

Can greater central bank accountability defuse the conflict between the Bundesverfassungsgericht and the European Central Bank?



Germany's constitutional court recently ruled that asset purchases conducted by the European Central Bank could be incompatible with the German constitution. As [Sebastian Diessner](#) explains, the subsequent rift has prompted calls for greater accountability in ECB decision-making, potentially with representatives from Germany's central bank, the Bundesbank, being obliged to explain ECB decisions in the Bundestag. He writes that while there should be no illusions that such a measure could defuse the conflict entirely, an honest debate about central bank accountability in Europe is long overdue.

The recent ruling of the German federal constitutional court (Bundesverfassungsgericht) with regard to asset purchases by the European Central Bank (ECB) has stunned even seasoned observers of European affairs, prompting accusations of the Court [going rogue](#) and [declaring war](#) on the supranational central bank and the wider European project. In Germany's federal parliament (the Bundestag), the decision triggered an [impassioned debate](#) about what ought to happen in response. Indeed, many – including German finance minister [Olaf Scholz](#) – hope that the quarrel will ultimately be resolved within Germany's federal republic and not spill over into a European Union that is already struggling to battle the fallout from the Covid-19 pandemic.

One way to do so, it is increasingly being [suggested](#), could be for Germany's national central bank, the Bundesbank, to explain and defend the collective decisions of the ECB's governing council in front of German MPs in the Bundestag. Yet, what would be the promises and pitfalls of such an approach? Previous academic and policy-oriented research on central bank accountability in Europe can point to an answer. The European Central Bank, for instance, already has a quarterly Monetary Dialogue with the European Parliament's Committee on Economic and Monetary Affairs (ECON) and it also responds directly to written questions by MEPs.

While some have tended to see the Monetary Dialogue as a mere talking shop, it does provide useful insights into parliamentary scrutiny of monetary policy and can thus offer a template for national parliaments of how to hold central bankers to account. Indeed, the ECON Committee has proven throughout the [Eurozone crisis](#) that it can be a partner to be reckoned with. Yet, there is no denying that the ECB's accountability could and should be strengthened further, as highlighted not least in a number of recent policy reports (see [here](#) and [here](#)). For the most part, more effective scrutiny of monetary policy-makers' actions hinges on the focus and specialisation of parliamentarians, and on the willingness of central bankers to engage in meaningful exchange.



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ECB Governing Council press conference in March 2020, Credit: [Dirk Claus/European Central Bank \(CC BY-NC-ND 2.0\)](#)

What is important to note, however, is that more substantive forms of accountability – i.e. those that go beyond mere answerability by a central bank and enable parliament to reward or punish its actions – inevitably raise questions about central bank independence. This has condemned central bank accountability in the Eurozone to the seemingly meaningless realm of [proceduralism](#) in the past. Yet, despite the widespread view that independence and accountability are “two sides of the same coin” in theory, this is only true to a certain and rather limited extent in practice.

In the current context, it seems impractical for the ECB to make regular visits to all 19 national Eurozone parliaments, even though it undertook [ad hoc](#) visits to selected parliaments after the Eurozone crisis. But there is a case to be made that national central banks be heard by their national parliaments, a practice that currently [varies widely](#) across member states. It is crucial, however, that a closer scrutiny of national central banks does not lead to a re-nationalisation of Eurozone monetary policy, a long-standing [concern](#) among the defenders of the ECB’s limited accountability.

In a worst-case scenario, national central bank governors would – ahead of the ECB governing council meetings at which monetary policy decisions for the Eurozone are formulated – seek “mandates” from their respective national parliaments, and then profess that their “hands are tied” to national interests. We are familiar with such dynamics from the intergovernmental decision-making in the Eurogroup of finance ministers. And we are equally familiar with the all too common outcome: slow, incomplete, and lowest common denominator decisions. It is here that central bank independence can and should demonstrate its worth. At the same time, it is implausible to assume that one can circumvent [national political dynamics](#) in the ECB governing council altogether. As so often, the dose makes the poison.

What is truly needed, then, is a careful reflection about the institutional role of national central banks (NCBs) in the Eurozone. NCBs – generously staffed with skilled personnel – collect and analyse large amounts of data, maintain payment infrastructures, and execute policy decisions made by the ECB governing council. Yet, we have paid too little attention in the past to the part that NCBs might play in shoring up trust in the Eurosystem and ensuring that ECB decisions are intelligible and acceptable to audiences beyond financial markets, namely in the political and societal sphere. Will national central banks in the future come to be seen as [translators](#) of governing council decisions to different national audiences, or rather as defenders of national interests and loudspeakers for political disagreements?

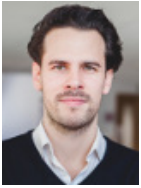
A final vexing issue relates to the notion of central bank *transparency*, which most observers agree to be a vital prerequisite for being able to hold monetary policy-makers accountable in the first place. Much of the controversial ruling of the Bundesverfassungsgericht indeed appears to be premised on the notion that ECB policies have not been documented appropriately in the past and are therefore next to impossible to scrutinise. However, it is important to bear in mind that even the noble principle of transparency has its [limits](#). As the European Court of Justice suggests ([precisely](#) in the ruling on the ECB’s Public Sector Purchase Programme dismissed by the Bundesverfassungsgericht), a certain degree of *opaqueness* is not only permissible but necessary to render the programme compliant with the often-cited Article 123 TFEU (the so-called prohibition on monetary financing), namely in order to ensure uncertainty over which bonds will be purchased by the central bank and when.

On the whole, a sober look at the theory and practice of central bank accountability thus makes it clear that there are few easy answers and much need for caution when designing mechanisms of parliamentary scrutiny for central banks. Those hoping for ready-made and easy-to-implement solutions to defuse the conflict between German judges and European monetary policy-makers should not hold their breath. What does seem clear, however, is that ECB accountability should best be performed and strengthened at the European level, while increased accountability of NCBs in national parliaments should be explored further with the above caveats in mind. An honest debate about central bank accountability in Europe – and the role of national central banks therein – is indeed [long overdue](#), beyond the acute conflict at hand.

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Note: This article gives the views of the author, not the position of EUROPP – European Politics and Policy or the London School of Economics.

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