The ECB as *sui generis*? The ECB, the Federal Reserve and central bank accountability

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Abstract: At the start of EMU, one of the primary concerns about the ECB was its high degree of independence vis-a-vis political actors versus its limited accountability structure compared to other major central banks. This issue was germane for central banks more generally, as in the 1980s and 1990s governments around the world granted their central banks independence. After two decades of EMU and nearly a decade in crisis mode, one can evaluate the impact of the ECB's independence and its accountability framework to see if the initial concerns had played out in practice. By using a principal-agent framework and contrasting the actions and accountability structures of the ECB and the US Federal Reserve, I argue that the different accountability structures of these institutions has made limited substantive difference in their ability to combat the global financial crisis (for both) and the euro crisis (for the ECB). This poses challenges for the legitimacy of the ECB as it has emerged as a key player in euro area governance.

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This article contributes to the special issue of EMU at 20 by revisiting the issue of the ECB's accountability in light of the actions it took during the global financial crisis and the euro crisis. Using principal-agent theory (P-A), the article compares the accountability structures of the ECB with the US Federal Reserve (Fed). Despite the differences in legal accountability requirements, the actions undertaken by both central banks are strikingly similar despite the more restricted mandate of the ECB that focuses on price stability. In effect, financial markets created pressure that divided the ECB principals enough to generate the required agency slack for it to behave as other major central banks despite its more rigid accountability structure. In this way, the ECB's actions flipped expectations from twenty years ago in which a major concern was the ECB would be too focused on price stability to the detriment of its secondary objective of supporting general economic policies. The article thereby illustrates the dynamics of multiple principals in holding agents to account, using an example of the ECB as a trustee charged first with ensuring price stability and then with stabilising the euro. Nevertheless, the backlash that ensued against central banks in general likely means that principals would be reluctant to delegate further powers to these central banks in the near future.

The article begins with an explanation of P-A and how it has been applied to central bank independence and the creation of the ECB, including the concerns regarding the ECB's accountability structure. It then contrasts the accountability structures of the ECB and the Fed, noting the predictions of P-A on central bank behaviour. The next section sketches out the behaviour of the Fed during the global financial crisis and the ECB during the global financial crisis and the subsequent euro crisis in relation to their respective mandates, their deviations (real or perceived) from them, and how their principals made use of their control mechanisms to influence or sanction their behaviour. The final section considers the implications for P-A theory and for central bank accountability.

Principals, agents, and central bank independence

European studies has made use of the insights of P-A in a range of theoretical analyses analysing the issue of delegation (Kassim and Menon 2003). P-A posits that principals delegate authority to their agents for reasons including (but not limited to) solving problems resulting from incomplete contracts, agenda setting, technocratic expertise, blame-shifting, and enhanced credibility (Pollack 2003). Such delegation raises the prospect of agency slack, which can take the form of shirking (pursuing the principal's objective with a minimal amount of exertion) or slippage (pursuing one's own interests rather than those of the principal). Whereas shirking comes from the preference of the agent to not fully implement the principals' preferences, slippage can be agent-induced as well as structure-induced, the latter occurring when the agent's use of its discretion derives neither from its own interests nor those of the principal but as a consequence of the environment in which the principal implements its tasks (Delreux and Adriaensen 2017). Agency slack therefore falls on a continuum (Hawkins et al. 2006, Heldt 2017).

Principals, therefore, institute mechanisms to control the behaviour of their agents and prevent or mitigate agency slack, both *ex ante* and *ex post. Ex ante* control mechanisms would include defining the mandate of the agent and selecting the personnel in charge of developing and implementing policies. *Ex post* controls have been classified as resembling either police patrols or fire alarms (McCubbins and Schwartz 1984). Police patrols indicate the centralized surveillance of agents such as monitoring and reporting requirements. Fire alarms rely on interested third parties to act on the agent's breach of its mandate through formal or informal procedures.

When is agency slack most likely to occur? The credibility of the aforementioned monitoring system and whether the agent can be credibly sanctioned affects agency slack (Heldt 2017). If the preferences of the principal and the agent are aligned, however, the principal may less inclined to implement control mechanisms, granting the agent further discretion (Kerremans 2006 cited in Delreux and Adriaensen, 2017). Multiple principals presents further challenges as agents can use divisions among principals to its own advantage (Nielson and Tierney 2003). Agents can increase their own autonomy through exploiting information asymmetries as well as "building permeability" in which the agent allows preferential access to some groups over others in an effort to build support among those with similar preferences (Elsig 2010). The preferences of principals, however, are not static. The agent can even influence the preferences of the principals through available communication channels (Gren 2017).

The literature on central bank independence frequently used the principal-agent model to explain the delegation of monetary policy by governments (the principal) to an independent central bank (the agent) in order to resolve the problem of "time inconsistency". Governments delegated monetary policymaking to conservative central banks with a preference for price stability in order to enhance policy credibility (Majone 2001). In this instance, the preferences of the principals and the agents deliberately conflicted as the former would prefer loose monetary policy to enhance electoral prospects (Kydland and Prescott 1977, Barro and Gordon 1983), making the central bank more of a trustee than an agent.

Since the 1990s, central banks have enjoyed a high degree of independence from their government given their credibility with markets to implement a monetary policy that will result in price stability (Cukierman 1992, Alesina and Summers 1993). Driven by the inflationary experiences in the 1970s (BIS 2009), a consensus had arisen over the desirability of monetary dominance over fiscal policy (Sargent and Wallace 1981) and an independent central bank to carry it out (Bullard 2013). When it came time to create a central bank for Europe, EU leaders were influenced strongly by the experience of the independent German Bundesbank (Heisenberg 1998, Loedel 1999, Dyson and Featherstone 1999).

The European Central Bank: Views of its accountability during its first decade, 1998-2007

Early research on the ECB tended to be critical of the high degree of independence and relatively low accountability of the ECB in comparison to other major central banks (Begg and Green 1998, De Haan, Amtenbrink, and Eijffinger 1999). The potential for ECB decisions to have redistributive consequences caused concern, particularly given the inability to override ECB decisions or sanction ECB officials (Amtenbrink 1999, Berman and McNamara 1999, Buiter 1999, Verdun 1999, Magnette 2000, Jabko 2003, Howarth and Loedel 2005, De Haan and Eijffinger 2000). While the ECB defended vigorously its accountability (Issing 1999, Smaghi and Gros 2000), it focused on transparency exercises, which is not synonymous as accountability requires a sanctioning mechanism (Naurin 2007) that the ECB (and central banks in general) lack (Naurin 2009, Tallberg 2009, Torres 2005). The ECB's weak accountability framework fed into citizens' distrust of the institution (Kaltenthaler, Anderson, and Miller 2010).

In contrast, the German Bundesbank on which the ECB was based enjoyed less formal independence but its influence was formidable, in part due to the favour it enjoyed with the German public and its credibility with markets (Kaltenthaler 1998, Loedel 1999). The lack of such support at a European level, specifically a European *demos* to support EMU (Verdun and Christiansen 2001), would further exacerbate the ECB's legitimacy.

Others argued that the ECB's powers still fall within accepted boundaries already established within Europe (Moravcsik 2002), and macroeconomic policy was not something that normally reflects the electorate's preferences in a manner that can be measured directly (Jones 2002). Moreover, if one considers the ECB to be a trustee rather than an agent, ECB preferences should differ from those of its principals (Majone 2001). This view contrasts with an early application of P-A to the ECB that argued such divergence for member state preferences posed problems for the ECB's legitimacy (Elgie 2001). If the preferences of the principals had changed since the signing of the Maastricht Treaty, the ECB's focus on its primary mandate (inflation) to the detriment of its secondary mandate (supporting general economic policies), for example, could be considered an example of shirking (Howarth and Loedel 2005).

The early literature viewed the Eurogroup as the most likely body to act as principal, as some MS came into open conflict with the ECB over its interest rate policy as well as responsibility over exchange rates (Howarth and Loedel 2005, Campanella 2000). Instead, the European Parliament assumed the role of the principal to the ECB to account (Kenen 1995, Buiter 1999, Favero et al. 2000). The European Parliament is a more convenient principal for the ECB, as it would not be subject to the same agency drift likely to occur between the ECB and the member states (Torres 2005). With the European Parliament as principal, however, the ECB's accountability is largely voluntary and determined by the ECB itself (Amtenbrink 2002).

In summary, the ECB's independence is part of a larger international trend of central bank independence in order to enhance the credibility. As with any delegation, this raises the risk of agency slack. The ECB's institutional situation can be considered *sui generis* as it is a central bank for a group of entities that do not form a political union. Early concerns included the prospect of the ECB being overly focused on its primary mandate of price stability and the inability to sanction the ECB if its preferences diverge beyond what would be expected from the relationship between the principals and its trustee.

P-A and the Accountability of the ECB and the Federal Reserve

In applying P-A to the ECB, multiple principles exist, both in the abstract and legally. The ECB cites itself has stated that it is "accountable first and foremost to the European citizens", with the Treaty-defined accountability structures acting on their behalf (ECB 2002). Moreover, financial markets can also be considered a principal given the profound effects of their reactions to ECB policies. Indeed, global financial markets buttress the authority and status of the ECB, and the sound money paradigm underpinning ECB policy in turn bestows legitimacy on markets (Dyson 2000). The US Federal Reserve also has multiple principals. Similar to the ECB, the Fed identified "the public" followed by the US Congress as its principals (FAQ, Federal Reserve website). Their elected representatives (in the case of the ECB the European Council, the Council, and the European Parliament and in the case of the Fed the US President and Congress) hold their respective central banks to account through the mechanisms outlined in Table 1.

Table 1. Principals and Accountability mechanisms for the European Central Bank and the

Federal Reserve

Ex-ante control	**Principal(s)**	**European Central Bank**	**Principal(s)**	**US Federal Reserve**
Definition of mandate	European Council	Maintain price stability and without prejudice to this objective, support the general economic policies of the European Community	US Congress	Maximum employment, stable prices, and moderate long-term interest rates
Appointment of leadership	European Council	European Council makes Executive Board appointments by qualified majority for 8-year term with the European Parliament consulted Non-renewable	US President	President appoints Board of Governors for 14-year terms. From the Board, a Chair and Vice Chairs appointed for 4-year terms with Senate approval Non-renewable
Ex-post control				
Submission of annual report	European Council, European Parliament, Commission	Submitted to the European Council, the European Parliament, and the Commission	US Congress	Submitted to the Speaker of the House of Representatives

Presentation of annual report	Council, European Parliament	ECB President to the Council and to the European Parliament, which then adopts a resolution on the report		none
Hearings	European Parliament	President participates in quarterly Monetary Dialogue with the European Parliament and makes an introductory statement	US Congress	Chair appears before Congress at semi-annual hearings Concurrent with each semi-annual hearing required by this section, submits a written report to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Banking and Financial Services of the House of Representatives
Response to written questions	European Parliament	MEPs can submit questions to the ECB (up to 6/month) and get a written response within 6 weeks of its receipt		none
Publication of minutes		Since 2015		Full minutes published 3 weeks after each FOMC meeting
		None		Full verbatim transcripts available with a 5-year lag
Audits		European Court of Auditors European Anti-Fraud Office (OLAF) European Ombudsman		Annual audit by an independent, outside auditor; GAO conducts numerous reviews of Fed activities every year
Judicial review		Yes		Yes

Ex ante controls: Mandate and appointment

According to the Treaty, the ECB's "primary objective…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" (TFEU Article 127). The Federal Reserve is mandated "to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates" (Federal Reserve Act 2A). While the ECB did not gain a supervisory function over banks until these tasks were conferred to the Single Supervisory Mechanism in 2013 (Council Regulation 1024/2013), the Fed played a role in supervising and regulating banks along with three federal agencies and state agencies. The role of bank supervision is connected to its function of lender of last resort, in which the Fed can conduct loans with temporarily illiquid but solvent banks. The Maastricht Treaty did not confer a lender of last resort function for the ECB, but it did not specifically exclude the ECB from acting as lender of last resort, allowing for constructive ambiguity (Buiter 1999). Congressional legislation could alter the Fed's mandate, whereas changing that of the ECB would require a change to the Treaties after reaching unanimity in the European Council.

The European Council (by qualified majority) appoints the Executive Board, which together with the governors of the euro area central banks form the Governing Council, the main decision-making body of the ECB. The Federal Reserve System is supervised by the Board of Governors that is appointed by the President of the United States upon confirmation by the US Senate in staggered terms of 14-years. In contrast, the EP cannot veto candidates.

Ex-post control: hearings, reporting requirements, and judicial review

The Federal Reserve Act establishes its accountability structure through hearings and reporting requirements. The Chair of the Federal Reserve appears before Congress at semi-annual hearings and before the Committee on Banking and Financial Services of the House of Representatives and before the Committee on Banking, Housing and Urban Affairs of the Senate; the committees also receive written reports. TFEU Article 284(3) establishes the ECB's accountability framework that consists primarily of reporting requirements to the European Council, the Council, the Commission and the European Parliament. The EP's rules of procedure established quarterly visits of the ECB president to the Monetary Affairs Committee (ECON) for the Monetary Dialogue. While no direct consequences result from the Monetary Dialogue, it can determine whether shirking or slippage have occurred as well as discourage agency slack from occurring (Elgie 2002). Both the Fed and the ECB are subject to audits and judicial review. Table 1 expands on the accountability of both institutions.

Both institutions have gone above legal requirements in order to enhance their transparency (Fraccaroli, Giovannini, and Jamet 2018, Labonte 2017). Nevertheless, neither the ECB nor the Fed have formal procedure to either indicate when they have failed to fulfil their mandates, nor would they face any specific consequences if they did. The primary tools available to both the ECB and the Fed's principals are those demanding greater transparency through hearings and questions from the legislature and through the publication of reports. Both could be controlled through the appointment process for their successors, and the US Congress has the longer-term possibility to change the Federal Reserve Act. The effectiveness of such a threat to change the mandates, however, rests on getting the required support in Congress or the European Council, which is a high bar.

In summary, P-A identifies the benefits of an independent central bank for enhancing the credibility of monetary policy with a limited accountability structure. The ECB, like the Federal Reserve, has multiple principles but is even more difficult to hold accountable given the quasi-institutional status of its independence. Research on the ECB during its first decade identified this as problematic, particularly if the ECB's decisions were to diverge from those of its principals and have redistributive consequences. Were these concerns founded? Did they provide accountability for the ECB during the global financial crisis and the euro crisis? Their respective accountability requirements indicate the Fed would have more flexibility given its more open mandate, and that the ECB would hew closer to price stability. The following section examines this empirically.

Fighting the Crisis: Unconventional Monetary Policy and Lender of Last Resort

This section goes through the actions undertaken by the ECB and the Federal Reserve in their responsibility over monetary policy and as lender of last resort. Given that the ECB did not have supervisory powers over euro area banks until 2014, it leaves aside questions relating to the financial supervisory roles for both the Fed and the ECB. Readers interested in a more complete treatment of the ECB's roles during the euro crisis should consult (Chang forthcoming). In their roles as lender of last resort, both central banks faced similar arguments regarding the legitimacy of their actions and their redistributive effects, as any central bank losses would ultimately be borne by taxpayers, making them quasi-fiscal (Blinder et al 2017, p.739, cited in De Haan et al 2018).

As the crisis pressed on and government action on both sides of the Atlantic remained limited, the central banks used all of their traditional tools of monetary policy and then used their balance sheets to reduce long-term interest rates. In addition, both the Fed and the ECB acted as lender of last resort (LOLR) to private lenders to ensure the stability of the financial system. Did this constitute agency slack? If so, was this agent-induced or structure-induced? Finally, what were the consequences using the control mechanisms available to their respective principals?

The Federal Reserve

In August 2007 the Fed was providing liquidity to the banking system and cutting interest rates. From September 2007 to June 2008, the federal funds target rate went from 5.25 percent to 2 percent. After the bankruptcy of Lehman Brothers in September 2008 and the American International Group faced possible bankruptcy, the Fed introduced new emergency lending programmes and lowered the federal funds rate; by December, the rate dropped again and hovered between 0 and 0.25 percent.

The Fed then turned to unconventional monetary policies, particularly 3 successive rounds of quantitative easing (QE), the first beginning in March 2009 and the third concluding in October 2014. While the Fed argued that QE would unfreeze credit markets and revive lending, critics charged that it would stoke inflation. In October 2017 Fed Chair Janet Yellen announced that the Fed would reduce its balance sheet that had skyrocketed from $869 billion in 2007 to almost $4.5 trillion in 2017 (McBride and Sergie 2018).

The Fed also constructed a set of tools to provide liquidity directly to borrowers and investors in important credit markets, including the creation of special purpose vehicles to purchase private assets that it could not purchase directly (Binder and Spindel 2017). Critics argue that this went beyond the Fed's emergency power; the Federal Reserve Act allows the Fed to provide credit on favourable terms, but there is no mention of purchasing private assets, only government-issued assets. On the other hand, the Fed is not expressly forbidden to do so either, and its actions could be justified on emergency grounds (Buchanan and Dorf 2016).

The European Central Bank

The ECB lowered its key interest rates to combat the crisis and engaged in unconventional monetary policy. The ECB conspicuously did not engage in QE, though some of its other policy measures could be viewed as lender of last resort (LOLR) functions.

LOLR to Sovereigns?

In May 2010 the ECB launched the **Securities Market Programme (SMP)** in which it purchased the sovereign debt of peripheral economies like Greece, Ireland, Spain, Portugal and Italy on secondary markets. The ECB justified this on the grounds of needing to "restore an appropriate monetary policy transmission mechanism, and thus the effective conduct of monetary policy oriented towards price stability in the medium term" (ECB glossary). The SMP was suspended in January 2011, resumed in August 2011, and ended in September 2012 with the announcement of the Outright Monetary Transactions. The ECB's purchases had the effect of lowering bond yields and arguably could be construed as an indirect monetary financing of governments. Moreover, the ECB could be liable for the peripheral countries' debt if they were to default, and several (German) ECB board members resigned shortly thereafter (Müller, Pauly, and Reiermann 2011). Some pointed to this as evidence of the ECB's burgeoning role as a lender of last resort to sovereigns (Buiter and Rahbari 2012) that had redistributive consequences, thus breaching the ECB's Treaty provisions (Högenauer and Howarth 2019).

In August 2012 the ECB announced the **Outright Monetary Transactions (OMT)** programme in which the ECB would make unlimited bond purchases on secondary markets for countries that were under a conditionality program as part of a bailout from the European Stability Mechanism. Markets welcomed the announcement with sharply falling bond yields, as it had effect of removing concerns over currency redenomination or a euro area breakup (Chang and Leblond 2015). The Bundesbank, however, opposed the OMT publicly, and the German constitutional court questioned its legality. Though it has never been used, the OMT furthered claims that the ECB was an unofficial LOLR to euro area banks and had possibly overstepped its mandate (Buiter 2014).

Finally, on 22 January 2015 the ECB announced its own bond-buying program formally known as the **Asset Purchase Program (APP).** It expanded further the private sector asset purchases the ECB had made as part of its asset-backed securities purchase programme and covered bond program, with the APP including sovereign bond purchases as well as a corporate sector purchase programme**.** The ECB defended this as preventing a potential deflationary spiral (ECB 2015). The amount of purchases were relatively modest in size, reaching a high of up to €80 billion from April 2016 to March 2017.

LOLR to Banks

ELA occurs when Eurosystem national central banks provide funding to financial institutions outside of monetary policy operations. The national central bank assumes primary financial responsibility for ELA, so the costs and risks are assumed by the NCBs (though the Governing Council takes decisions on the ELA for requests exceeding €2 billion by a 2/3 majority and has the option of objecting to or limiting ELA). ELA can only be provided to solvent financial institutions, as it would otherwise contravene the Treaty's prohibition against monetary financing (Praet 2016).

Irish, Greek, and Cypriot banks were very dependent on ELA. Irish officials viewed ECB recommendations as quasi-instructions, lest ELA be cut off (House of the Oireachtas 2013: p.365). In June 2015 in the aftermath of the announcement that the Greek government would hold a referendum on its adjustment programme, the ECB announced it would cease ELA to Greek banks. Unable to access ELA, Greek banks subsequently closed for a week and then capital controls introduced. While the Greek referendum came back positive, the experience convinced the Greek government to negotiate another bailout that would demand further austerity and structural adjustment. In the case of Cyprus in March 2013, ELA propped up its two largest banks, the Bank of Cyprus and Laiki. Government bonds from the Cypriot government had ceased to be accepted as collateral in the ECB's regular liquidity operations since the previous June, prompting the use of ELA. The ECB decided to end its ELA on 25 March, after which "ELA could only be considered if an EU/IMF program is in place" (ECB 2013) and was instrumental in the Cypriot government's decision to consent to the euro area's bailout program (Schimmelfennig 2015).

In 2008 the ECB began a series of **long-term refinancing operations (LTROs)** in which banks could borrow money at the main refinancing rate. By December 2011 the LTROs were adjusted so that banks could obtain financing for just 1 percent during a three-year period. By this time banks were cutting back on their exposure to sovereign debt from the countries on the euro area periphery and it was difficult for the latter to find buyers for their bonds. A second round of LTROs of a 3-year duration was launched in February 2012. The LTROs were a way to make it easier for Spanish and Italian banks to purchase the debt of their sovereigns in primary markets. Indeed, 70 percent of the initial LTROs were purchased by banks from peripheral countries that purchased more sovereign debt, rendering it "subsidized bank funding and financial repression" (Buiter and Rahbari 2012): p.22) an giving the ECB a as "quasi-fiscal" role (Schelkle 2014): p.105).

In summary, the Federal Reserve and the ECB engaged in unconventional monetary policy during the crisis, albeit in different forms and with different effects. The Fed's successive QE programmes eased the credit crunch and encouraged banks to resume lending. The ECB declined to use QE until 2015 despite repeated calls to do so. Instead, it used a range of unconventional monetary policy that could be more concretely linked to its primary mandate of price stability but nonetheless had redistributive consequences that stabilized economies in the southern periphery. Both central banks faced criticism that their unconventional policies were potentially inflationary, quasi-fiscal (given their distributional implications) and illegal.

Implementing central bank controls

While the aforementioned criticisms came from a variety of sources, the relevant source for the present analysis is the principal. What were their reactions?

Federal Reserve

Political gridlock has prevented the Fed from a complete Board of Governors for the last decade due to Senate intransigence. In 2010 Fed Chairman Ben Bernanke's nomination for a second term barely passed; this historically close vote indicated the willingness of Congress to use the appointment for political purposes in shifting blame to the Fed for the crisis (Binder and Spindel 2017). In 2013 Janet Yellen's confirmation was fraught, with harsh criticism from Senate Republicans concerned that interest rates would remain low, and Democrats were uneasy that she would unwind the financial legislation constructed in response to the crisis (White 2018). Donald Trump deviated from the historical norm of not offering a second term to Yellen, selecting Jerome Powell, a moderate republican who was more amenable to the prospect of deregulation, an important policy priority for Trump (White 2018). Nevertheless, Powell's testimony during his confirmation hearing indicated "continuity and stability rather than radical change" (Fleming 2018).

Ex-post control of the Fed took the forms of audits (police patrols), judicial review and, most significantly, legislation. Congress created additional committees to enhance oversight: the Congressional Oversight Panel and the Special Inspector General for the Troubled Asset Relief Program. Both committees analysed the emergency operations undertaken by the Fed (Labonte 2017). These police patrols "never exposed any evidence of bad faith or self-dealing among the crisis fighters" (Wallach 2015), p.19). The case of Bloomberg, L.P. v. Board of Governors of the Federal Reserve System, 601 F.3d 143 (2d Cir. 2010) demanded that the Fed disclose information about the recipients of Fed funding as part of the Emergency Economic Stabilization Act of 2008. The Fed lost the case and was forced to release the documents.

Finally, the Wall Street Reform and Consumer Protection Act of 2010 (more commonly known as the **Dodd-Frank Act**) had several implications for the Fed. First, it led to more audits: Title XI allowed the GAO to audit open market operations, discount window lending, actions taken under emergency authority, and programmes that were formed in the context of managing the financial crisis, though it did not grant the authorization to conduct an economic evaluation of the Fed's monetary policy. Second, Section 1101(a) amended Section 13 of the Federal Reserve Act by barring any "program or facility that is structured to remove assets from the balance sheet of a single and specific company" from receiving the type of emergency assistance that the Fed had given when creating the above mentioned special purpose vehicle. While Dodd-Frank increased the accountability of the Fed, "the Board's statutory authority over banking and financial regulation is extraordinarily broad, and were expanded significantly" (Conti-Brown and Johnson 2013), p.4).

A number of initiatives that tried to exercise *post-hoc* control failed. The 115th Congress 2017-2018 alone had nine proposals that would increase that would impact its transparency, accountability structure, and competences, and this was already a decade after the crisis. The Fed nevertheless voluntarily increased its transparency; in early 2012 the FOMC announced the publication of its interest rate forecasts and how they expected the Fed's investment portfolio to evolve (Dincer and Eichengreen 2014).

The European Central Bank

The succession of the ECB President and Executive Board members have focused more on the nationality of the potential candidates than their qualifications and likely policy proclivities. In the run-up to Trichet's 2011 retirement, a tacit agreement existed in which a northern European would serve as ECB President if a southern European served as Vice President; Portugal's Vitor Constâncio's appointment in 2010 further cemented expectations that Germany's Axel Weber would serve as the next ECB President (Betts 2010). In early 2010 Weber abruptly resigned from the German Bundesbank due to his isolation within the ECB in his opposition to the SMP. With Mario Draghi's nomination, French President Nicolas Sarkozy resisted to avoid two Italian nationals sittin on the Executive Board. Prime Minister Silvio Berlusconi agreed with Sarkozy that Lorenzo Bini Smaghi would resign to make room for Draghi (Spiegel and Atkins 2011). Nevertheless, there was no indication that the ECB was being controlled during this process. National considerations were at stake rather than an evaluation of the performance of the ECB.

The ECB's mandate came under closer scrutiny via judicial review and police patrols through the European Parliament. The OMT came before the ECJ in the Gauweiler case after having been referred by the German Constitutional Court as contravening the prohibition against monetary financing (Fabbrini 2016). In 2015 the ECJ upheld the ECB's action. The Public Sector Purchase Programme, which is part of the aforementioned QE of the ECB, also came before the German Constitutional Court on the grounds that it constitutes monetary financing. In October 2018 the Advocate General made a preliminary ruling on request from the German Constitutional Court and recommended that the ECJ find that the ECB's purchase should be found valid (ECJ 2018).

As noted above, the European Parliament possesses few control measures over the ECB. It can urge the ECB to explain its measures during the Monetary Dialogue and in its written questions to the ECB. Indeed, the number of written questions from MEPs increased significantly during the crisis, and the European Parliament's resolution on the ECB's Annual Report also saw a sharp rise in amendments (Fraccaroli, Giovannini, and Jamet 2018). The ECB's formal accountability framework remained unchanged, though the ECB did increase its accountability voluntarily in practice, participating in additional exchanges with the EP and with national parliaments (Fraccaroli, Giovannini, and Jamet 2018).

Although the ECB escaped legislative efforts to restrict its mandate, it did not succeed in extending further its remit, having tried to obtain powers to set regulations for clearing houses dealing with euro-denominated derivatives but then withdrawing the request after national capitals and the EP narrowed its authority over the issue to the extent that it could impinge on its independence. While this is not a rebuke to the ECB and reflects more the reluctance of member states to centralise supervision over clearing houses, the reliance on the ECB to deal with the euro crisis and buy time (Yiangou, O'keeffe, and Glöckler 2013) has faded. The ECB's actions were widely viewed as necessary during crisis times but problematic in normal times

(Jones and Matthijs 2019). Indeed, an “elite dissensus” arose on central bank independence ((Tesche 2018); see also (Amtenbrink 2019) and (Jones 2019)) as the effectiveness of the ECB’s accountability regime has been questioned seriously (Dawson, Bobić, and Maricut-Akbik 2019).

Conclusion

While central bank independence was the norm, the ECB’s status as a central bank without rendered it legally *sui generis* as it lacked a political counterpart like a Treasury department. Therefore its remit was narrower but within that its independence was greater. Early analyses of the newly-created ECB focused largely on the impact is independence would have on its policymaking and on its legitimacy.

The analysis above both disconfirms and confirms these early concerns. On the one hand, the ECB did not focus on price stability to the detriment of other economic concerns, as those expecting the ECB to ignore its secondary mandate to support general economic policy had feared. On the other hand, the ECB did not make reference to its secondary mandate in doing so, instead it linked its actions to how it would support the primary mandate of price stability. On the other hand, the concerns over the distributive consequences of ECB actions became germane, and the EU was left with demanding further explanations that the ECB was happy to provide.

What difference did the different accountability structures make for the ECB and for the Federal Reserve? Regarding *ex-ante* controls, there were more possibilities for this to make an impact on the Fed than on the ECB. Indeed, the Fed chair’s appointment process served as a way to indicate the displeasure by Republicans who resented the inflationary prospects of the Fed’s policy, resulting in an historically narrow reappointment for Bernanke. Nevertheless, Bernanke was confirmed for his second term, and the subsequent Fed chair appointments of Yellen and Powell also marked continuity in Fed leadership. On the other hand, there were no indications that the appointment of the ECB President would be subject to a judgment of the ECB’s policy during the crisis. The resignation of Axel Weber was attributed to his differing views on the ECB’s unconventional policy, but this did not appear to influence the European Council members. Indeed, the primary quality was that of nationality, with the qualifications of the candidates generally considered positively.

The Fed and the ECB faced similar charges that they were exceeding their respective mandates. Although the Fed seemingly has more room for manoeuvre than the Fed, critics focused on their respective abilities to achieve price stability when they were pumping liquidity into the economy. Although neither economy suffered from the feared inflation, there was enough concern to generate court cases for both and threats to change the mandate from US legislators. Neither resulted in any concrete changes, though the accountability of the Fed did increase. Nevertheless, the narrowly defined mandate of the ECB restricted its policy options compared to the Fed, leading to a range of policy measures with the similar policy objectives but that were limited or restricted in scope.

Both central banks went on the offensive and the defensive in terms of the *ex-post* accountability requirements. Additional oversight committees demanded explanations from the Fed and the ECB, respectively, and existing accountability exchanges with their respective legislatures rose in length and intensity. They both undertook voluntary measures to enhance their transparency. But the stability of central bank independence was confirmed by an updated index of central bank independence for 124 countries from the end of the Bretton Woods period until 2014 in which the scores for the Fed and the ECB remain unchanged from the decade preceding the crisis (Bodea and Hicks, 2015, cited in (de Haan et al. 2018).

In conclusion, the different accountability frameworks of the Fed and the ECB did not make as much of an impact as one might have expected. The *ex-ante* controls made a difference for the ECB more than for the Fed through its restricted mandate whereas the *ex post* controls for the Fed were more significant. Nevertheless, the *sui generis* nature of the ECB is less pronounced than early analyses may have anticipated as it was able to implement policies with broadly similar effects as those of the Fed.

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