

**SHEDDING LIGHT
ON A BLIND SPOT:
NEW EMPIRICAL EVIDENCE
ON THE ACCOUNTABILITY
OF THE EUROSYSTEM
NATIONAL CENTRAL BANKS**

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ABSTRACT:

According to the principles of modern central bank governance, accountability is the necessary counterpart of independence. The empirical literature on central bank governance has produced some indices of central bank accountability, but on a much smaller scale than those of central bank independence. Empirical research on the accountability of central banks in the Eurosystem is particularly lacking. Broadly speaking, recent empirical research focuses on the ECB practices and national central banks have not received much attention. This paper intends to shed light on the blind spots of the accountability of central banks in the Eurosystem. There are both gaps in the empirical literature and a lack of attention to the question of the accountability of Eurosystem central banks although these central banks continue to play a very important role, well beyond the tasks performed in the framework of the Eurosystem, for instance in banking supervision. To do this, the paper updates the indices of accountability for the national central banks of the Eurosystem, analyzes and compares the accountability settings of national central banks. Despite homogeneity in the overall level of accountability, national central banks have very heterogeneous procedures when it comes to reporting to political authorities.

Keywords: central bank accountability; central bank governance: central bank independence; Eurosystem; National Central Banks

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1. INTRODUCTION

In the late 20th century and the 2000s, the world witnessed a massive rise in the average level of central bank independence (CBI) worldwide (de Haan, Bodea, Hicks & Eijffinger, 2018). Beyond numerous individual central banks, there was also mass adoption of CBI by the twelve central banks that founded the Eurozone and by the European Central Bank (James, 2012). CBI came to be seen as a chief principle of modern monetary policy. It became conventional wisdom (International Monetary Fund, 1999, 2000; World Bank, 1992) and entered the “augmented” Washington Consensus list of principles (Rodrik, 2006)¹. In a nutshell, “central bank independence means that monetary policy is delegated to unelected officials and that the government’s influence on monetary policy is restricted” (de Haan & Eijffinger, 2016, p.2). However, accountability is commonly considered as the necessary counterpart of CBI, and as one of the three pillars of central bank governance along with transparency (Bank for International Settlements, 2009; International Monetary Fund, 1999; Laurens, Arnone & Segalotto, 2009). According to Lastra (2020, p.111), accountability corresponds to the obligation owed by one person or institution (the accountable) to another (the accountee) “according to which the former must give account of, explain and justify his actions or decisions against criteria of some kind, and take responsibility for any fault or damage”. Transparency corresponds to the availability of information on such actions and, thus, strengthens accountability. These institutional “best practices” are indeed recommended by the International Monetary Fund’s Code of Good Practices on Transparency in Monetary and Financial Policies, adopted in 1999, updated and renamed Central Bank Transparency Code in 2020 (International Monetary Fund, 1999, 2020).

The empirical literature on central bank governance has produced some indices of central bank accountability, but on a much smaller scale than those of CBI². It can be said that there is no standard index in the literature covering most central banks globally. In addition, empirical research on the accountability of central banks in the Eurosystem is particularly lacking. The index of Laurens et al. (2009) covers almost a hundred central banks, including the Eurosystem national central banks (NCBs), but it is no longer up to date. The index of de Haan et al. (1999) is often updated (cf. de Haan et al. 2018) but only for the main central banks such as the European Central Bank (ECB). Broadly speaking, recent empirical research on central bank accountability in the Eurosystem focuses on

1. Refer to do Vale (2021, 2022) for a theoretical assessment of the CBI literature as well as an historical account of CBI both as an idea and a practice.

2. For empirical work on transparency refer to Crowe & Meade (2008) and to Dincer & Eichengreen (2014).

the ECB practices and NCBs have not received much attention. For instance, two relevant papers by Ferrara et al. (2022) and Fraccaroli et al. (2022) analyze the hearings of the ECB in the European Parliament aiming, respectively, to find how the ECB is held accountable by European MPs, and to examine the informational content of parliamentary hearings when compared with press conferences. Högenauer & Howarth (2019) constitute a remarkable exception. They focus on parliamentary scrutiny over NCBs in Germany, France and Belgium during the 2013–2016 period. The ECB is generally considered the only institution of interest in the Eurosystem because of its responsibility for monetary policy in the euro area³. “Therefore, policy reports and reform proposals focus on the improvement of the ECB’s accountability framework (Amténbrink & Markakis, 2023; Braun, 2017; Claeys & Domínguez–Jiménez, 2020; Claeys, Hallerberg & Tschekassin, 2014).

This paper intends to shed light on the blind spots of the accountability of central banks in the Eurosystem. There are both gaps in the empirical literature and a lack of attention to the question of the accountability of Eurosystem central banks in the public sphere although these central banks continue to play a very important role, well beyond the tasks performed within the framework of the Eurosystem, for instance in banking supervision⁴. To do this, the paper updates and extends the indices of Laurens et al. for the central banks of the Eurosystem, analyzes and compares the accountability settings of NCBs.

3. The empirical literature on CBI also tends to neglect NCBs (de Haan et al. 2018; Romelli, 2022).

4. Recall that following the Single Supervisory Mechanism (SSM), national supervisory authorities (often the NCBs) perform banking supervision for non-systemic banks, while the ECB directly supervises systemic banks.

2. INDICES OF ACCOUNTABILITY OF CENTRAL BANKS AND THE EUROSISTEM: LITERATURE REVIEW

The empirical literature on central bank accountability has developed in the late 1990s and the early 2000s (Briault, Haldane & King, 1997; de Haan et al. 1999; Siklos, 2002). It has produced some indices of accountability, but on a much smaller scale than those of CBI, particularly when it comes to the number of countries covered.

These indices provide information on the level of accountability of a central bank. Each index is composed of a variety of criteria considered relevant by its authors and whose fulfillment is generally assessed by analyzing legislation. Thus, the design of such indices, in terms of criteria and weighting, may vary significantly but the common feature is to emphasize reporting to political authorities. The following table, reproduced from Laurens et al. (2009, p.106), summarizes the results of three indices of accountability: Briault et al. (1997) provided indices for 14 countries including 6 future Eurozone members (Belgium, France, Germany, Italy, Netherlands, Spain); de Haan et al. (1999) covered 16 central banks including the same 6 Eurozone members, out of 11, and the ECB; Siklos' (2002) sample of 21 central banks has 10 Eurosystem NCBs out of 12 (Greece and Luxembourg were lacking) and the ECB⁵.

TABLE 1:
Summary of
accountability
indices

Source: Laurens et al. (2009, p.106)

	<i>Briault et al., de Haan et al., Siklos</i>			<i>Briault et al., de Haan et al., Siklos</i>		
	<i>1996</i>	<i>1998</i>	<i>2002</i>	<i>1996</i>	<i>1998</i>	<i>2002</i>
	<i>Absolute values</i>			<i>Normalized values</i>		
Australia	1,5	7	8,75	0,375	0,5385	0,7292
Austria	–	–	6,75	–	–	0,5625
Belgium	0	3	3,5	0	0,2308	0,2917
Canada	–	7	6	–	0,5385	0,5
Denmark	2,5	4	4,25	0,625	0,3077	0,3542
Finland	–	–	7,58	–	–	0,6317
France	1	6	6,92	0,25	0,4615	0,5767
Germany	0	3	8,83	0	0,2308	0,7358
Ireland	–	–	4,88	–	–	0,4067
Italy	1	4	4,88	0,25	0,3077	0,4067
Japan	1,5	6	9,5	0,375	0,4615	0,7917
New Zealand	3	10	10	0,75	0,7692	0,8333
Netherlands	0,5	5	7,75	0,125	0,3846	0,6458
Norway	–	–	6,67	–	–	0,5558
Portugal	–	–	7,38	–	–	0,615
Spain	2	7	8,67	0,5	0,5835	0,7225
Switzerland	0	2	6,75	0	0,1538	0,5625
Sweden	2	5	7,38	0,5	0,3846	0,615
UK	3,5	11	8,25	0,875	0,8462	0,6875
US	2	6	6,75	0,5	0,4615	0,5625
ECB	–	4	8,5	–	0,3077	0,7083

5. References in the table do not correspond to those in the text since we refer to the late and published versions.

Among these indices, the index designed by de Haan et al. (1999) became a reference. That index is often updated but only for a few central banks such as the ECB, the Bank of England, the Bank of Japan and the Federal Reserve (cf. de Haan et al. 2018). Since the adoption of the euro, the ECB is responsible for conducting monetary policy for the euro area, hence the NCBs indices are no longer updated.

Laurens et al. (2009) created a new index and provided a much larger dataset with indices as of the end of the first quarter of 2006 for 98 central banks representing 109 countries. In contrast to the updates of the reference index of de Haan et al. (1999), Laurens et al. (2009) also provided indices for almost all the Eurosystem NCBs (11 out of 12, Luxembourg was lacking; among 7 future members 5 were covered: Slovenia, Slovakia, Estonia, Latvia, Lithuania – Cyprus and Malta were lacking). Table 2 shows these accountability indices expressed in absolute values in a 0 to 10 scale. According to our own calculations, the Eurosystem NCBs in 2006 (excluding Luxembourg) had an average accountability index of 7,28. If we add the available scores of future Eurosystem NCBs (Slovenia, Slovakia, Estonia, Latvia, Lithuania), the average is 7,37. The ECB's score is slightly greater than those NCBs' averages. According to Laurens et al. (2009, p.163–164), scores can be considered low when they are below 4,5, medium when they are between 4,5 and 6,9, high when they range from 7 to 7,9 and highest when they are at least equal to 8. So, these averages are high. Also, all Eurosystem NCBs in 2006 had either medium or high scores.

TABLE 2:
Laurens et al. (2009) indices
for Eurosystem's NCBs –
authors' calculations

	ABSOLUTE VALUES
Austria	7,66
Belgium	6,66
Finland	6,66
France	7,66
Germany	7,66
Greece	7,49
Ireland	6,66
Italy	6,66
Netherlands	7,66
Portugal	7,66
Spain	7,66
Estonia	7,83
Latvia	5,33
Lithuania	7,33
Slovakia	7,66
Slovenia	9,65
Euro NCBs 2006 avg.	7,28
Idem + future members avg.	7,37
ECB	7,66

To our knowledge, no more relevant studies have emerged with new indices since Laurens and colleagues provided their own. Also, no more updates of any index of accountability for Eurosystem NCBs have been proposed. Thus, it can be said that there is no standard index in the literature covering most central banks globally, including those of the Eurosystem. The index of de Haan et al. (1999) is often updated but only for the ECB. The index of Laurens et al. (2009) covered almost a hundred central banks, including almost all the Eurosystem NCBs, but has not been updated.

The Laurens et al. (2009, p.132–135) index relies on previous indices, in particular Siklos (2002). It is meant to be more centered on accountability proper than the de Haan et al. index and to avoid the overlap between accountability and transparency from which the latter suffers. Beyond the question of the relative merits of different indices, we will update the Laurens et al. index in this paper in order to pursue the work already done on the accountability of Eurosystem NCBs.

3. ACCOUNTABILITY OF NATIONAL CENTRAL BANKS IN THE EUROZONE: NEW PIECES OF EVIDENCE

This section will first give further details concerning the methodology used to build the Laurens et al. index (3.1). Then, we will present new pieces of evidence concerning the accountability of Eurosystem NCBs by updating and extending the indices of Laurens et al. (3.2).

3.1. Methodology

The accountability index proposed by Laurens et al. (2009) gives central banks a score between 0 and 10 (note that it can also be expressed in a 0 to 1 scale). The higher the score, the more accountable the central bank is. The following is a brief presentation of that index⁶. There are ten criteria, each with a possible score of 1, divided into four components: responsibility, accountability on objectives, ex-post accountability and governance responsibility.

Following Laurens et al. (2009, p. 135), the first component, responsibility, assesses whether the central bank (CB) is the only responsible agency when it comes to monetary policy-making. Accountability on objectives deals with the clarity of final objectives, understood as the benchmark against which the CB performance should be evaluated. Ex-post accountability focuses on the reporting procedures to political authorities. Governance responsibility concerns the CB's decision-making mechanisms.

The first component, **central bank's responsibility**, includes two criteria:

1. The first criterion dimension concerns the central bank's operational autonomy, that is, its capacity to set the intermediate objectives of monetary policy autonomously. Following Laurens et al. (2009, p. 136), the idea is that "the more autonomous the central bank in setting its intermediate objectives, the more the central bank will be accountable for the related outcome." There are four possibilities. (i) The central bank can set its intermediate objectives alone, which gives 1 point. (ii) Intermediate objectives can also be determined by the central bank and the government jointly, which gives 0.66 points, or (iii) by the central bank's law, which gives 0.33 points. (iv) Last,

6. For a more detailed presentation of the index, the reader can refer directly to Laurens et al. (2009, pp. 132-145).

the intermediate objectives may be non-existent or set by the government, which gives a null score.

2. The second criterion asks if the central bank is subject to possible interference, meaning external political pressure in the formulation of monetary policy, if there is, for instance, a representative of the government with voting rights on the board of the central bank or if the decisions of the central bank are subjected to the approval of the Government. The idea is that “an institution is fully responsible for its actions only if it is autonomous in its implementation” (2009, p. 138). If the central bank is subject to possible interference, the score is null, and if the answer is negative, it gives 1 point.

The second component, **accountability on objectives**, includes three criteria:

3. The third question focuses on the clarity of monetary policy’s final objective(s). The idea is that clear objectives give a well-defined benchmark to assess the central bank’s actions. There are three possible answers. (i) The central bank can have a single and clearly defined objective, which gives 1 point. (ii) The central bank can have multiple objectives but with a clear hierarchy order, which gives 0.5 points. Finally, (iii) the central bank can have multiple objectives without prioritization between them, which gives a null score.
4. The fourth question asks if there is a quantified final objective, given that a quantified target facilitates performance evaluation. In the absence of a quantified target, the score is null, whereas 1 point is given if such a quantified objective exists.
5. The fifth question is about the publication of an economic outlook on the state of the economy, considering that this is an additional tool allowing for performance evaluation, making the central bank more responsible. There are four possible answers.
 - i. If the central bank publishes a detailed forecast, 1 point is given.
 - ii. If the central bank publishes a forecast with an assessment of risks, 0.66 points are given.
 - iii. When the central bank only publishes a general statement, 0.33 points are given.
 - iv. In the absence of any forecast published by the central bank, the score is null.

The third component, **ex-post accountability**, includes three criteria:

6. The sixth question is about reporting mechanisms to political authorities. What is taken into consideration here is a report dealing with policy (monetary policy as well as banking supervision, macroprudential policy and

what pertains to financial stability in general) sent to political authorities at a prespecified frequency (e.g., annual). Reports of annual accounts of the central bank are thus irrelevant here. There are three possible answers, each of them giving 0.33 points: (i) reporting to the legislature, (ii) reporting to ministers, (iii) and reporting to other bodies, such as the head of state.

7. The seventh question deals with regular appearances before a parliament. If there are mandatory hearings scheduled regularly, it gives 1 point. In the absence of such procedures, the score is null.
8. The eighth question is about conflict resolution mechanisms. This refers to conflicts between the central bank and political authorities. The existence of procedures designed to settle those disputes makes the central bank more accountable. There are three cases, each of them giving 0.33 points: (i) there is in the law a definition of this kind of conflict, (ii) the law includes conflict resolution procedures, and (iii), if those procedures fail, the law provides a clear final settlement of the dispute.

The fourth component, **governance responsibility**, has two criteria:

9. The ninth question deals with the decision-making structure of the central bank. It is asked whether (i) the decisions are adopted by a committee, which gives 1 point, or (ii) by the chairman of the board alone, which gives 0.5 points. This aims to distinguish between the central bank's responsibility and the personal responsibility of the chairman (making the central bank, as an institution, less accountable).
10. The last question focuses on the existence of clear appointment procedures. When there are clear procedures concerning appointment and dismissal of board members, external pressures are less probable, and the board is more likely to be responsible. One point is given if those procedures are clearly stated.

TABLE 3
Laurens et al. detailed
accountability index
 Source: Laurens et al.
 (2009, p.137)

<i>Modules</i>	<i>Value</i>	<i>Max. score</i>
Responsibility		2
(1) Who sets the objectives of monetary policy?		1
(i) Central bank	Yes 1	
(ii) Central bank and government jointly	Yes 0.66	
(iii) Set by statute	Yes 0.33	
(iv) None/government	Yes 0	
(2) Is the central bank subject to possible interference?	No/Yes 1/0	1
Accountability on objectives		3
(3) Clarity on final objective of monetary policy (de jure)		1
(i) Single and clearly defined objective	Yes 1	
(ii) Clear prioritization of multiple objectives	Yes 0.5	
(iii) Multiple objectives without prioritization	Yes 0	
(4) Quantification of objective (de facto)	Yes/No 1/0	1
(5) Publication of an economic outlook		1
(i) In the form of explicit forecasts	Yes 1	
(ii) Forecasts with assessment of risks	Yes 0.66	
(iii) General statement only	Yes 0.33	
(iv) No economic outlook	Yes 0	
Ex post accountability		3
(6) Reporting mechanisms and procedures (dealing with policy)		1
(i) To minister	Yes 0.33	
(ii) To legislature	Yes 0.33	
(iii) Other (for example, board)	Yes 0.33	
(7) Regular appearances before parliament (de jure – de facto)	Yes/No 1/0	1
(8) Conflict resolution procedures (de jure)		1
(i) Definition of conflict	Yes 0.33	
(ii) Procedures to resolve conflict	Yes 0.33	
(iii) Clear outcomes in the case of failure to resolve conflict	Yes 0.33	
Governance responsibility		2
(9) Decision-making structure (de jure)		1
(i) By committee	Yes 1	
(ii) CEO only	Yes 0.5	
(10) Clear and detailed explanation of appointment procedures		1

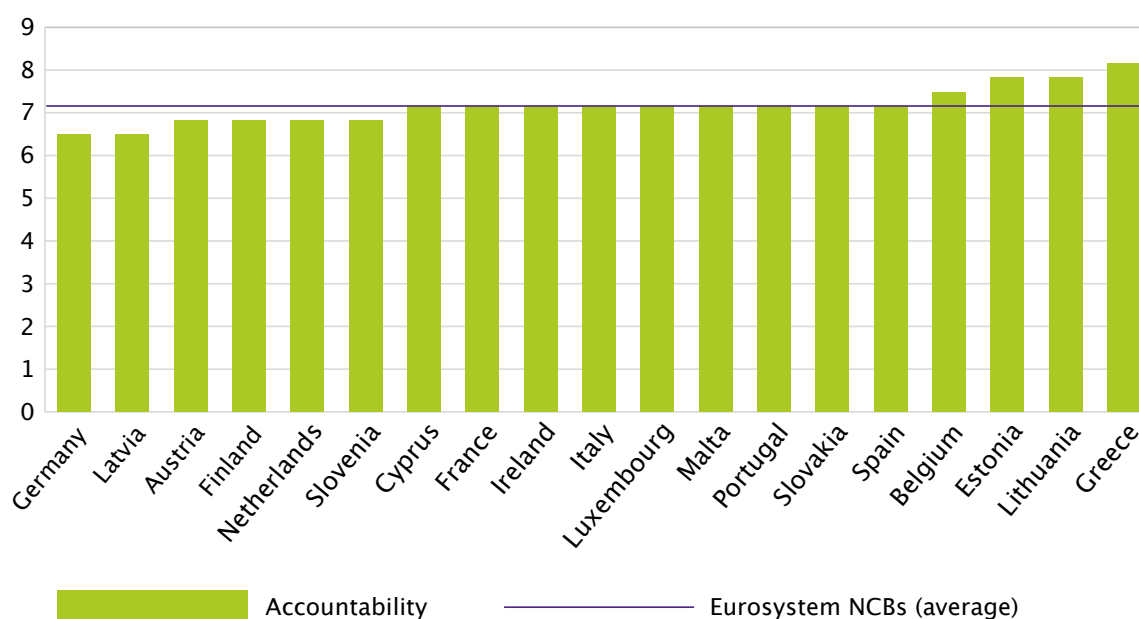
Table 3 summarizes the Laurens et al. accountability index and its coding procedure. This index essentially relies on a de jure approach combined with a de facto analysis for criteria 4, 5 and 7. In this work, our initial objective was to follow the Laurens et al. combined approach, and to complement the analysis of legislation (de jure) with an analysis of practices (de facto). This was particularly important for the 7th criterion on parliamentary hearings. To this end, we designed a questionnaire that was sent to all the NCBs of the Eurozone. The questionnaire, reproduced in annex 1, was meant to go beyond that purpose by providing detailed information on parliamentary oversight and accountability procedures. However, given the low response rate to date, we have not been able to consider the analysis of concrete practices and we have used a purely de jure approach to code that criterion. Indeed, only 2 out of 19 NCBs fully replied to the questionnaire (Estonian and Irish central banks) whereas 2 NCBs (the German and the Slovenian ones) explicitly refused to reply.

3.2. New pieces of evidence

Our motivation was to update and extend the Laurens et al. accountability index for all the 19 Eurozone NCBs⁷. After an extensive analysis of the relevant legislation, we can provide the reader with some new pieces of evidence on accountability⁸.

On average, the NCBs of the Eurozone have a score of 7.16 out of 10. However, there is some diversity. The values range from 6.5 for Germany and Latvia to 8.15 for Greece, with a coefficient of variation of 5.8% (see Graph 1).

GRAPH 1: Indices of accountability for Eurosystem NCBs in 2022



Our overall accountability scores (hereafter referred to as do Vale and Malherbe, or dVM (2022)) can be compared with those of Laurens et al. (2009). Table 4 provides such comparison and historical evolution. Such a comparison excludes Cyprus, Luxembourg and Malta, whose NCBs were not part of Laurens et al. sample of 16 countries (11 members and 5 future ones). While the average level of accountability is similar (7.16 out of 10, against 7.37, i.e. 2.8% smaller), the coefficient of variation appears to be 46,5% smaller (6.3% against 11.8%). Those differences can be explained by three main factors.

7. Croatia is not covered since data collection and analysis was done in 2022 before that country became the 20th member of the euro area.

8. Data is provided in annex 2. More detailed data can be provided upon request to the authors.

Firstly, several countries changed their legal framework in the meanwhile, especially for countries that came to enter the Eurosystem (Slovenia, Slovakia, Estonia, Latvia, Lithuania). The Eurosystem membership probably brought convergence for those countries and resulted in less variation among the 16 countries of the full sample. This seems consistent with the fact that some sort of similarity and stability is observed for NCBs already in the Eurosystem in 2006 (11 without Luxembourg). Indeed, their coefficient of variation is substantially lower than in the full sample in 2006 (6,48% vs 11,8%) while they are similar in 2022 (5,74% vs 6,3%).

Secondly, transparency practices have evolved and all NCBs now get 1 point at criterion 5 since they publish detailed forecasts and economic outlooks.

Thirdly, the coding procedures we used are slightly different from those used by Laurens et al. when it comes to the third criteria dealing with “clarity on final objective of the monetary policy”. Laurens et al. considered that NCBs of the Eurosystem (as well as the ECB itself) had a “single and clearly defined objective”, and subsequently gave them 1 point. However, from a de jure perspective, our interpretation of the legislation suggests that the NCBs of the Eurosystem are better described by considering they have a “clear prioritization of multiple objectives”, which gives them 0.5 points instead of 1 point⁹. A fortiori, this different coding procedure also applies to the ECB. Nevertheless, the ECB eventually shows a greater level of accountability, thanks to the extra points obtained in criteria 5, as explained above, and 6¹⁰. Again, the ECB’s score is greater than the NCBs’ average.

9. NCBs statutes usually rephrase the legal dispositions of the Treaty on the Functioning of the European Union on the mandate of the European System of Central Banks. Indeed, according to article 127: “The primary objective of the European System of Central Banks (hereinafter referred to as ‘the ESCB’) shall be to maintain price stability. Without prejudice to the objective of price stability, the ESCB shall support the general economic policies in the Union with a view to contributing to the achievement of the objectives of the Union as laid down in Article 3 of the Treaty on European Union.”

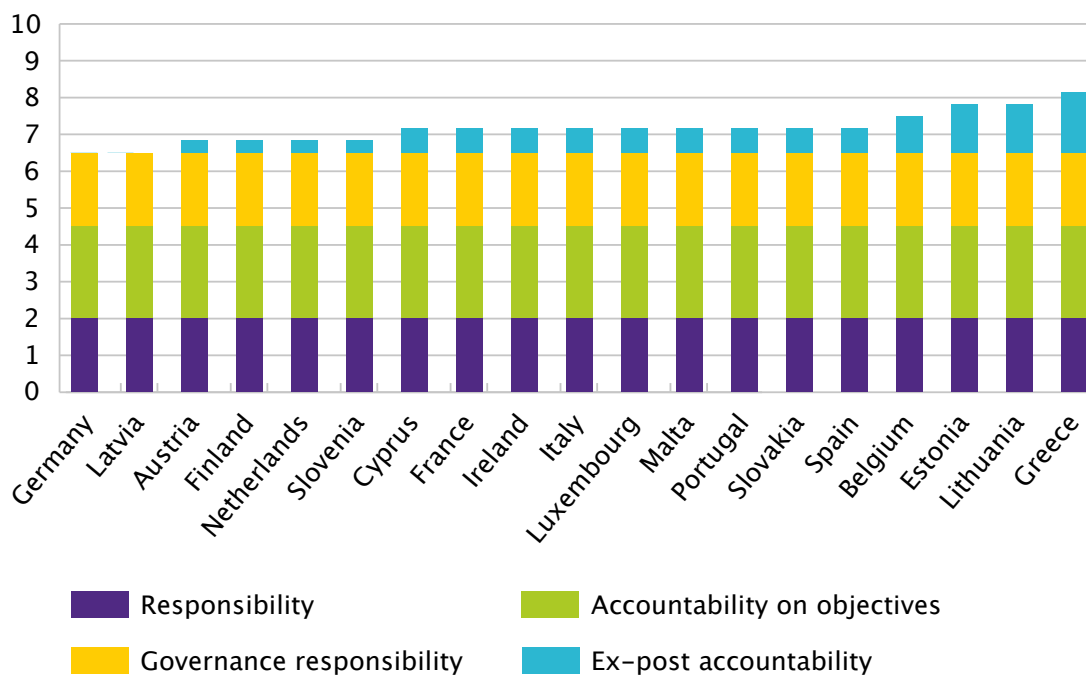
10. Concerning criterion 6, when compared to Laurens et al., the ECB got 0,33 extra points. According to article 284(3) of the Treaty on the Functioning of the European Union and to article 15(3) of its statutes, we consider that the ECB reports to other bodies than the European Parliament.

TABLE 4: Evolution of overall accountability scores – authors' calculation

	LAURENS ET AL. (2009)	DVM (2022)	RATE OF CHANGE
Austria	7,66	6,83	-10,8%
Belgium	6,66	7,49	12,5%
Estonia	7,83	7,83	0,0%
Finland	6,66	6,83	2,6%
France	7,66	7,16	-6,5%
Germany	7,66	6,5	-15,1%
Greece	7,49	8,15	8,8%
Ireland	6,66	7,16	7,5%
Italy	6,66	7,16	7,5%
Latvia	5,33	6,5	22,0%
Lithuania	7,33	7,83	6,8%
Netherlands	7,66	6,83	-10,8%
Portugal	7,66	7,16	-6,5%
Slovakia	7,66	7,16	-6,5%
Slovenia	9,65	6,83	-29,2%
Spain	7,66	7,16	-6,5%
ECB	7,66	8,16	6,5%
Full sample of NCBs avg.	7,37	7,16	-2,8%
Min	5,33	6,5	22,0%
Max	9,65	8,15	-15,5%
Standard deviation (SD)	0,87	0,45	-48,0%
Coefficient of variation (CV)	11,8%	6,3%	-46,5%
Eurosystem NCBs 2006 avg.	7,28	7,13	-2,1%
Eurosystem NCBs 2006 SD	0,47	0,41	-13,3%
Eurosystem NCBs 2006 CV	6,48%	5,74%	-11,4%

Looking at the various components of the updated index of accountability of Eurozone national central banks (Graph 2), we can see that three components are perfectly homogenous (responsibility, accountability on objectives, and governance responsibility) and that the heterogeneity comes from one component in particular (ex-post accountability).

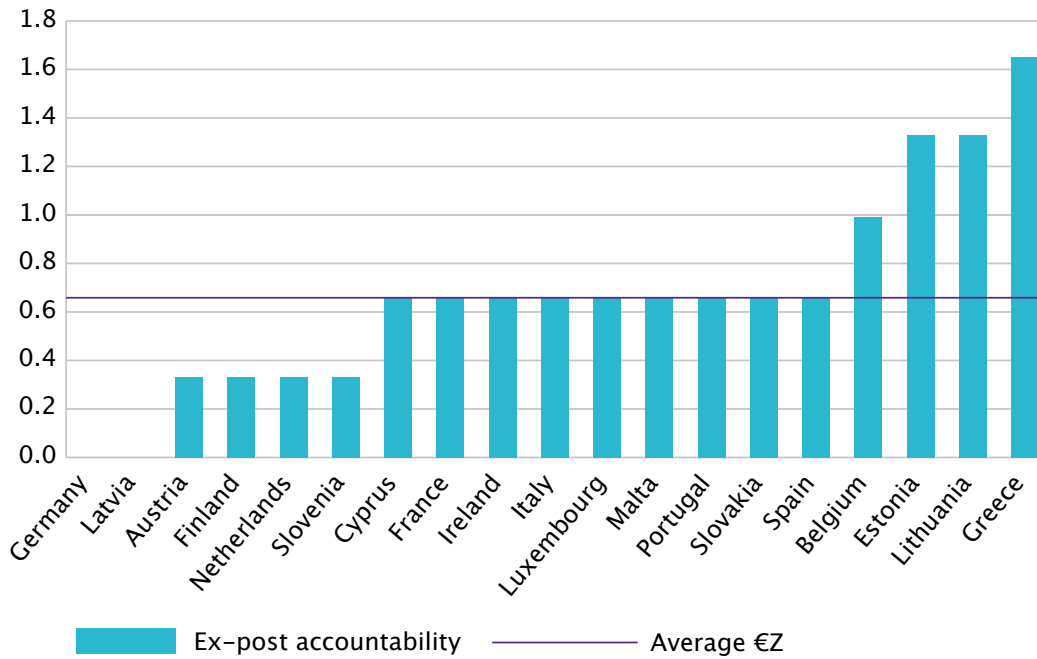
GRAPH 2: Composition of the accountability indices



It is to be expected that the national central banks of the Eurozone have a similar score for those first three components since national central banks that are members of the European System of Central Banks (ESCB) have similar practices when it comes to monetary policy final objectives and rely on the same monetary policy framework when it comes to intermediate objectives. In addition, homogeneity was also expected in the governance responsibility component since committee decision-making is now the rule and CB statutes have clear nomination and dismissal procedures.

The index's heterogenous component deals with the ex-post accountability of the central bank towards political authorities (criteria 6,7 and 8). On average, the national central banks of the Eurozone have an ex-post accountability score of 0.66 out of 3. The values range from 0 for Germany and Latvia to 1.65 for Greece, with a coefficient of variation of 63% (see Graph 3).

GRAPH 3: Ex-post accountability



In the majority of cases, this heterogeneity arises from different reporting scores (criterion 6) among the NCBs considered, as can be seen in Graph 4. Table 5 illustrates the variety of reporting practices. Almost all NCBs report to either one or two political authorities (about 90%, 17 out of 19).

GRAPH 4: Reporting and ex-post accountability

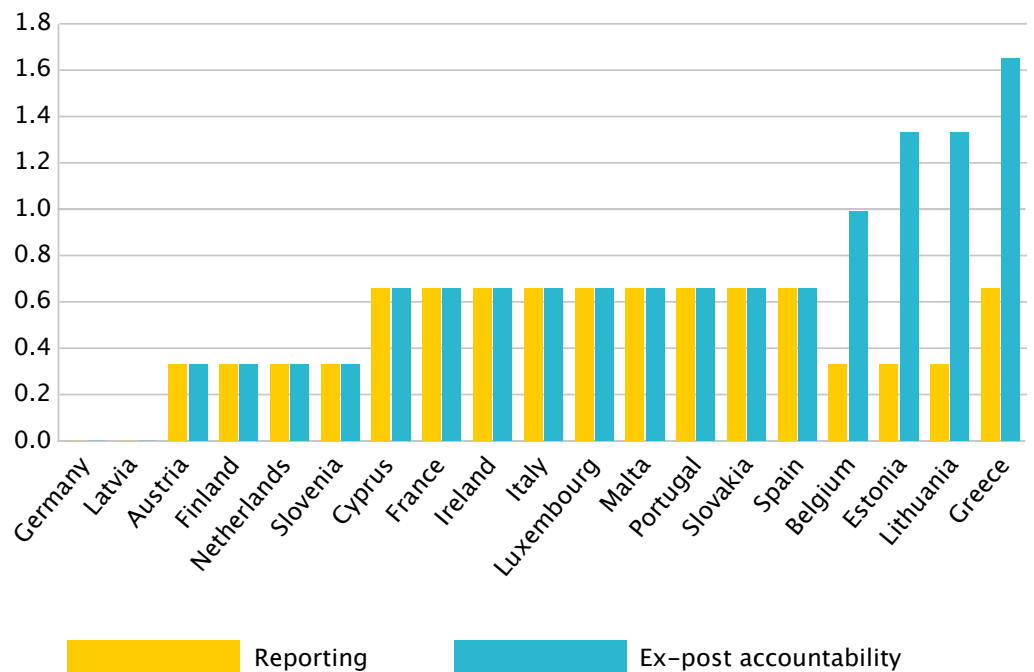


TABLE 5: NCBs reporting practices

	GOVERNMENT	PARLIAMENT	OTHER
Germany			
Latvia			
Netherlands			
Austria			
Belgium			
Estonia			
Finland			
Lithuania			
Slovenia			
Cyprus			
France			
Greece			
Ireland			
Italy			
Luxembourg			
Malta			
Portugal			
Slovakia			
Spain			

However, the higher ex-post accountability scores of Belgium, Estonia, Lithuania and Greece cannot be explained only by those reporting practices.

The central banks of Estonia and Lithuania have a higher score for ex-post accountability because their statutes provide for a mandatory hearing before the national parliament (criterion 7) to present their monetary and/or macro-prudential policy decisions at least once a year. As can be seen in Table 6, these statutes are exceptional since only about 10% of NCBs are obliged to account for their actions in parliamentary hearings (2 out of 19), even twice a year for the Lithuanian central bank. Among the statutes containing a legal provision on parliamentary hearings (10 out of 19), only 20% make them mandatory (2 out of 10). It is remarkable that almost 50% of NCBs statutes do not include any legal provision for parliamentary hearings (9 out of 19).

When legal provisions for optional hearings exist, we can further distinguish according to the institution that initiated these hearings. In the cases of Belgium, France, and Greece, the hearings can be organized either at the request of parliament or the central bank. In the cases of Cyprus, Ireland, Malta, the Netherlands and Spain, the hearings are organized at the initiative of the Parliament.

TABLE 6: NCBs parliamentary hearings procedures

	COMPULSORY	OPTIONAL	NO LEGAL DISPOSITION
Estonia			
Lithuania			
Belgium			
France			
Greece			
Cyprus			
Ireland			
Malta			
Netherlands			
Spain			
Austria			
Finland			
Germany			
Italy			
Latvia			
Luxembourg			
Portugal			
Slovakia			
Slovenia			

The central banks of Belgium and Greece have a higher score of ex-post accountability because their statutes provide procedures to resolve potential conflicts between the Government and the central bank (criterion 8). This is an exception found in only about 10% of NCBs' statutes (2 out of 19).

If we look at appointment procedures (criterion 10), there seems to be some sort of homogeneity. Indeed, all Eurozone national central banks have legislation providing a clear and detailed explanation of appointment procedures. However, those appointment procedures are very heterogeneous. Thus, it is interesting to go beyond the scope of the index construction and to focus on those appointment procedures. The appointing authority can be either the head of state (monarch, president), the government, or the parliament. In most cases, this authority appoints the CB governor after a proposal or has to ask for the approval of another authority. Table 7 briefly overviews the diversity of appointment procedures among national central banks. Surprisingly, national parliaments are not commonly involved in appointment procedures (7 out of 19).

TABLE 7: NCBs appointment procedures

NOMINATION OF THE GOVERNOR/CHAIRMAN		
	PROPOSITION / ADVICE / APPROVAL	APPOINTMENT
Austria	Government	President
Belgium		Monarch
Cyprus		Government
Estonia	Supervisory Board	President
Finland	Parliament	President
France	Parliament	Government
Germany	Government	President
Greece	General Council, Government	President
Ireland	Government	President
Italy	Board of directors, Government	President
Latvia	10 members of Parliament	Parliament
Lithuania	President	Parliament
Luxembourg	Government	Grand Duke
Malta	Government	President
Netherlands		Monarch
Portugal	Finance Ministry, Parliament	Government
Slovakia	Parliament, Government	President
Slovenia	President	Parliament
Spain	Government	Monarch

4. CONCLUSION

This paper aimed to shed light on the blind spots of the accountability of NCBs in the Eurosystem. To do so, it has updated the indices of Laurens et al. for the NCBs of the Eurosystem.

COMMENTS ON RESULTS

Our results allow us to conclude that while NCBs look very homogeneous regarding the overall level of accountability (avg.=7.16/10; min=6.5, max=8.15; coefficient of variation= 5.8%) they are indeed very heterogeneous when it comes to the core component of accountability or accountability proper, that is to say, ex-post accountability (avg.=0.66/3; min=0, max=1.65; coefficient of variation=63%). According to these indices, Germany and Latvia have the lowest levels of accountability while Greece, Estonia and Lithuania have the highest.

Our results correspond well to the particular character of NCBs. They are hybrid institutions, being national central banks and part of a supranational system. Thus, components related to responsibility and objectives are similar and less relevant since the locus of power for monetary policy lies at the ECB. Yet NCBs differ substantially with regard to their level of ex-post accountability. Also, they are accountable in different ways.

Regarding reporting practices, most NCBs report to parliament and/or government or another political authority. This is coherent with the idea that independent central banks must report on the fulfillment of the delegated missions so that the political authorities are informed and can potentially assess them. Germany and Latvia are the exceptions since their central bank simply does not have an obligation to report.

Concerning parliamentary hearings, the results are in a certain manner surprising since only a minority of NCBs are obliged to account for their actions in parliamentary hearings. Following the principles of central bank governance, one could expect very independent central banks to be more accountable to political authorities, doing more than simply issuing and sending them a report. Parliamentary hearings are intended to, at least, allow the central bank to explain, and the parliament to question, and, at best, to assess the central bank's performance. Indeed, one important strand of the CBI literature deals with the design of optimal contracts for central bankers and aims at providing a system of rewards and sanctions tailored to the performance of the central banker and his/her success in attaining the defined goals (since Persson & Tabellini, 1993;

Svensson, 1997; Walsh, 1995). However, as noted by Lastra (2020, p.7), central bank accountability is typically explanatory (obligation to answer questions, to give account of action) rather than amendatory (obligation to make amends and grant redress).

Concerning the lack of conflict resolution procedures in the vast majority of NCBs' statutes, this result is in contradiction with the theoretical literature on CBI according to which there should be the circumstantial possibility to override the decisions of a (conservative) independent central banker to whom the conduct of monetary policy was delegated (cf. override clause in Lohmann, 1992). It also contrasts with the historical practice. Legal provisions on conflict resolution procedures have existed at least since the 1920s (cf. do Vale, 2021, 2022) and are a feature of one of the major indices of CBI designed in the 1990s (i.e. Cukierman, 1992). Therefore, the observed lack of conflict resolution mechanism is significant. The possibility of conflict between the political authorities and the central bank became a taboo in the Eurozone. The fact that the dismissal of a governor is almost impossible in the Eurosystem is also revealing. According to the statutes of the European System of Central Banks (ESCB), the statutes of NCBs only provide for a dismissal in case of incapacity or misconduct with little variation in the formulation. No connection is made to weak performance or to political conflict. In addition, the decision to remove a governor from office can be referred to the European Court of Justice on grounds consistent with Article 14.2 of the ESCB statutes.

To sum up, NCBs tend to report to political authorities and thus do satisfy the minimum requirements of ex-post accountability. However, in general, they are not required to account for their actions in the framework of parliamentary hearings. Conflict resolution is not an issue for most NCBs since their independence is so paramount that the possibility of overriding their decisions is not even considered. Thus, NCBs' ex-post accountability ends up being weak, which can potentially reduce their democratic legitimacy.

Concerning the ECB, our results lead us to conclude that it is relatively more accountable than NCBs (scoring 8.16 vs. 7.16). This result essentially comes from the ECB's good score in ex-post accountability. Thus, to concentrate on the ECB may result in overestimating central bank accountability in the Eurosystem. By focusing on NCBs, and not on the ECB alone, this study reveals the existing diversity and heterogeneity of the Eurosystem.

IMPLICATIONS

By updating and extending the Laurens et al. index for the NCBs of the Eurosystem, this paper aimed to fill a gap in the empirical literature. This study ultimately provides a broader picture on central bank accountability in the Eurosystem as a whole. This may prove useful for further research, and for the public in general.

Regarding further research, the updated indices can be used for econometric work for instance on the relation between accountability and other variables such as CBI and confidence in the central bank. The reaction of financial markets to accountability practices may also be of interest.

Beyond research purposes, our analysis and comparison of the accountability settings of NCBs may allow a better understanding by the public and inform stakeholders interested in central bank governance. It may prove useful for the identification of “best practices” and opportunities to improve accountability. Indices such as these may also serve for benchmarking purposes.

SHORTCOMINGS

This research suffers from some shortcomings. Firstly, its de facto part could not be deepened since, by now, our questionnaire has received a very low response rate. Secondly, the Laurens et al. index was the natural candidate for a first update but an update of the de Haan et al. index would also be necessary. In particular, it would be interesting to compare their results and performances as far as the depiction of the accountability of NCBs is concerned. Since the de Haan et al. index follows a pure de jure approach, it would be easier to provide dynamic indices for a long time-span and a long-run historical evolution of NCBs' accountability. This could potentially unveil the governance effects of the euro adoption and other major events such as economic crises. Thirdly, it seems to us that all accountability indices suffer from some shortcomings. They focus only on monetary policy and not on banking supervision for instance. However, NCBs perform important tasks in that domain and are accountable for such actions in some countries in the Eurozone (for instance Belgium, Cyprus, and Greece report on the matter). Indeed, NCBs are still held accountable for what is done in the domain of monetary policy, even if they do not control it, but they are, increasingly and logically, held accountable for other domains such as banking supervision that they do control. For the purpose of our updates, we considered with some discretion that reporting on banking supervision, macroprudential policy and financial stability in general should be taken as if it were reporting on (monetary) policy. But this may justify some major revisions in the near future.

ANNEX 1: QUESTIONNAIRE

What is your professional email address?

What is the department you work in?

1. Do the statutes of the central bank provide that hearings are or may be held before political authorities?
Yes / No
If you answered “No” to question 1 please jump to question 13
2. Are they compulsory, meaning that they are to be held?
Yes / No
If you answered “No” to question 2 please jump to question 13.
3. How frequently are compulsory hearings to be held?
4. Please give the timing of such hearings, be it approximatively:
5. Are they publicly announced in advance?
Yes / No
If you answered “No” to question 5 please jump to question 8
6. How much time in advance are those hearing announced?
7. Where are the announcements of those hearings made?
8. Before which political authority(ies) are those hearings held?
9. Who represents the central bank in such hearings?
10. Are those hearings public or confidential?
11. During those hearings, is there a series of questions and answers?
12. Indicate the expected outcome of such hearings:
Information and explanation
Information and explanation with formal approval
Information and explanation with approval/disapproval and possible sanctions
Another:
13. Is there a practice of holding non-compulsory hearings?
Yes / No
Optional
14. Were such non-compulsory hearings held in the last 5 years?
Yes / No
15. Please indicate the number of non-compulsory hearings held in the last 5 years:
If you answered “No” to question 15, please jump to question 16
16. For each of them, please indicate the following information: date, subject, who called for the meeting, before which political authority did it take place and who represented the central bank.
17. Please give us here any additional observations on accountability and reporting procedures:

ANNEX 2: DATASET

2.a. Laurens et al. 2009 results

CRITERIA	1	2	3	4	5	6	7	8	9	10	TOTAL
Austria	1	1	1	1	0,33	0,33	1		1	1	7,66
Belgium	1	1	1	1	0,33	0,33	1		1		6,66
Estonia	1	1	0,5	1	1	0,33	1		1	1	7,83
Finland	1	1	1	1	0,33	0,33	1		1		6,66
France	1	1	1	1	0,33	0,33	1		1	1	7,66
Germany	1	1	1	1	0,33	0,33	1		1	1	7,66
Greece	1	1	0,5	1	0,33	0,66	1		1	1	7,49
Ireland	1	1	1	1	0,33	0,33	1		1		6,66
Italy	1	1	1	1	0,33	0,33	1		1		6,66
Latvia	1		1	1		0,33			1	1	5,33
Lithuania	1	1	1	1		0,33	1		1	1	7,33
Netherlands	1	1	1	1	0,33	0,33	1		1	1	7,66
Portugal	1	1	1	1	0,33	0,33	1		1	1	7,66
Slovakia	1	1	1	1	1	0,66			1	1	7,66
Slovenia	1	1	1	1	1	0,66	1	0,99	1	1	9,65
Spain	1	1	1	1	0,33	0,33	1		1	1	7,66
ECB	1	1	1	1	0,33	0,33	1		1	1	7,66

2.b. dVM 2022 results

CRITERIA	1	2	3	4	5	6	7	8	9	10	TOTAL
Austria	1	1	0,5	1	1	0,33			1	1	6,83
Belgium	1	1	0,5	1	1	0,33		0,66	1	1	7,49
Cyprus	1	1	0,5	1	1	0,66			1	1	7,16
Estonia	1	1	0,5	1	1	0,33	1		1	1	7,83
Finland	1	1	0,5	1	1	0,33			1	1	6,83
France	1	1	0,5	1	1	0,66			1	1	7,16
Germany	1	1	0,5	1	1				1	1	6,5
Greece	1	1	0,5	1	1	0,66		0,99	1	1	8,15
Ireland	1	1	0,5	1	1	0,66			1	1	7,16
Italy	1	1	0,5	1	1	0,66			1	1	7,16
Latvia	1	1	0,5	1	1				1	1	6,5
Lithuania	1	1	0,5	1	1	0,33	1		1	1	7,83
Luxembourg	1	1	0,5	1	1	0,66			1	1	7,16
Malta	1	1	0,5	1	1	0,66			1	1	7,16
Netherlands	1	1	0,5	1	1	0,33			1	1	6,83
Portugal	1	1	0,5	1	1	0,66			1	1	7,16
Slovakia	1	1	0,5	1	1	0,66			1	1	7,16
Slovenia	1	1	0,5	1	1	0,33			1	1	6,83
Spain	1	1	0,5	1	1	0,66			1	1	7,16
ECB	1	1	0,5	1	1	0,66	1		1	1	8,16

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