

## Balancing independence and legitimacy

### How the European Parliament holds the European Central Bank to account

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**Abstract** This article argues that the European Central Bank’s (ECB) accountability framework with the European Parliament (EP) contributes to its legitimacy, but that this arrangement could nevertheless benefit from improvements through a balanced revision. As contemporary political dynamics challenge central bank independence, questions around the ECB’s accountability are pressing. This article investigates all accountability channels in place between the ECB and the EP in its role as key institution holding the central bank democratically to account. The analysis reveals that although no substantial legal changes have been made to the accountability framework, the frequency and scope of its use increased, especially during the crisis. Accountability patterns can be mapped to political factors: partisanship, nationality and issue salience. The article concludes that a revision of the ECB’s accountability framework seems appropriate against the backdrop of its expanded powers and should reflect potential for debate and contestation not only *of* central bank independence, but *about* central banking in the European Union.

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## Die Balance zwischen Unabhängigkeit und Legitimität

Wie das Europäische Parlament die Europäische Zentralbank rechenschaftspflichtig hält

**Zusammenfassung** Dieser Artikel präsentiert das Argument, dass das System der Rechenschaftspflichten zwischen der Europäischen Zentralbank (EZB) und dem Europäischen Parlament (EP) zur Legitimität der EZB beiträgt. Dennoch kann dieses System von einer balancierten Revision profitieren. Da gegenwärtige politische Dynamiken die Unabhängigkeit der Zentralbank bedrohen, sind Fragen nach deren Rechenschaftspflichten von immer größerer Bedeutung. Der Beitrag analysiert alle Kanäle der Rechenschaftspflichten zwischen der EZB und dem EP, da letzteres die entscheidende Institution zur Ausübung demokratischer Verantwortlichkeit darstellt. Die Analyse zeigt, dass auch wenn das bestehende System der Rechenschaftspflichten keine substantiellen legalen Veränderungen erfahren hat, die Nutzung von Instrumenten der Rechenschaftspflicht in Häufigkeit und im Umfang insbesondere im Kontext der Finanz- und Eurokrise gesteigert wurde. Die Charakteristik der Anwendung von Instrumenten der Rechenschaftspflicht folgt dabei den Faktoren: Parteizugehörigkeit, Nationalität und Themenbedeutsamkeit. Vor dem Hintergrund der Kompetenzerweiterungen der EZB folgert der Artikel, dass eine Revision des Systems der Rechenschaftspflichten angemessen erscheint. Eine solche Revision sollte Potentiale zur Debatte und inhaltlichem Wettbewerb nicht nur über Zentralbankunabhängigkeit, sondern über Geldpolitik und die Rolle der EZB in der Europäischen Wirtschafts- und Währungsunion ermöglichen.

### 1 Introduction

Central bank independence can no longer be taken for granted. This state of affairs is especially problematic for the European Union (EU). Its common currency, the euro, is both an important symbol and key means of the European integration process. Its existence to date rests on the discretion of the European Central Bank (ECB), which was willing and able to announce that it would “do whatever it takes, to preserve the euro” (Draghi 2012). The ECB enjoys this discretion because of its high degree of independence from political influence. The input legitimacy of the ECB’s independence is originally derived from the treaties, but over time has come to rely in practice especially on its output legitimacy, namely the efficacy to reach its primary objective of maintaining price stability (Article 127(1) Treaty on the Functioning of the European Union (TFEU)). However, institutional changes and economic developments render the evaluation of the central bank’s output performance more ambiguous, and political dynamics suggest increasing public criticism of central bank policy. The dilemma of little input legitimacy combined with challenged output legitimacy calls for the consideration of a third analytical category, namely throughput legitimacy by means of accountability. The questions addressed in this article are thus whether throughput legitimacy can compensate for weakness of the others, and whether the institutional accountability framework allows

for debate and contestation not only *of* central bank independence, but *about* central banking in the EU.

Monetary policy and ultimately central bank policy is the policy area in which the transfer of executive authority to the European level is most pronounced. While in the intergovernmental model accountability can be offloaded in each of the national parliaments involved, in the supranational model, authority has to be accountable to a corresponding supranational parliament, i.e. the European Parliament (EP) (Crum 2018, p. 270). This is also the understanding of the ECB itself, which argues that it is primary accountable to the EP as the direct representation of the European citizens (e.g. ECB 2002, p. 51, 2018, p. 49; Trichet 2011). As the EP is thus key for providing legitimacy, this study explores the accountability framework in place between the ECB and the EP, primarily by mapping political patterns of usage of accountability channels by Members of the European Parliament (MEP).

This paper aims to make two academic contributions. Firstly, it aims to address studies that analyse the strategic usage of accountability for achieving legitimacy. Tesche (2018) and Schmidt (2016) focus on the strategic usage of accountability channels by the central bank, but tend to neglect the active role of the EP in holding the central bank to account. A more balanced reflection is appropriate especially following the increase in powers of the EP with the Lisbon Treaty (Rittberger 2014). This also enhances the debate around the relative importance of the EP in the European Economic and Monetary Union (EMU) more generally (e.g. Meissner and Schoeller 2019; Fromage 2018).

The article makes—as its second aim—a conceptual contribution to the debate around the appropriateness of the ECB's accountability framework. In this debate, one camp argues for stronger accountability as a means to increase democratic legitimacy (e.g. Braun 2017; Jourdan and Diessner 2019; Högenauer and Howarth 2019) or to counter political backlashes against central bank independence (Jones 2009), while another is more cautious given subsequent risks of politicisation for monetary policy (e.g. Koop and Reh 2019). This article contributes to the debate by assessing the appropriateness of the ECB's accountability framework on the basis of its ability to contribute to throughput legitimacy (see similarly Torres 2013). It argues that the ECB's accountability framework with the EP does contribute to its legitimacy but that it could be improved further by a balanced revision.

This article presents the argument in four steps. The next section (2) shows that because of political and economic developments, the ECB's legitimacy depends increasingly on its throughput dimension. The following section (3) discusses how accountability can contribute to the ECB's legitimacy by showing the importance of two processes: constructive arguing *between* the ECB and the EP, and democratic bargaining and deliberative contestation *within* the EP. This assessment framework sets the backdrop to the empirical discussion of all formal accountability channels in place between the two institutions in the subsequent section (4). The penultimate section (5) critically discusses the appropriateness of the accountability framework and reflects on proposals for improvements. Finally, the last section (6) draws conclusions.

## 2 Central Bank Legitimacy in Political Times

Today's political and sociological dynamics dictate that independent central banks be perceived as legitimate by the people. This is especially true of the ECB. The central bank cannot ignore its perceived legitimacy by the people because shrinking public support can trigger political backlashes that in effect can endanger its capacity to effectively maintain price stability (e.g. Jones 2009; Torres 2013). For the ECB, this implies that it has to avoid apparent flouting of liberal democratic norms, as European member states, EU actors and the citizenry can be assumed to share key values and norms such as human rights, the rule of law, and representative democracy (Schimmelfennig 2010; Rittberger and Schimmelfennig 2006). While these two aspects may hold for all European institutions, central banks rely fundamentally on public trust in money (Braun 2016). When citizens lose trust in the central bank, this endangers both the central bank's capacity for effective monetary policy, and the stability of the monetary and economic order. As the EU is a liberal democratic environment, people's trust in the monetary order rests *inter alia* on citizen's perception of the central bank's legitimacy.

Legitimacy is commonly thought of as a multidimensional concept that can be analytically distinguished into three types: input, output and throughput legitimacy. The latter relates mainly to the ECB's accountability with the EP. More generally, in accordance with Weber (and Scharpf 1999 and Schmidt 2013), legitimacy relates to the extent to which citizens believe that politics, political processes and policy outcomes are acceptable and accepted by the citizenry. Acceptance is achieved when the citizenry believes that politics, processes and policies are morally authoritative and the people therefore comply with executive authority acts voluntarily, even when these go against their own interests and desires (Schmidt 2013, p. 9 et seq.). Building on Scharpf's (e.g. 1999) canonical distinction between the input and output dimension of legitimacy, Schmidt (2013) adds a third analytical category, namely throughput legitimacy. In a nutshell, input legitimacy depends on citizens expressing demands institutionally and deliberatively through representative politics. These should respect their sense of identity and community and allow for constructive support of the citizens. In the intergovernmental model, input legitimacy rests typically on member state parliaments, whereas in the supranational model, like that one of the ECB, input legitimacy rests on the EP (ECB 2002, 2018; Crum 2018, p. 270). Output legitimacy mainly requires policies to work effectively. In case of the ECB, output legitimacy rests on its ability to reach effectively its key goal of maintaining price stability (Article 127(1) TFEU). Throughput legitimacy relates to the institutional and governance processes of the EU. According to Schmidt (2013, p. 7), it "encompasses the myriad ways in which the policy-making processes work both institutionally and constructively to ensure the efficacy of EU governance, the accountability of those engaged in making the decisions, the transparency of the information and the inclusiveness and openness to 'civil society'".

While input and output legitimacy have been especially important over the time until the euro crisis, the ECB relies especially on its throughput legitimacy in the subsequent period. In a first phase, the ECB could rely on the input legitimacy that the institution received from the signing and ratification of the Maastricht Treaty by

member states in accordance with their constitutional requirements, which laid out the framework for the prospective ECB. Consent by member state governments and parliaments on the delegation of monetary policy have been achieved by presenting central banking more as a technical than political matter that benefits from technical expertise and suffers from political influence. Delegation to the world's most independent central bank, the ECB, was viewed by political, business, and most academic elites as a highly desirable and legitimate policy (McNamara 2002; Verdun 1999). Delegation to an outstandingly independent and Frankfurt-based ECB suited the German negotiation positions, could be presented as economically rational, especially for representatives of the highly interdependent European economies (Frieden 2002), and as a politically desirable strategy for leaders that aimed to structurally reform their domestic economies (Quaglia 2005), or those that wished to regain decision-making powers lost due to the dominant role of the Deutsche Bundesbank (Jabko 2010).

While the ECB's input legitimacy could rely in a first phase on sociological, economic and political dimensions, its public support rested until the period immediately after the euro crisis especially on the central bank's output legitimacy. This is partly because once institutionalised, the independent central bank's input legitimacy rests "merely" on the appointment of central bankers by national governments of member states (and does not imply substantial parliamentary involvement), while input through political processes is explicitly prohibited in the Treaty (Article 130 TFEU). As Högenauer and Howarth (2019) show, this kind of legitimacy of the ECB over time was defended by its proponents, including Majone (1998) and Moravcsik (2002), especially by three elements, namely (1) the presence of (and adherence to) a clear mandate assigned by national governments, (2) the absence of (highly visible) redistributive effects, and (3) the low political salience of ECB policies (Högenauer and Howarth 2019). Compliance with all three of these elements is a prerequisite for the ECB to enjoy reliance on its output legitimacy.

In the contemporary phase subsequent the euro crisis, the ECB no longer complies with the three prerequisites of its output legitimacy; its legitimacy now has to rely increasingly on the throughput dimension by means of the accountability framework in place with the EP. Political decisions for institutional expansion and the central bank's unconventional monetary policy blur the lines between monetary and fiscal policy (Fontan et al. 2016; Högenauer and Howarth 2016; Högenauer and Howarth 2019, p. 6 et seq.), its new tasks as an apparent lender of last resort and its political role as government adviser indicate an expansion of its rather narrow mandate (Buitter et al. 2012; De Grauwe and Ji 2015; Chang 2018). Meanwhile, the political salience of the ECB's policies increased (Tesche 2018, p. 5 et seq.), while the rate of people reporting distrust in the central bank increased from 24% in 1999 to 42% in late 2018 (European Commission 2019). In sum, these developments undermine the prerequisites of ECB's output legitimacy. The central bank's simultaneous relatively weak input legitimacy make it essential to ask whether throughput legitimacy by means of the ECB's accountability framework can compensate for the relative weakness of the other two in the period subsequent the euro crisis.

### 3 Balancing Act: A Yardstick for Assessing European Central Bank's Accountability

In the period subsequent to the euro crisis, the ECB's legitimacy relies increasingly on throughput by means of the accountability framework in place between the central bank and the EP. Like legitimacy itself, accountability is a multidimensional concept. It can be defined, in accordance with Bovens (2007, p. 452), as a relationship between an actor and a forum, in which the actor is obliged to explain and justify his conduct, whereas the forum can pose questions; pass judgement, and the actor may face consequences. Assessments of the appropriateness of accountability have to respect that the concept combines normative and functional dimensions (Bovens 2010). On the one hand, central bank independence follows a functional logic of effectiveness and requires appropriate accountability to avoid political backlashes against its independent mandate (Jones 2009). On the other hand, a normative understanding in terms of democratic legitimacy requires the representation of the people affected by decisions, and assesses appropriate central bank accountability in terms of its responsiveness to citizen concerns (Torres 2013).

The challenge for the ECB's accountability framework is that it has to balance the requirements of central bank independence (to secure its output legitimacy) and demands of democratic legitimacy (allowing for citizen representation and responsiveness). The problem is that while central bank independence and central bank legitimacy are mutually dependent on each other, their underlying logics (effectiveness and democratic legitimacy) are conflictive. The accountability framework in place between the ECB and the EP has to balance this trade-off between effectiveness and democratic legitimacy; both too strong and too weak accountability endanger central bank independence. If too weak, accountability increases the probability of political backlashes against the central bank's independent mandate. If too strong, accountability risks politicising monetary policy and leading to conflict with the prohibition of political influence (Article 130 TFEU) and thereby with core principles of central bank independence. As the ECB is both the world's only supranational and most independent central bank, the right balance between independence and legitimacy, through accountability, has to reflect these special conditions of EMU.

Given the specific conditions of EMU, one measure for assessing the appropriateness of accountability is the framework's quality for contributing to the legitimacy of the independent central bank. Accountability shall support (throughput) legitimacy in order to avoid political backlashes while the requirements of democratic (input) legitimacy have to be balanced in order not to contradict with (output) principles of central bank independence. This legitimacy perspective on accountability bridges functional and normative dimensions of accountability. In conceptual terms, Howarth and Spendzharova (2019) differentiate between a vertical, a horizontal and a learning dimension of accountability. The quality of these dimensions can contribute to the ECB's (throughput) legitimacy. Vertical and horizontal accountability support legitimacy by institutional throughput. Member states agreed on the vertical delegation of monetary policy and institutionalised a horizontal accountability framework especially between the ECB and the EP. The learning perspective of accountability refers to whether the framework allows learning and improvement

in the operation of the involved institutions over time. It contributes to legitimacy by allowing for a coordinative discourse of the policy area and relies on the quality of deliberative procedures (Schmidt 2013, p. 17 et seq.). Important to maintain central bank independence, accountability should support (throughput) legitimacy of the ECB to reduce risks of political backlashes. However, the requirements of democratic (input) legitimacy have to be balanced in order not to contradict with (output) principles of central bank independence.

A useful yardstick to measure the contribution of the ECB's accountability to its legitimacy can be found in the debate around the EU's alleged democratic deficit. Majone (1998) and Moravcsik (2002) argue that the EU does not suffer from a "democratic deficit", while Follesdal and Hix (2006) show that even with regard to "thinnest" theories of democracy, a democratic polity requires contestation for political leadership over policy. Yet, in the realm of central banking, too strong accountability that would allow political actors like the EP to contest and bargain about policy would conflict with principles of central bank independence. Too weak accountability risks deepening the alleged democratic deficit and thereby adding to contestation of central bank independence. Therefore, what is required for democratic legitimacy is, to paraphrase Follesdal and Hix (2006, p. 554), an accountability mechanism that generates debate and contestation *about* central banking in the EU, and not *of* central bank independence.

In order to contribute to the ECB's legitimacy, its accountability should generate interinstitutional arguing *between* the ECB and the EP, coupled with appropriate mechanisms that allow for bargaining *within* the EP. Following rational choice approaches, political contest is often understood as bargaining about consequences for the actors involved. Follesdal and Hix (2006) show that these processes of bargaining and contest *within* the EP can support democratic legitimacy in that they allow for deliberation, openness and responsiveness to citizen demands. However, processes of bargaining *between* the EP and the ECB would contradict with principles of central bank independence. An accountability based on a logic of arguing is more appropriate in respecting central bank independence. In line with Risse (2000), arguing is more oriented towards mutual understanding based on a reasoned consensus. Arguing can involve communicative challenges of the validity claims involved in any communication. This can contribute to the ECB's legitimacy by enhancing transparency and openness of the discourse and allowing for mutual learning. While the EP cannot impose consequences in the form of bargaining with the ECB, its accountability can contribute to its legitimacy through the following two processes: 1) It should allow for arguing between the two institutions by ensuring the role of the EP as a forum, in which the ECB is obliged to explain and justify its conduct, and in which the EP can pose questions to increase transparency. Through processes of mutual learning, arguing of this kind can enhance the ECB's responsiveness to citizen demands and identities. 2) Accountability should contribute to legitimacy by allowing for meaningful mechanisms to pass judgement on the ECB's conduct, facilitating democratic bargaining and deliberative contestation about central banking within the EP.

## 4 Accountability Between the European Central Bank and the European Parliament

The ECB is foremost accountable to the EP. In accordance with Article 284(3) TFEU, and Article 15.3 of the Statute of the European System of Central Banks and of the European Central Bank, the ECB has explicit accountability obligations. These legal obligations imply special rights for the President of the Council, the European Commission, and the EP, while the ECB regularly argues that it is “primarily”, or “first and foremost” accountable to the EP in its role as direct representation of the European citizens (e.g. ECB 2002, p. 51, 2018, p. 49; Trichet 2011). The interpretation of the ECB’s primary accountability to the EP is in line with legal and political arguments, namely that the transfer of executive powers to the supranational level requires new sources of legitimacy, provided by the EP (Crum 2018, p. 270). As Torres (2013, p. 296) argues, the EP is the logical supranational choice as it is a priori less conditioned by domestic (debt-biased) vested interests and political business cycles than the Council. Oppositions to national governments are also represented in the EP and may well have different opinions on the issue under discussion. The accountability framework linking the two supranational institutions contributes to the interests of both. The ECB has an interest in acquiring legitimacy. The EP, by arguing that economic governance requires social legitimacy (Rittberger 2014, p. 1181), frequently demands a more prominent role in the EMU. While both institutions can benefit from the strength of their relationship, recent signals from the central bank indicate that it is also wary that the EP could become too assertive (Tesche 2018, p. 12).

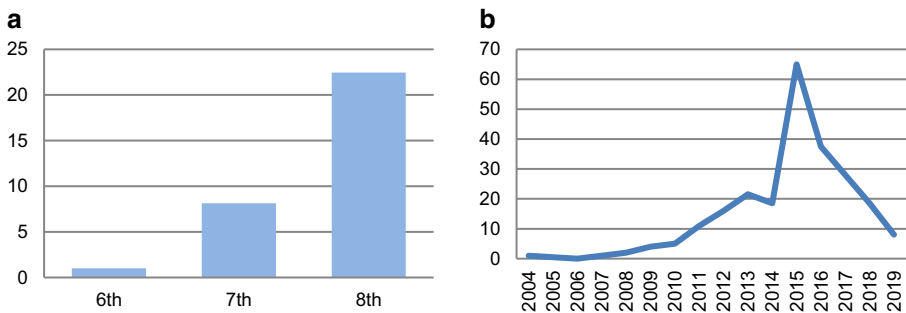
The accountability framework in place between the ECB and the EP can be divided into *formal* and *informal* channels (see for a recent presentation ECB 2018). *Informal* channels comprise especially reporting and information practices that are not legally formalised, such as press conferences, the publication of its “Economic Bulletin”, weekly financial statements, accounts of the ECB’s monetary policy meetings, and other communication with the public through articles, interviews and speeches. The formal accountability channels are foremost outlined in the TFEU and the Statute of the European System of Central Banks and of the European Central Bank. The actual practice of accountability between the two institutions has evolved since the establishment of EMU and is partly codified in the Rules of Procedure (RoP) of the EP. The *formal* accountability framework comprises three accountability channels, namely hearings and exchanges of views, written questions from MEPs to the ECB, and the presentation of the ECB’s annual report in the EP. A fourth channel, though not formally considered part of the central bank’s accountability, is the EP’s role in the appointment process of central bankers. The first two channels have in common that they are basically of an informative nature, while the latter two involve the drafting of a report by the EP. Because of these common features, I discuss in the following their characteristics broken down into the two sets of formalised accountability channels in place between the ECB and the EP. The following empirical discussion rests on comprehensive empirical data compiled by the author and collected from different sources, such as MEPs websites, the EP, the ECB, and the Eur-Lex database.



#### 4.1 Exchanges of Views and Written Questions

Article 284(3) TFEU obliges the President of the ECB and the other members of the Executive Board to participate in hearings and exchanges of views. The details of this framework in the EP are further defined in Rule 126 of its RoP. Accordingly, the ECB's President participates in quarterly hearings before the Committee on Economic and Monetary Affairs (ECON), which is often referred to as the "monetary dialogue". Other Executive Board members also participate in ECON Committee hearings and explain ECB's reasoning and decisions on specific topics. In the context of the monetary dialogues, debates in ECON are led by the committee's chair and usually last approximately two hours. During these meetings, approximately twenty MEPs ask questions. To gain additional information, every MEP can also submit questions to the ECB for written answer. This arrangement was created in the early 2000s by mutual agreement between the ECB and the EP and is currently formalised in the EP's RoP, Rule 131 of the 8th parliamentary term. Accordingly, the number of written questions is restricted to six questions per month per individual MEP. In accordance with Annex III of the EP's RoP, the written questions have to comply with specific criteria, inter alia not to exceeding 200 words. Questions and answers are published on the European Parliament's website.

The frequency and usage of both channels increased, indicating special salience around the height of the financial crisis. Because the formalised framework of the monetary dialogue has not significantly changed since its establishment, the frequencies of quarterly hearings and questions raised have been approximately stable over time. However, especially in the context of important crisis milestones between 2011 and 2015, more than ten extraordinary meetings with ECB Executive Board members (including its President) took place, and exchanges of views at staff level are more frequently held (ECB 2011, p. 145 et seq., 2012, p. 148, 2013, p. 164; 2014, p. 95, 2015, p. 90). The usage of written questions also increased substantially over the last two parliamentary terms (see Fig. 1a, b). A first significant increase can be reported for the 7th parliamentary term and especially for the period subsequent to the euro crisis. However, I report a peak of written questions in 2015, followed by a subsequent decrease. This could reflect a shift of MEP priorities when approaching the end of the legislative term (e.g. to be more present in campaigning or to finalize



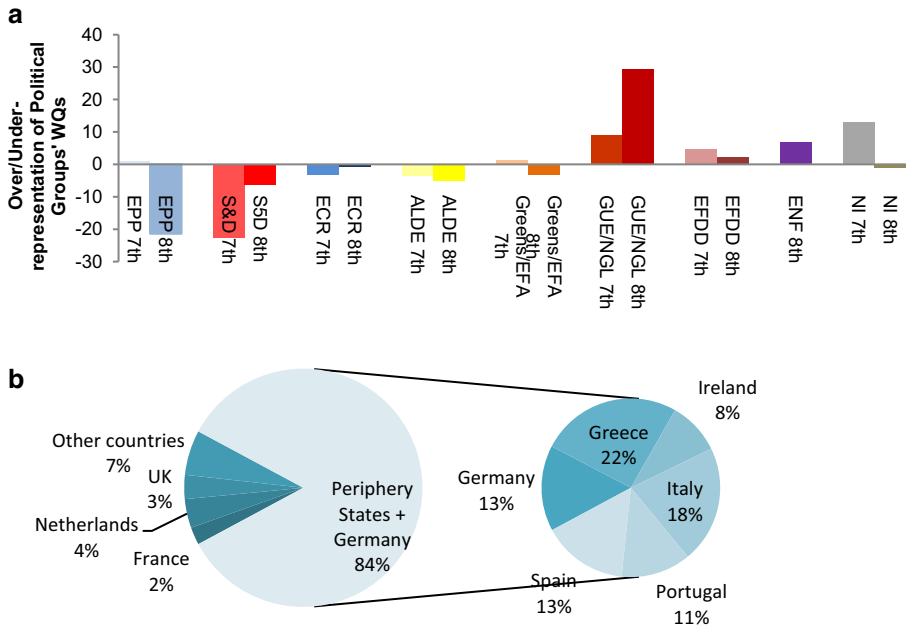
**Fig. 1** Relative Frequency of MEP's Written Questions to the ECB. *Source:* Own presentation and data. Note that the numbers are normalised to 6th term=1 and 2004=1, respectively

pressing reports), a general trend as the salience of the euro crisis has decreased, or both.

The content of the exchanges of views and written questions follows the salience of topics of the political agenda. Before meetings in the context of the monetary dialogue, the EP asks an expert panel to provide briefing papers on one or two specific topics. These papers are published on the Parliament's website shortly before the meeting and it is common practice that the ECB addresses these topics in the ECON Committee debate. Recent data provided by the ECB (2018) reveal that MEPs tend to seek expert advice on topics that are currently important for the political agenda. Consequently, they sought advice on institutional and financial sector policies in the 7th term during the negotiations of the advancement of the banking union, or European financial assistance problems in the aftermath of the financial crisis. The content of written questions follows a similar trend. While the largest number of questions relate to monetary policy (41% in the 8th term), questions around the banking union and related matters (like institutional or financial policies) were especially prominent in the 7th term. In the 8th term, MEPs became increasingly interested in the ECB's role in the Greece assistance programme (an increase from 12 to 23% from the 7th to the 8th term). Questions addressed inter alia controversial aspects like the precise functioning and rationale for the eligibility rules applied to Greek bonds used as collateral in Eurosystem monetary policy operations (ECB 2018, p. 68).

The usage of these accountability channels by MEPs reflects political patterns like partisanship and nationality. Smaller party groups from the extreme left and right spectrum are especially active in submitting written questions to the ECB (see Fig. 2a). This is especially true for GUE/NGL group, the Non-Inscrits (NI) in the 7th term and newly formed ENF group in the 8th term (comprising many of the former NIs), and to a smaller extent also for the EFDD group. The other side of this coin is that the larger party groups, especially the S&D in the 7th and the EPP group in the 8th term are relatively strongly underrepresented. These patterns reflect in part the fact that smaller party groups receive less time for questions in the monetary dialogue, so they seek to compensate by written questions (also because they might want to gain information that is otherwise available only to party groups represented in national governments, e.g. Jensen et al. 2013). Further, more extreme political groups are less convinced by the status quo and request relatively controversial details, for instance the ECB's role in financial assistance programmes.

With regard to nationality, 84% of written questions are from MEPs of just six countries: Germany, Greece, Ireland, Italy, Portugal and Spain (see Fig. 2b). This indicates on the one hand that MEPs from programme countries in particular make use of this accountability mechanism; this pattern also holds when controlled for total representation in Parliament. On the other hand, German MEPs are among the most active (but not over proportionally active in relation to their total group size). A first analysis of the German case indicates the political dynamics behind written questions. While ECB policy was very salient in Germany, a relatively large share of questions (20%) was submitted by MEPs of the ECR group (especially former German Eurosceptic AfD members) criticizing the ECB's alleged departure from its narrow mandate of maintaining price stability. On the other hand, the majority



**Fig. 2** a, b Over/Under-representation of Political Groups' Written Questions in the EP ( $\pm$  percentage points for 7th and 8th term) and Distribution of Written Questions by Nationality of MEPs (all terms). *Source:* Own presentation and data. *Note:* Only member states with a share bigger than two percent are displayed in Fig. 2b

of questions were submitted by MEPs from Greens/EFA (28%) and the GUE/NGL group (38%), demanding more transparency and accountability and criticizing the ECB for being too hawkish.

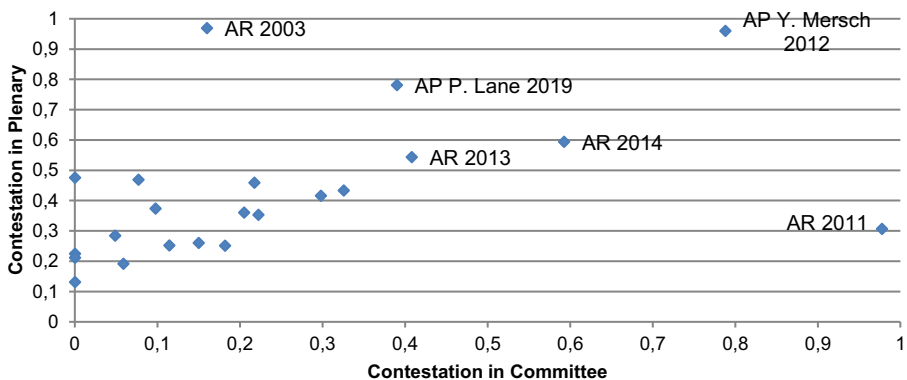
## 4.2 Drafting of Reports

The presentation of the ECB's annual report and the appointment process of central bankers involve the drafting of a report by the EP. In accordance with Article 284(3) TFEU, and as reflected in Article 15(3) of the Statute of the ESCB and of the ECB, the ECB has to address its activities and the monetary policy in an annual report to the EP. The details of this framework in the EP are further defined in Rule 126 of its RoP. The report is presented each year in the European Parliament by the Vice-President of the ECB in a dedicated session of the ECON Committee and by the ECB President on the occasion of a plenary debate. Prior to the debate on the presentation of the annual report by the ECB's president, ECON drafts a report following the own-initiative procedure and the EP decides on a resolution, so that the President of the ECB can address the report in his introductory speech.

As part of the appointment process of the ECB's Executive Board, including its President and Vice-President, the EP has a consultative role. The appointment procedure is defined in Article 283(2) TFEU. Accordingly, the ECB's Executive Board is appointed by the European Council, which acts by a qualified majority, on

a recommendation of the Council, after it has consulted the EP and the Governing Council of the ECB. Within the EP, in accordance with Rule 122 of its RoP, it is the ECON that drafts a proposal for an EP decision on the Council’s recommendation as a non-legislative enactment. It is common practice that the ECON chair drafts the proposal and that any candidate nominated by the Council for the Executive Board of the ECB appears in ECON to make a statement and answer questions of ECON members. After approval in the ECON Committee, the EP’s full plenary votes on the report. Subsequently, it is—as the EP’s position—delivered by the EP’s President to the Council. The process has also evolved since the Lisbon Treaty, so that members of the ECB’s Executive Board are still appointed by the European Council, but acting by qualified majority and no longer by common accord, on a recommendation from the Council of the EU, but still by “merely” consulting the EP.

Drafting of reports on the ECB’s annual reports and on appointments allows for bargaining within the EP and for contestation along political cleavages such as partisanship. Although the resolutions are non-binding, the processes involve formal debates and votes in committee and full plenary. The amendment process allows MEPs to raise, discuss and vote on broad issues around central banking and the ECB’s role in economic and monetary governance in the EMU. This is especially the case for reports on the ECB’s annual report, whose relevance for MEPs is inter alia reflected in the number of tabled amendments. For the reports on ECB’s annual reports, on average the numbers more than tripled since 2010 (from around 75 to around 240 tabled amendments), excluding the peak of amendments in 2016 (568 amendments). With regard to appointments, amendments (5 amendments) were only tabled for the report on the process concerning Yves Mersch in 2012. However, an index-based comparison of the voting patterns on the two kinds of reports reveals that neither is per se more contested than the other, nor that the reports are more contested over time (see Fig. 3).



**Fig. 3** Contestation of Accountability Reports in Committee and Plenary. *Source:* Own data and calculation. The index presents the ratio of Yes- to No-Votes in Committee and Plenary, following  $C = 1 - (Y(x) - N(x)) / (Y(x) + N(x))$ , where “C” denotes contestation, “Y” and “N” the number of yes or no votes respectively. *Note:* Only the most pronounced cases are labelled. Higher numbers indicate more contestation

Contestation of reports on annual reports depends on political patterns like partisanship, ideological content of the report and the political salience of the topic under discussion. Especially the reports on the ECB's annual report allow MEPs to express opinions and evaluate ECB activities. Inter alia, this takes the form of political debates about rather paradigmatic questions such as whether European relative economic weakness is due to a lack of structural reforms or a lack of confidence in aggregate demand (as in case of the debate around the ECB's annual report of 2003). During the crisis, debates included questions about potentially positive and negative effects of unconventional monetary policy and the ECB's role in EMU's economic governance regime (as in case of the debate around the annual report of 2011). As opinion on these aspects often varies with MEPs' position on the left-right spectrum, the three most contested reports on the ECB's annual reports (for 2003, 2011, and 2014) are the only ones not drafted by an MEP from the Grand Coalition of EPP, S&D and the ALDE Group (in 2003 by a member of Greens/EFA, 2011 by a member of GUE/NGL and 2014 by a member of the ECR). Since 2010, the reports have always been written by an MEP from programme countries (namely: Greece 1, Italy 1, Portugal 1, and Spain 5).

Political patterns around the EP's reports on appointments are less pronounced in terms of partisanship and ideological content and more concerned instead with gender of the candidate in particular (as female representation is a key issue). The gender question made the appointment of Yves Mersch the most contested report and subsequently led to negative opinion of the EP (Mersch's appointment was delayed but subsequently approved by the European Council). Female representation remains a key concern for appointments, and the EP deplores that the European Council has not taken this request seriously (EP 2019). Further, the EP scrutinises the political independence of the candidates, for instance in the case of Luis de Guindos, appointed as ECB Vice-President in 2018, who was the serving Minister of Economy in Spain (EP 2018).

### 4.3 Accountability Channels and Throughput Legitimacy

Empirical data on exchange of views and written questions document their potential contribution to the ECB's throughput legitimacy by allowing for access and transparency of information as well as by providing channels for inter-institutional arguing. The interest of MEPs in these channels is documented by the increasing frequency and scope of written questions and exchanges of views especially around the euro crisis, while the topics follow the political agenda. Written questions are especially attractive for those MEPs from countries facing economic crises, as well as those from the more left and right ends of the political spectrum. These patterns show that ECB officials have to engage with a broader public discourse when responding to written questions as well as through hearings and exchanges of views. The debates involve members of parties from oppositions to national governments and nationals from countries facing economic crises. While it is difficult to attribute a learning effect from the hearings on the part of the ECB, in a survey of ECON members of the 7th parliamentary term, all respondents reported that the monetary

dialogue was *always* (50%) or *sometimes* (50%) useful for themselves (Collignon and Diessner 2016).

The EP's reports on the ECB's annual report and appointments are (especially the former) constructive channels contributing to ECB's (throughput) legitimacy by allowing for both arguing between the two institutions and bargaining within the EP (see Table 1 for a summary). Reports in both areas involve debates, amendments processes and votes at committee and full plenary level. As the empirical data reveal, especially the EP's reports on the ECB's annual report allow the EP to address a broad set of topics and enable political bargaining among party groups. The EP makes increasingly political usage of this channel as reflected by the relatively higher interest in amendments and the inclusion of broader concerns of civil society (such as the relationship between climate and finance or concerns about inequalities). To date, reports on appointments encourage less debate about policies. This is because in contemporary practice the Council only submits one candidate to the EP. The subsequent decision on the report consequently takes the form of a simple, and non-binding, yes or no question. However, while the EP's resolutions are non-binding in both areas, formal votes on the reports can serve as a strong signal enhancing the arguing process with the ECB. The presence of the ECB President in the plenary for the debate about the report on the ECB's annual reports underlines the symbolic weight of this process and can, in principle, allow for direct and responsive arguing between the two institutions.

## 5 Legitimacy and the Appropriateness of Central Bank Accountability

The empirical reflection of all existing formal accountability channels in place between the ECB and the EP (including the appointment process) shows that this framework and the active applications of its mechanism by MEPs can contribute to the ECB's (throughput) legitimacy. It simultaneously respects key principles of central bank independence. The yardstick for this assessment is whether the accountability channels allow for mutual learning and responsiveness through processes of arguing between the two institutions, and if they allow for democratic bargaining

**Table 1** Key ECB Accountability Channels and Patterns of Usage

Formal accountability channels and appointments	Patterns of application
Exchanges of views and written questions	<p><i>Increased frequency and scope especially around the euro crisis</i></p> <p><i>Raised topics map the political agenda</i></p> <p><i>Usage reflects political patterns as partisanship and nationality</i></p> <p>→ <b>Accountability pattern: constructive through information and interinstitutional arguing</b></p>
Drafting of reports on the ECB's annual report (and on appointments to the ECB)	<p><i>Potentially political contentious document (as the EP can express comments on and judge past ECB activities)</i></p> <p><i>Usage reflects especially political partisanship</i></p> <p>→ <b>Accountability pattern: constructive through interinstitutional arguing and bargaining within the EP</b></p>

and deliberative contestation within the EP. While the answer to both questions is, in principle, affirmative, maintaining ECB's independence in light of its increased powers might also require further advancements in its accountability. This is because, inter alia, the ECB's faces increasing citizen concerns, adverse voting results and political threats. But without any formal progress, the question is whether a "mere" increase in scope and frequency of already existing accountability mechanisms can compensate for political and economic developments that weakened the ECB's input and output legitimacy.

In the debate around the appropriateness of the ECB's accountability, one camp of scholars, comprising Braun (2017), Högenauer and Howarth (2019) and Jourdan and Diessner (2019), argues for stronger accountability because of the ECB's expanded powers and activities. Another camp comprising inter alia Koop and Reh (2019) is more wary about increased accountability, as greater politicisation in the form of political contest and public scrutiny might adversely affect policy performance and credibility. Both camps agree on the normative desirability of legitimacy and acknowledge that citizens' perception of central bank legitimacy has consequences for the ECB's political independence. In this regard, my analysis of accountability in terms of its ability to contribute to (throughput) legitimacy suggests that the existing accountability framework was relatively effective and robust precisely because the politicized climate allowed for constructive arguing and deliberative bargaining (which increased the ECB's legitimacy). In this regard, politicization is not only the problem, it can contribute to the ECB's legitimacy when it is reflected by mechanisms that allow for democratic bargaining and deliberative contestation not only of central bank independence, but *about* central banking within the EP.

The challenge is that the ECB's accountability framework was designed for a "conservative" central bank in the spirit of the Maastricht Treaty (Amténbrink 2019, p. 166 et seq.). However, the ECB's legitimacy depends increasingly on its throughput dimension by means of accountability. On the one hand, my analysis showed the strength of this existing system and its potential for contributing to the ECB's legitimacy. On the other hand, the analysis revealed that the system has not been adjusted and might be too weak to react to the contemporary climate comprising citizen concerns, adverse voting results and political threats. While enhanced input or output legitimacy mechanisms (e.g. more participation or better policy) are expected to have a positive effect on public perceptions of legitimacy, more EU-level throughput does not seem to have a significantly positive effect on public perceptions of legitimacy (Schmidt 2013, p. 8). Proposals reflecting citizens' concerns around the ECB's legitimacy should therefore focus on and enhance the role of the EP as the closest institution for providing the ECB, besides throughput, also with credible (and more publicly visible) input legitimacy (Rittberger 2014; Torres 2013).

The presented discussion suggests that improvements in the accountability framework between the ECB and the EP can be assessed against their potential to support processes of 1) constructive arguing *between* the two institutions (that might allow for mutual learning) and 2) democratic bargaining and deliberative contestation *within* the EP (and thereby simultaneously respect principles of central bank independence). Against the backdrop of these criteria, among the most desirable of the frequently posed policy recommendations to improve ECB's accountability are:

a specialization of MEPs in the ECON Committee (for instance through establishment of a subcommittee on monetary policy) together with better preparation of the monetary dialogue (Jourdan and Diessner 2019), and proposals to enhance the EP's role in the appointment process (Braun 2017; Jourdan and Diessner 2019). More specialization can contribute to expertise and thus encourage effects of mutual learning in the exchange of views and hearings. Political deliberation beyond questions of gender and independence (for instance, those concerning candidates' expertise or economic "beliefs") within the EP about appointments for the ECB's Executive Board suffers from the EP's weak and non-binding position in the process. To date, the Council submits only one candidate to the EP. This renders its position as a mere yes or no-question. Reasonable proposals for improvements allowing MEPs to formulate a more constructive opinion include providing the EP with confirmatory powers (Braun 2017) or presenting shortlists of candidates (Jourdan and Diessner 2019). Both are exercised already in context of the Single Supervisory Mechanism.

Somewhat paradoxically, some demands to enhance transparency are more ambiguous. These include the publication of voting patterns of the ECB's Governing Council (Jourdan and Diessner 2019). While transparency is certainly a precondition of accountability, the strength of the existing accountability framework lies in allowing for arguing between the two institutions and bargaining within the EP. As most Governing Council members are appointed by national governments, this might add an intergovernmental dimension that could conflict with the democratic potential of the two supranational institutions' relationship. A too strong intergovernmental dimension in the accountability framework risks prioritising questions of central bank independence over central bank policies, thereby complicating arguing between the ECB and the EP, as well as constructive bargaining in the EP.

## 6 Conclusion

The ECB's accountability framework with the EP contributes to its legitimacy. It nevertheless would still benefit from balanced revision. With central bank independence increasingly being challenged, the ECB's legitimacy depends more and more on the accountability framework with the EP. While both too strong and too weak accountability endanger central bank independence, central bank accountability can contribute to legitimacy by allowing for constructive arguing *between* the ECB and the EP, and democratic bargaining and deliberative contestation *within* the EP. The empirical discussion of all formal accountability channels in place between the two institutions revealed that MEPs' active participation in these processes and their usage of respective accountability mechanisms contributes to the ECB's (throughput) legitimacy. Given the ECB's expanded powers and activities, the existing accountability framework is unlikely to compensate for weaknesses of input and output legitimacy. A balanced revision of the ECB's accountability framework seems appropriate, because of contemporary challenging social and political dynamics. Improvements in the accountability framework between the ECB and the EP require effort on the part of both institutions, while both can profit from a balanced revision. The ECB has an interest in acquiring democratic legitimacy in order to



ensure its independence and to ensure economic governance coordination at the European level (as more national or intergovernmental economic governance can affect its credibility through spillover effects). The EP has an interest in becoming a real European principal and can thus benefit from a substantial relationship with the ECB, which should however respect the discretion of its agent. Both institutions share the aim to contribute to what they perceive as the common interest of the people of Europe. In this regard, they should explore reform potential that encourages debate and contestation not only of central bank independence, but *about* central banking in the European Union.

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