

The Parliamentary Scrutiny of Euro Area National Central Banks¹

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Abstract

European Economic and Monetary Union (EMU) involves several core principles for the organization of participating national central banks (NCBs / CBs), including their independence from political institutions. Early studies show that the level of national parliamentary scrutiny over euro area NCBs varied (Lepper and Sterne 2002). In this context, our article examines the extent to which parliaments make use of four distinct control mechanisms to hold CBs accountable. We explain the very different levels of parliamentary scrutiny over NCBs in Germany, France and Belgium during the 2013-2016 period. We find that the level of scrutiny depends principally on the presence of a longstanding tradition of CB independence — and specifically the manner in which independence has been politicized and interpreted by the political class. We argue that the strength of the parliament can also explain some variation.

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Introduction

The agreement on European Economic and Monetary Union (EMU) involved several core principles for the organization of participating national central banks (NCBs / CBs), including their independence from national governments and other political institutions. However, independence arguably increases the importance of parliamentary scrutiny as a means to encourage CBs to explain publicly and justify their policies and their effectiveness. Principal-Agent accounts emphasize the greater importance of *ex post* controls of the Principal(s) over the Agent — including parliamentary scrutiny — where *ex ante* controls are more limited — particularly in the context of an Agent's (here, the CB's) far-reaching political and operational independence. The ability of parliaments to question and, occasionally, name-and-shame, is an important part of a liberal democratic system.

Despite its importance to the operation of national democracies, parliamentary scrutiny of NCBs in the euro area has not received much academic attention. The only two comparative studies date back to the first few years of EMU and measure 'scrutiny' in a very narrow way. De Haan and Oosterloo (2006) highlight the importance of accountability, and argue that agents that are regularly controlled are more likely to perform their tasks conscientiously. However, empirically, they focus largely on formal accountability rules, such as the obligation to report to parliament, and they look at the number of times the CB reported to parliament in practice. An analysis of parliamentary debates more generally (without CB presence) or questions is missing. Lepper and Sterne (2002) study the parliamentary scrutiny of CBs in 14 countries by means of a survey. They show that the level of euro area national parliamentary scrutiny over NCBs was indeed limited — the Bank of Japan, the Bank of England, the US Federal Reserve and the European Central Bank all made more appearances before parliament — but also that this scrutiny varied. They also look at the technical support available to committees and power

over appointments. However, Lepper and Sterne only study activity in a single year (2001) and fail — as in the case of the de Haan and Oosterloo (2006) — to examine scrutiny forms that parliaments can proactively engage in, such as parliamentary questions and debates with the government over CB issues. They also do not find an explanation for the variation which does not appear to be strictly related to CB independence.

Following the loss of monetary policy in 1999, euro area NCBs continued to manage a range of other responsibilities including compensation and settlement systems, CB reserves and their balance sheet, consumer protection issues, and the collection of macro- and micro-economic data. Several CBs managed bank supervision. Since 2008, the outbreak of the international financial crisis, the euro area sovereign debt crisis and the accompanying economic stagnation in a number of euro area member states have combined to increase the political salience of the policies adopted and implemented by both the European Central Bank (ECB) and euro area NCBs. All NCBs have a role, albeit normally ill-defined, in the increasingly politicized area of financial stability (macro-prudential supervision).

In this context, our article analyses the formal and informal mechanisms of parliamentary scrutiny of euro area NCBs, examining three national cases in depth — Germany, France and Belgium — in order to understand the varying level of parliamentary scrutiny. Our article analyses scrutiny in greater detail than previous studies, taking into account not only formal rules but also parliamentary practice in the form of questions, debates and committee meetings. Our article seeks to understand if the varying level of actual parliamentary scrutiny with regard to the NCB corresponds principally to two potential explanations: the ‘historic’ legacy of NCB independence prior to EMU and the strength of parliament in the political system and in relation to the CB.

The following section summarizes the main literature and examines the value added of the Principal-Agent approach to understand the relationship between parliaments and CBs. The second section outlines our matrix for measuring parliamentary scrutiny (the *explanandum*). The third section presents our two main hypotheses to explain different levels of scrutiny — the historic legacy of CB independence and the strength of parliament — the case selection and methodology. The fourth section summarizes our findings as to level of CB parliamentary scrutiny.

Why parliamentary scrutiny matters: the difficulty of reconciling central bank independence and liberal democracy

Since the 1980s and especially during the 1990s, a growing number of national governments granted greater autonomy to CBs, to the point where the vast majority of CBs in the world can be described as politically and / or operationally independent of governments (Hielscher and Markwardt 2012). Independence can be assessed through four indicators: the insulation of the CB's management from political pressure through secure tenure and independent appointment; the inability of the government to directly influence or overturn the decisions of the CB; a clear legal mandate; and limits on lending to the government (Crowe and Meade 2007). In the euro area, NCBs have a high degree of independence on all four of these indicators because of requirements established in the Treaty on European Union (Dyson 2009a; Howarth and Loedel 2005).

Supporters of CB independence back up their position with a huge body of economic literature (see Dyson 2009a for an overview). In addition to these economic arguments, there are other institutional or political rationales for CB independence (Johnson 2006; Delli Carpini and

Keeter 1996; Freeman 2002; Maxfield 1997; Keefer and Stasavage 2003; Alesina and Tabellini 2004). Despite the empirical evidence and the arguments presented in favour of CB independence, critics contend that independence is antithetical to democracy and should be limited (Levy 1995; McCallum 1995; Stiglitz 1998; Johnson 2006). In a number of countries, including both euro area member states — notably France — and EU member states that are not in the euro area, including the United Kingdom, Sweden and Denmark — the move to CB independence met with considerable political opposition, despite a Treaty-imposed requirement and international trends (Howarth 2001; 2009; Howarth and Loedel 2005; Marcussen 1999; Johnson 2006). In an attempt to reconcile independence with democratic principles, many argue that independence must be subject to extensive democratic oversight (Johnson 2006; Freeman 2002; Keefer and Stasavage 2003). Thus, there remains considerable discussion in the literature as to the appropriate degree of separation of the CB from majoritarian political institutions (Fraser 1994; Drazen 2002). In the context of the euro area, where NCBs have ceased to have direct control over monetary policy — given the *ad personam* status of their governors in their monetary policy making role — many of the economic arguments presented in favour of CB independence no longer apply or are problematic.

With the independence of CBs, the issue of their accountability and transparency has become more important than in the past (see Johnson 2006, Lastra 2001) and parliamentary scrutiny is an essential means to increase both. However, parliamentary scrutiny of CB activities remains inadequate in many liberal democracies. In no euro area member state does the level of the parliamentary scrutiny of central bank activities reach the level achieved in the United States — where a well-resourced Congress actively scrutinizes the CB, and Federal Reserve officials are required to appear before congressional hearings several times a year to answer questions on monetary and other policies (Binder and Spindel 2017; Woolley 2009) — let alone the level

of scrutiny achieved in a number of other parliamentary systems (Australia, United Kingdom and Canada).

Principal-Agent (delegation) approaches — applied by both economists and political scientists — have offered some of the best insights into both the logic behind CB independence as well as the range of *ex ante* and *ex post* controls that political executives and, more specifically, parliaments can wield to ensure that the CB — as an agent of the executive / parliament principals — operates according to its delegated mandate (Eggertsson and Le Borgne 2004, Elgie and Thompson 1998, Gilardi 2007, Keefer and Stavasage 2003, McNamara 2002, Oritani 2010). While euro area parliaments tend to be dominated by government parties, they retain some autonomy in relation to the political executive to scrutinize non-majoritarian agents (Thatcher and Stone Sweet 2002). CBs report to two principals — government and parliament, and, in addition, the government reports to parliament on behalf of the CB through certain mechanisms (for example, parliamentary questions).

Since 1999, regarding the euro area, the Principal-Agent literature has been focused upon the ECB and the *ex post* controls upon it — and notably the scrutiny role of the European Parliament (Elgie 2002, Jabko 2003). There is an absence of Principal-Agent studies of euro area NCBs and the scrutiny of national parliaments, despite the ongoing importance of their operations. According to the Principal-Agent literature, delegation to the CB takes place to make regulatory policies more credible. Agents possess greater information than principals and are not subject to electoral pressures. For these reasons — asymmetric information and different underlying interests — agents (here CBs) are prone to develop different preferences from the principal.

‘Agency losses’ — that is, shirking, slippage or even sabotage — occur.² For political science applications of Principal-Agent approaches, *ex ante* and *ex post* controls to prevent ‘agency losses’ are also central to the democratic legitimacy of CBs (McCubbins and Schwartz 1984; Moe 1987). *Ex ante* controls are those constraints upon specific agent action that are set in the constitutional and / or legislative provisions assigning powers to the agent. According to Principal-Agent approaches, if *ex ante* controls are weak — which is the case for euro area CBs because of the large scope of political and operational independence assigned to them under the Treaty on European Union and enforced by national law — this places even greater emphasis upon *ex post* controls (Gilardi 2007).

Ex post controls include ‘police patrols’, which are most relevant to our study because they include parliamentary scrutiny. Through ‘police patrols’, the principal engages in continuous vigilance of the agent’s actions and through its surveillance seeks to discourage any violations of the terms of delegation (McCubbins and Schwartz 1984). In so far as parliaments are concerned, ‘police patrols’ include committee hearings, parliamentary enquiries, regular agent reporting and regular questions to the agent. The analysis here focuses upon one *ex ante* mechanism (scrutiny of appointments) and three ‘police-patrol’ mechanisms that are exercised by euro area national parliaments in relation to NCBs. The Principal-Agent literature also distinguishes a second group of *ex post* controls, ‘fire alarms’, which normally involve third parties and are focused on targeting specific violations of legislative acts. However, we have

² ‘Shirking’ refers to the agent failing to act in a manner that best serves the interests / preferences of the principal, i.e., putting no effort into fulfilling the delegated task or less effort than necessary; ‘slippage’ involves the agent following its own preferences which diverge from those of its principal(s); ‘sabotage’ involves the agent acting in outright conflict with the principal’s preferences and underlying interests.

found no evidence of the parliament-principal acting after a ‘fire alarm’ was raised by a third party.

In its relationship to all non-majoritarian agents, the parliament is a distinct principal from the political executive. Most importantly, the presence of a wider range of parties means that parliaments include a much greater diversity of opinion which makes them more sensitive towards a perceived political bias of the CB. Parliaments also face distinct challenges as principals: they have limited information and expertise as compared to both the non-majoritarian agent and the political executive. Parliaments can hold the agent to account both directly — with the agent reporting to parliament — and indirectly — with the agent reporting to government, which is in turn accountable to parliament (Amttenbrink 1999; de Haan and Amttenbrink 2000). A large, but varying, proportion of information about the activities of the agent comes via the government. A case of the latter are parliamentary questions about the CB, which are usually formally addressed to a minister who then collects the necessary information from the CB.

The *explanandum*: different levels of national parliamentary scrutiny of central banking

This study considers the extent to which parliaments make use of one *ex ante* and three ‘police control’ mechanisms, which can result from active parliamentary scrutiny:

1. Parliament’s influence over appointments to the policy-making boards of the CB (Lepper and Sterne 2002) (*ex ante* control via scrutiny of future board members);
2. The number of hearings with CB representatives that took place in practice (‘police control’);
3. The number of parliamentary questions on CB matters (‘police control’);

4. The number of plenary debates and committee meetings that scrutinized CB-related issues ('police control').

Furthermore, in order to enter into more detail as to the level and nature of parliamentary scrutiny, we study two additional measures. First, we examine the extent to which MPs evaluated the performance of the CB during their 'police patrol' activities. Second, we analyse the extent to which MPs tried to exert influence over the activities / decisions of the CB. These attempts to influence CB policy are potentially controversial in the euro area context, where NCBs are politically and operationally independent. However, we include this indicator on the grounds that there may be a difference between what actors should (not) do and what they do in practice.

The use of a range of indicators to measure scrutiny is important because parliaments have distinct traditions in making use of different mechanisms. Data collected on one indicator alone (e.g. plenary debates) would distort the analysis in favour of certain types of parliaments. For this reason, our analysis includes both plenary debates and committee meetings / hearings, to do justice to both 'debating parliaments' and 'working parliaments'. In addition, both written and oral parliamentary questions are considered. Questions — and in particular written questions — have the advantage that they are subject to relatively low procedural and party political constraints — for example, they do not require the support of a larger number of MPs or of key figures and they are generally perceived to be a good measure of what interests individual MPs (Rasch 2011, Navarro and Brouard 2014).

Main explanatory variables and case selection

We have selected three country cases (Germany, Belgium and France) for in-depth analysis on the basis of a ‘most different’ selection, that attempts to achieve variation on our two main explanatory variables: the historic legacy of NCB independence and the strength of the national parliament more generally. We selected these variables based on our expectations about motivations for active scrutiny. First, most academic studies of the relationship between CBs and majoritarian bodies / elected officials take as the main explanatory variable the degree to which the CB is politically and operationally independent from government (cf. Cukierman 2008). However, in the euro area, the legal provisions for both the political — goal-setting — and operational independence of NCBs are broadly the same because they must conform to expectations set out in the Statute on the ECB and the European System of Central Banks appended to the Treaty on European Union of 1993. Lacking significant differentiation on this independent variable, we opt to examine a non-quantifiable variable that considers the historic legacy of CB independence.

We expect the historic legacy of independence of NCBs pre-EMU to have an important effect on the scrutiny cultures and expectations of parliaments. According to a number of comparative studies (Dyson 2002; Dyson 2008; Dyson and Marcussen 2009), the activities of CBs tend to be less politicized when: 1) the CBs have built up credibility over time; and 2) CB independence is no longer controversial, having become the norm. When principals have developed a high level of trust towards an agent and have come to accept its independence, their motivation for active scrutiny is likely to be low (with the exception of fringe parties that may not trust CBs in general). Where CB independence is recent, the principle of independence itself may still be politicized. MPs may still feel that the CB should be responsive to political priorities. In cases where MPs still suspect the CB of leaning towards government policy, the

motivation for scrutiny by opposition MPs is particularly high. Therefore, our first hypothesis is:

H1: Where euro area member states have a shorter tradition of CB independence, the politicization of CB activities is greater and parliamentary scrutiny of the CB tends to be greater.

In Germany, CB independence dating to the post-war period has long been broadly accepted in the population and political class (Dyson 2009b; Howarth and Loedel 2005). While some Bundesbank appointments and specific policy decisions have been politicized in the past — on the pre-euro period see Sturm 1995 — there is very little evidence of a significant challenge to Bundesbank independence except on the political extremes. In the cases of France and Belgium, the NCBs only gained political and operational independence in 1994, in the context of the EMU project. In France, there was widespread opposition to this independence and large sections of the political class engaged in frequent attacks on the independence of the Bank of France (BdF) throughout the 1990s and 2000s (Howarth 2001; 2009; Howarth and Loedel 2005). However, into the second decade of EMU there were fewer examples of this politicization of NCB independence. In Belgium, independence was broadly accepted and attacks were limited to the political extremes, in large part due to the overwhelming political and public support in the country for the EMU project and its institutional implications (Maes and Verdun 2009). However, in Belgium, CB independence has, in practice, been perceived as imperfect by many observers, with a high level of politicization resulting from the widespread perception of governments appointing loyal members to the NCB governing board (interview NBB 27/11/2017). In our period of investigation (2013-2016), National Bank of Belgium (NBB) Governor Luc Coene was accused of political bias by members of the Chamber of

Representatives (CdR) from a wide-range of parties, and the manner in which the government organized the appointment of Coene's successor was also criticized (see next section).

Second, we expect the strength of the national parliament in relation to the political executive to have a positive impact on how actively it scrutinizes the CB. While the literature on parliaments and CBs provides little guidance on possible explanations for different levels of activity, the formal strength of parliament is identified as a powerful explanatory variable for parliamentary activity in other contexts, such as parliamentary scrutiny of EU affairs (cf. Raunio 2001; Damgaard and Jensen 2005; Karlas 2011; Auel et al. 2015). We would also expect traditionally strong parliaments to use ex ante and ex post mechanisms actively to consolidate their influence.

Hypothesis 2a: Where the euro area member state parliaments are 'stronger' in relation to the political executive, parliaments will more actively scrutinize the CB.

According to the Parliamentary Power Index by Fish and Kroenig (2009) — the German parliament is the EU's most powerful national parliament, with a score of .84. The overwhelming majority of EU member state parliaments have a score in the .7-.8 range, making the Belgian parliament close to the median at .75. The French parliament is one of the weakest EU member state parliaments with a score of .56. The index covers most countries in the world and evaluates parliamentary power on a comprehensive set of 32 individual indicators that cover the power of the parliaments to control their executives, their institutional autonomy (e.g., whether government can dissolve parliament), their institutional capacity (e.g., administrative capacity) and special / specific powers (e.g., the power to declare war). The rankings of Germany, France and Belgium correspond to their ranking in a second established index on the

institutional power of West European parliaments (Sieberer 2011), and thus appear reliable. Based on this index, we would expect levels of parliamentary scrutiny of CBs to be highest in the German parliament, followed by the Belgian parliament, with France noticeably behind.

In the same vein, the specific scrutiny powers of parliaments over CBs could motivate them to be more active. As there is no index of CB scrutiny powers of parliaments, this expectation could not influence case selection, but will nonetheless be analyzed in light of our data:

Hypothesis 2b: Those euro area member state parliaments that have stronger formal powers in relation to the CB will more actively scrutinize the CB.

One could add to these motivations a third – contextual or electoral – motivation: In cases where CBs encounter problems that are visible and salient to the public (e.g., bank failures and public bailouts of banks), parliaments may feel under pressure to take an interest. However, as we discuss below, all three CBs faced some problems in the period that we analyze, and thus this variable of salience should not result in significant difference. All nine parliamentary staff officials interviewed for this article perceived the electoral salience of CB control to be low — with only a few exceptions, notably where parliaments reacted to political pressure to scrutinize a CB policy area more thoroughly. The recent examples given were a tax evasion scandal in France in 2018 and the failure of the Optima bank in Belgium which resulted in a parliamentary committee of enquiry. However, these two events either fell outside or were at the very end of our period of data collection and thus do not affect our findings (Interviews French AN 24, 30, 31/10/18; French Senate 19/10/18 and 2/11/18; Interview CdR 15/10/2018).

As all three parliaments are bicameral, we have analyzed the work and interventions of both chambers. However, the German and Belgian upper houses were almost completely inactive on CB matters in the three years covered by the study. This is also confirmed by interviewees (Interview Bundesbank 8/11/17; Interview NBB 27/11/17). The French Senate had a more significant role — with hearings and the preparation of reports on matters that touch upon CB powers — but is described as ‘less active’ on these matters than the National Assembly (the lower house) (Interview BdF 13/12/17).

Our three cases thus represent three different constellations of these two variables: the German parliament is very strong compared to other national parliaments in the EU and overall (Fish and Kroenig 2009). At the same time, the Bundesbank has a long tradition of independence, which means that there are two contradictory factors at work (a tradition of independence and a strong parliament). France is the opposite case, with one of the weakest parliaments in the EU, and a recently independent CB. Belgium’s federal parliament is fairly strong — though not as strong as the German parliament — while the CB is only recently independent. Ideally, we would also have liked to examine a case of the fourth possible constellation — a weak parliament and a CB with a long tradition of independence — but as the vast majority of euro area national parliaments are fairly strong, this constellation of parliamentary weakness and longstanding CB independence does not exist.

Overall, we would expect Belgium to have the highest level of parliamentary scrutiny of the NCB, as both the strength of the parliament and the tradition of political control over central banking point in that direction. It will be interesting to see whether parliamentary scrutiny of the CB is higher in the German or in the French case, as we have two conflicting explanatory factors in both cases.

The study relies primarily upon documentary analysis: research into national laws on CB independence, formal rules on parliamentary scrutiny of NCBs and parliamentary documents — plenary debates, hearings, committee meetings, parliamentary questions — covering three parliamentary sessions from September 2013 to August 2016.³ For this purpose, all possibly relevant documents were identified on the basis of a broad keyword search (name of the CB). The documents were then manually coded in order to: discard the many documents that merely cited CB statistics and retain only documents that discussed the CB's powers or activities; record the date, type of document, party, MP, and topic of the document; and qualitatively assess whether the MPs expressed criticism of the CB, for example. The same coder worked on all three cases, to ensure the comparability of the collected data. This documentary research was triangulated with twelve interviews with NCB officials and parliamentary staff.

This analysis allows us to establish how active the parliaments were in quantitative terms, but also to establish whether MPs tried to (critically) comment on NCB activity. We selected this three-year period notably because we sought to avoid the distortion of findings that might have occurred during the height and immediate aftermath of the international financial crisis and the euro area sovereign debt crisis — two periods during which there was a widespread politicization of activities linked to CBs, from monetary policy to bank supervision.⁴ The

³ Our analysis had to exclude closed committee meetings in France and Belgium, given the lack of available data. However, all French and Belgian interviewees confirm that closed committee meetings are rare. As all committee meetings are closed in Germany, our analysis includes closed meetings of the Bundestag based on an examination of their agendas. However, it is rare that Bundesbank representatives attend committee meetings (only thrice in our period of analysis).

⁴ One might expect that greater the economic impact of the financial and sovereign debt crises — in terms of bank losses and / or bank bailout costs — the greater the parliamentary scrutiny of the NCB. However, there is no obvious relationship between this variable (crisis impact on a range of measures) and parliamentary scrutiny levels: ranging from very high impact / high levels of parliamentary scrutiny (Belgium), to high impact / low scrutiny (Germany) to low

intensity of the sovereign debt crisis diminished significantly from August 2012. We thus seek to examine parliamentary scrutiny during a period when the political salience of central banking might be seen to be high yet the broader socio-economic situation of the three country cases cannot be described in terms of crisis.

Differing levels of national parliamentary scrutiny: Belgium high, France significant, Germany low

Formal powers

As the introduction of EMU required all euro area NCBs to be independent, there are limits to the extent to which parliaments can have formal control over the NCB. However, all euro area governments assigned powers to their national parliaments which enabled them to scrutinize the NCB. The analysis of the formal provisions in the three member states reveals substantial differences in the *ex post* scrutiny powers of parliaments vis-à-vis NCBs. The Belgian Central Bank has the strongest formal obligation to report to parliament. According to the Law of 22 February 1998 ‘fixant le statut organique de la Banque nationale de Belgique’, the NBB governor has to send annually to the President of the lower house, the CdR, the ECB’s annual report and the NBB’s report on financial stability. Furthermore, art. 28 gives the CdR the power to summon the governor to meetings of the relevant committees, but it also allows him to attend relevant committee meetings on his own initiative. Finally, art. 36(3) explicitly states that the NBB has a duty to advise the parliament (and the government) on financial stability. The NBB thus has an explicit formal obligation to inform and advise parliament, and its governor has to attend relevant hearings when summoned. This contrasts with the other two national cases. The

impact / medium scrutiny (France). Also, by 2013, both the financial systems and the broader economic systems had largely stabilized in the three countries.

Bundesbank Law requires the CB to send only its accounts to the Bundestag (lower house). In addition, the Act on Monitoring Financial Stability requires the Financial Stability Committee — which consists partly of central bankers — to report annually to the Bundestag. However, formally, the Bundestag cannot summon any CB officials to hearings. The formal rules on the parliamentary accountability of the Bank of France are similarly loose, except in the case of appointments.

In terms of *ex ante* powers of control, of the three countries, the French parliament has the strongest influence on appointments. Bank of France governors are appointed under Art. 13 of the Constitution, which gives the relevant National Assembly and Senate committees the right to vote on the appointment — and to block it if both committees reject the appointment with 60 per cent of negative votes. By contrast, the NBB Board is appointed by the government, and in the case of the Bundesbank only the Bundesrat (the upper house) has a say in the appointment of some Executive Board members. Despite this power, the Bundesrat is overall far less active than the Bundestag in CB scrutiny.

To conclude, the German parliament has the weakest formal powers vis-à-vis the Bundesbank — despite the fact that it is normally considered to be a strong parliament — whereas the French parliament can influence appointments, and the Belgian parliament (CdR) is entitled to regular reports and has the greatest formal power to organize hearings.

Parliamentary Scrutiny of CBs in Practice

However, there is a difference between formal rules and parliamentary practice (cf. Table 1). The first observation regarding the parliamentary scrutiny of CBs in Germany and France is that activity is low in purely quantitative terms. In both cases, there are hundreds of documents

that mention the NCB — but upon closer examination, almost all contain merely references to NCB statistics, usually with the aim of questioning or supporting government policy. The proportion of activities that can be defined as ‘scrutinizing the central bank’ is very small, even if a generous definition is adopted that includes any document that requests information on a CB activity or MP comments on a CB activity. Most of the documents that were retained thus represent at best a very superficial form of scrutiny, principally because of the limited interest on the part of MPs.

Table 1. Parliamentary scrutiny of the national central bank: September 2013-August 2016

	German Bundestag	German Bundesrat	French Assemblée Nationale	French Sénat	Belgian Chambre des Représentants	Belgian Sénat
Committee meetings or hearings	12	0	15	11	38	2
Plenary debates	12	7	9	5	32	2
Written or oral questions	11	0	20	7	89	2

The German Bundestag is a good illustration of this point. In purely quantitative terms, over the three-year period, the Bundesbank was mentioned in a way that involved parliamentary scrutiny of its activities in 12 plenary debates, 12 committee hearings or committee debates and

11 questions. However, in qualitative terms, none of the plenary debates was specifically about the CB. Instead, they were focused upon topics where the CB played some role. As far as committee meetings are concerned, we can conclude that the Bundesbank was fairly cooperative: it attended hearings fairly regularly, despite the fact that it was formally not obliged to attend, and submitted written evidence in most cases. However, the level of MP interest in CB topics appears to be low, with only 1 to 2 interventions in most hearings. By contrast, in the Belgian case, it is customary for at least one MP of every political group in the CdR to intervene in each finance committee hearing with CB representatives (Interview CdR 15/10/2018). In the French National Assembly and Senate around 15 MPs typically speak during such hearings — a greater number than in other finance committee meetings (Interviews French AN 24, 30, 31/10/2018; Interviews French Senate 19/10/2018, 2/11/2018). It is also noteworthy that in the Bundestag only MPs from two smaller parties presented the eleven questions with CB-relevance: with nine from the Greens and two from The Left.

Finally, we looked for statements that expressed openly critical or supportive views vis-à-vis the NCB and for statements that openly demanded that the NCB move in a certain direction. In the case of the German Bundestag, almost none of the documents demonstrates an interest in evaluating Bundesbank activity. There were no critical statements with regard to CB activity, only two openly positive statements: most of the activity demonstrates a high level of faith in the data and explanations supplied by the Bundesbank. On the whole, it appears that German MPs had a very high level of trust in the Bundesbank. The German upper house was fairly inactive during this period: the Bundesrat discussed the CB in seven plenary debates, but only one to three interventions per debate referred to it.

The French case looks superficially similar, but is qualitatively different. In quantitative terms, the two French chambers were more active than the two German chambers. There were only nine relevant National Assembly plenary debates and five debates in the Senate. However, there were considerably more parliamentary questions (20 in the National Assembly and 7 in the Senate compared to a total of 11 in Germany), and the opposition ‘only’ asked three-quarters of them. The National Assembly and Senate combined had more committee meetings focused at least in part on the operation and policies of the CB than in the German parliament. Based on the archives, the National Assembly held 6 relevant hearings and 9 committee meetings, while the Senate held 5 and 6.

There are also qualitative differences in the scrutiny. While the Bundestag finance committee held a number of hearings with Bundesbank experts, these officials appeared among a number of experts, and the number of questions addressed specifically to the Bundesbank experts was quite low most of the time. The same is true for French National Assembly and Senate finance committee meetings about general topics (questions from one to four members with an NCB interest per committee meeting), but the hearings were usually far more focused. There were only between one and three CB experts per hearing, and if there was more than one person, it was because they were all central to the topic. Thus, there were six National Assembly and three Senate finance committee meetings (mostly hearings) where the NCB played a central role and where the committee members were thus, from the start, focused on the Bank’s expert. These include the appointment of a new Bank of France governor in 2015, where the finance committees of both houses of parliament made extensive use of their formal power to quiz the candidate, which resulted in 24 pages of presentations, questions and answers on central banking from the National Assembly committee and 41 pages from the Senate committee. In addition, the two finance committees each had another question-and-answer round with the new

governor in March 2016, in which a wide-range of members participated very actively. There were more NCB-related questions at that single session of the National Assembly alone than in all German public hearings focused on CB activities taken together.

The documents also reveal a cultural difference between the French and German parliaments. Most interventions by parliamentary members were ‘neutral’ requests for more information or questions about how a procedure or policy works. However, a non-negligible minority of statements by French parliamentarians evaluated CB activities or expressed an opinion on these activities. Thus, five of twenty National Assembly questions and three of eleven Senate questions expressed criticism or dissatisfaction with the CB or a CB-related policy. In one example, a National Assembly member criticized the CB’s requirement that French citizens residing abroad had to come to France to exercise their ‘right to a bank account’ as disproportionate. In other examples, a National Assembly member and a Senator criticized as inadequate the communication between the CB and the judiciary in cases of over-indebtedness. Some statements in the National Assembly and Senate finance committees were designed to make the CB justify its positions. For example, one National Assembly member asked why the CB believed that there was no financial bubble in contrast to the views of various independent analysts. Moreover, there were a number of statements that attempted to push the CB in a specific direction. For example, one National Assembly member and two Senators ‘encouraged’ the CB to be ready to attract commercial banks to France in the context of Brexit. Several members and Senators demanded that the CB (among other actors) defend French interests in the context of Basel negotiations on capital requirements — and there was even a failed motion with considerable support to this effect. Both National Assembly members and Senators also demanded that the CB should play a bigger role in the financing of small and medium enterprises (SMEs) and that the role of the ECB should also be redefined to allow this.

Some members also argued that the CB was not scrutinizing financial products sufficiently strictly and should perhaps be ‘forced’ to do so.⁵

The third case, Belgium, is radically different from the other two. The Senate was as inactive as the German Bundesrat, with two plenary debates, two questions, and two committee meetings. But the Belgian lower house alone produced 113 written and oral questions, committee debates and plenary debates. This is almost three times the level of activity of the French National Assembly and four to five times the activity of the Bundestag. In the three years examined, Belgian MPs asked thirteen written questions and 76 oral questions (interpellations in committee meetings and plenary debates), held 32 plenary debates (including those devoted to oral questions) and at least 38 public committee meetings (including those where oral questions were asked). In addition, in plenary debates, on average 4.4 MPs made relevant statements — considerably more than in the cases of both France and Germany. The level of interest in CB matters in the Belgian lower house was thus considerable.

22 of the 76 oral questions focused upon the NBB by members of the Belgian lower house were openly critical of the CB — almost 29 per cent. In 2013 and 2014, most of the criticism focused on the governor Luc Coene, who was perceived to be too politically biased by MPs from at least six different parties from the left and the right.⁶ In 2015 and 2016, there were a number of different concerns, but scepticism about the NBB’s performance as banking supervisor for example in the case of Optima bank, or its willingness to follow up with information about tax

⁵ E.g. Question Nr. 93621 01/03/2016; Plenary (13/06/2016, 212 séance); Finance Committee (02/07/2014, Nr. 92); Question Nr. 55992 (27/05/2014); Question Nr. 92106 (22/05/2015); Question Nr. 1657 (19/02/2014).

⁶ E.g. Finance and Budget Committee (19/11/2014, CRIV 54 COM 021); Finance and Budget Committee (19/03/2014; CRIV 53 COM 953); Plenary (28/11/2013, CRIV 53 PLEN 171); Plenary (12/02/2015; CRIV 54 PLEN 031).

evasion stood out.⁷ There were also questions about effectiveness: for example, on the high costs of the supervision of insurers, and regarding the NBB run ‘Contact Point’ which was meant to collect and supply information on account holders.⁸

Explaining differences in parliamentary scrutiny

The empirical evidence of actual levels of scrutiny broadly confirms the explanatory power of the two key variables. Belgium — where the move to CB independence only came with EMU and where the parliament is fairly strong and has comparatively strong scrutiny powers over the CB — experienced the highest level of parliamentary scrutiny. MPs also displayed a willingness to voice dissatisfaction. The French parliament was also somewhat active; there was some criticism of the CB and even some suggestions as to what it should be doing. In contrast, German MPs avoided evaluating CB decisions. The fact that the French parliament was more active than the German suggests that the history of CB independence is of greater significance than the strength of the parliament in explaining the level of parliamentary scrutiny of CBs.

The documentary evidence and interviews with CB and parliamentary staff indicate significantly different interpretations of CB independence in the three countries. All German interviewees insisted that the CB is generally independent from politics, that all parties accept this, that none of them would try to influence the CB, and that the CB would not accept such influence. Indeed, the Bundesbank fought against government efforts to re-assign it BaFin powers over banking supervision, because the CB feared that this would weaken its

⁷ E.g. Plenary (16/06/2016, CRIV 54 PLEN 115); Finance and Budget Committee (22/06/2016; CRIV 54 COM 450); Finance and Budget Committee (18/05/2016; CRIV 54 COM 421)

⁸ E.g. Committee for the Economy (09/06/2015, CRIV 54 COM 188); Plenary (10/12/2015, CRIV 54 PLEN 085).

independence (Interview Bundesbank 8/11/2017). Further, the German parliament focuses its scrutiny with regard to banking supervision on BaFin rather than the CB, at least in part because BaFin's autonomy is seen in more limited terms compared to the Bundesbank's independence (Interview Bundesbank 8/11/2017; Interviews Bundestag 16, 23/10/2018). In Belgium, the major party groups have for several decades divided amongst themselves the posts of CB governor, deputy governor and directors, appointing party loyalists to these positions. While Luc Coene is widely seen as having been more openly political than previous governors, most CB governors, deputy governors and directors have served in ministerial cabinets earlier in their careers (Interview NBB 27/11/2017; Interview CdR 15/10/2018).

Most Bundesbank presidents and Executive Board members also have political ties — Jens Weidmann worked for Chancellor Angela Merkel — but since the start of EMU at least appointments have not been problematized by parliamentarians. On this point, our findings thus differ from Sturm (1995). In addition, while the Belgian CdR respects the NBB governor's independence in his monetary policy role on the ECB's Governing Council, the CdR actively scrutinizes the CB's performance in other areas, such as in banking supervision. Finally, while the Bundesbank avoids activities that potentially expose it to involvement in politics and politicization, the Belgian CB informally assists with the drafting of transposition laws for EU financial legislation and sends experts to the corresponding committee meetings to assist the Minister of Finance (Interview NBB 27/11/2017; Interview CdR 15/10/2018). In Germany, CB staff almost never attend parliamentary committee meetings (as opposed to hearings), as this is perceived to conflict with CB independence (Interview Bundestag 11, 23/10/2018). French interviewees find that the independence of the CB governor in his monetary policy role in the ECB Governing Council is accepted by all parties (except on occasion the Communists), but that parliamentarians take a keen interest in other aspects of CB policy, where they feel that

they can and should have influence (Interviews French AN 24, 30, 31/10/2018; Interviews French Senate 19/10/2018, 2/11/2018; Interview BdF 23/11/2017). This confirms the findings of our documentary analysis: Belgian and French parliamentarians are more willing to voice opinions or criticisms in areas other than monetary policy, whereas German MPs generally avoid all criticism of the CB or statements about what the CB should do.

However, it is also clear from an examination of popular topics that the level of CB scrutiny depends to some extent on very specific contextual factors that cannot easily be turned into a general variable. For instance, part of the Belgian activity was related to banks in difficulty or bank failures (Optima, Dexia, etc.), which cost the NBB some credibility. In the context of the Panama Papers scandal, there were again accusations that the NBB did not do enough to support the fight against tax evasion. However, if one accepts these events as ‘contextual’ factors, this raises the question as to why ‘context’ — here banks in difficulty and Panama Papers — did not lead to greater parliamentary scrutiny of the CB in Germany.

One possible additional explanatory variable of differential levels of parliamentary scrutiny of the CB in the three countries is the differential powers that the CBs exercise and their varying political salience in the national context. Indeed, interviewees pointed to such potential explanations: one Bank of France interviewee stressed the CB’s role with regard to excessive indebtedness (*surendettement*), improving access to credit for the poorest members of society and the funding of SMEs as three policy remits that attracted the attention of parliamentarians because they were important to many constituents and thus politically salient (Interview BdF 13/12/17). However, with the exception of indebtedness — a responsibility assigned to the Bank of France in a 2010 reform — the three CBs had broadly similar powers and policy remits, typical of euro area NCBs.

Conclusion

Our article examines the extent to which three euro area member state parliaments made use of four distinct control mechanisms to hold NCBs accountable. Our article also presents and explains the different levels of parliamentary scrutiny over the NCB. In Germany, MPs avoided criticism of the Bundesbank. By contrast, both French and Belgian MPs occasionally judged CB performance. We explain the different levels and nature of this scrutiny in terms of two explanatory variables: the tradition of CB independence in a country — and, more specifically, the politicization and interpretation of independence — and the strength of the national parliament.

A more recent transition to independence encouraged more active scrutiny. In Germany, the longstanding independence of the Bundesbank was reflected in its status as a politically neutral expert and guardian of the national interest that few MPs sought to question (Dyson 2009b). In France, the move to CB independence was controversial and — while independence itself was no longer called into question — during the 2013-16 period MPs voiced criticism of the CB and even, on occasion, their views on what the CB ought to be doing. In the case of Belgium, CB independence as such was not controversial, despite the fact that it was only introduced in the 1990s. Rather, high-level appointments and a number of NBB public interventions on policy were still seen in partisan political terms. This imperfection in the political independence of the CB weakened its legitimacy in the eyes of Belgian parliamentarians and attracted criticism. In addition, CB independence is more narrowly defined in Belgium and France. Parliamentary strength also contributed to scrutiny, as evidenced by the greater activity of the Belgian parliament compared to the French parliament. However, the Belgian parliament's comparatively strong formal powers of *ex post* scrutiny of the CB and the French parliament's

ex ante powers over appointments to the CB explain scrutiny patterns better than parliamentary strength in general.

Contextual explanations may have a small effect on the different level and nature of parliamentary scrutiny over NCBs. However, it is also necessary to treat such explanations cautiously. For example, the way that banking crises affected Belgium in this specific time period triggered parliamentary interest and scrutiny. At the same time, the considerable devastation of the international financial crisis upon the German banking system and a number of very high profile bank scandals — including Libor rate manipulation by Deutsche Bank employees — did not spark an increase in German parliamentary scrutiny over CB activities. Thus, if one wanted to ascribe an effect to context, one would also have to analyze why similar contexts do not result in similar scrutiny dynamics.

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