutting questions which are of interest for experts in political science, law and economics. For instance, the above-mentioned “constrained discretion” may raise democratic issues or control issues; and these issues have to be discussed through a multidisciplinary approach.

In short, this second workshop focused on an unique institution is the evaluation of the integrity and efficiency of the European Central Bank, from different disciplinary perspectives. The workshop focused on two issues:

1) What are the mechanisms used to hold the ECB accountable? How do they compare with similar mechanisms used in other settings? How effective have they been?

2) How are ECB decisions coordinated with those of the other actors who have a say in European macro-economic policies? Is this coordination optimal?

Short summary of the presentations and discussions, achievements

Iain Begg: Contested Meaning of Transparency in Central Banking

Iain Begg’s paper explores the contested issue of transparency in central banking giving a particular attention to the role played by the European Central Bank (ECB) since the establishment of the economic and monetary union (EMU). Trans-national economic governance, it is affirmed, has constantly increased since the first days of European Integration, but questions on the transparency and effectiveness of the ECB to implement its “stability oriented” monetary and fiscal policies must still be raised. The paper starts briefly exploring the normative changes occurring in economic governance, it proceeds discussing the different meanings of “transparency” in central banking, and it concludes comparing and assessing the behaviour of the ECB in relation to the one of the Bank of England and of the Reserve Bank of New Zealand, the two most often cited “transparent” central banks. Iain Begg’s conclusions draw attention to the urgent need of complementing the ECB existent
transparency tools (minutes, voting records, etc.) with other governance mechanisms, which should help to address the particular democratic challenges of economic governance in the euro area.

Jean-Victor Louis: *The ECB Independence: Historical Perspectives and Current Practices*

Jean-Victor Louis’ contribution outlines the European Central Bank (ECB) independence in the pre-and post-Maastricht period. Important issues discussed by the author include: 1) the transition from the monetary committee to the monetary union; 2) the negotiation of Maastricht and the conversion of Member States to the independence of the European System of Central Banks (ESCB) and ECB; and 3) the ESCB and ECB role in the treaty and in the present practice. The paper also asks whether the current ECB independence should be seen as excessive. In order to respond to this crucial question, Louis examines, from a legal perspective, the ECB mandate for price stability, its democratic legitimacy, the exchange rate policy, the issue of accountability, but also the most recent attempted constitutional reforms. He concludes affirming that “time has not come for a big reform of the Statute of the ESCB and ECB”, even though there is still a need for serious reflections on the prudential supervision and crisis management of financial institutions.

Deirdre Curtin: *Framing Accountability of EU Administrative Actors*

Deirdre Curtin’s paper provides an in-depth examination of accountability in the EU. Delegation of powers and responsibilities as well as their possible repercussions for the democratic deficit of European institutions are discussed in the light of the principal-agent framework. Here, “delegation” is understood as a process involving primarily two actors: a “principal” which delegates responsibilities and an “agent” which is called to implement decisions taken from the former. In the case of EU administrative governance, the author shows the difficulties in applying a democratic model of accountability using the principal–agent model. In fact, while the EU legal and political discourse may still be analyzed in terms a principal-agent relationship, especially for comitology committees and for agencies, the practices of accountability do not seem to perfectly fit within relationship.

Nicolas Jabko: *The Politics of Central Banking in the United States and in the European Union*

Nicolas Jabko’s paper examines the politics of central banking in the US and in the EU, paying a special attention to the institutional and political differences/similarities existing between the European Central Bank (ECB) and the US Federal Reserve (Fed). In particular, the paper analyzes the political origins of key similarities of EU and US central banking independence; it examines the different relationships between central bankers and governments; and it concludes suggesting that different patterns of central bank accountability and behaviour reflect the different responses to the common challenge of democracy. According to the author, structural similarities among the two systems cannot be simply explained by functional economic requirements, but need to be explained also in terms of: 1) different politics and political objectives; 2) different economic governance mechanisms; and 3) different patterns of central bank behaviour and accountability.

Jérôme Creel, Éloi Laurent & Jacques Le Cachoux: *La Politique de Change de la Zone Euro ou le Hold-Up Tranquille de la BCE*

Creel et al’s paper investigates the exchange rate policies (and politics) in the Euro zone, with a particular attention given to the EU institutional structure as well as to the consequences that these policies and politics imply for the dynamism and the stability of the European political
and economic system. The Euro, it is argued, is currently not only a currency without a state, but it is also a currency without sovereignty, where the absence of a clear strategy of common growth, of instruments of macro-economic coordination, as well as of an excessive primacy given to price stability have resulted in the introduction of policies of social competition (politiques de concurrence sociale) that may hinder internal growth and regional stability. The authors conclude their analysis stating that if the Euro has to be understood as the interface between Europe and “globalization”, the absence of monetary sovereignty makes the Euro zone a weak actor in the “Bretton Woods II”.

**Name of PhD students participating and description of their involvement**

If none PhD candidate was paper giver in this meeting, many students attended the workshop and participated in discussion. Here is the list of listeners to the meeting:

Frédéric Allemand  
Petya Hristova  
Surdu Oana-Maria  
Zbigniew Truchlewski  
Emilie Proust  
Sara Pini Bouchard  
Philippe Perchoc  
Dorota Szeligowska  
Frédéric Coste  
Liliya Ivanova  
Ting Yang  
Gregor Waschinski  
Rita Balogh  
Chiara Mazzone  
Mirabela Lupaescu

**Name of users participating and description of their involvement**

Because the experience was fruitful during the first workshop of the team in May 2005 in Paris, the organisers know that the involvement of users can add value to the scientific debates. Thus, several practitioners such as ECB staff members, European Commission representatives or members of the European parliament have been invited to this workshop. Finally, two users participated to the meeting, as core participants (paper-givers): Hubert Kempf, from the Banque de France, and Chiara Zilioli, from the ECB.

Hubert KEMPF, Paris I – Banque de France  
Chiara ZILIOLI, ECB

**Planned outcome (publication, further meeting)**

As the workshop brought together scholars from different disciplines, it was felt that a collective publication would be second-best, and that papers were rather to be published separately in learned journals. However, the papers are available on the Connex website.