EMU’s legitimacy and the ECB as a strategic political player in the crisis context

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Abstract
The sovereign debt crisis made it clear that, to be sustainable and serve its initial purpose (notably price stability), EMU would require enhanced policy coordination, increased sovereignty- and risk-sharing and further centralisation at the EU level of various competencies. In the crisis context, the ECB has emerged as an anchor of stability and confidence within a highly fragmented political system. It started to focus on the sustainability of EMU as its foremost objective, engaging in more active (and non-standard) policies and wider economic policy debates than otherwise required from a traditional central bank. This paper departs from a gap in the literature with respect to the legitimacy of delegations to a supranational and independent institution like the ECB. It adopts an interdisciplinary view, bringing together various concepts (broad categories) of legitimacy and various types constraints that the common monetary authorities face. The framework is applied to examine the ECB’s rationale to act strategically and its quest to legitimate its strategic political role through a renewed monetary dialogue with the EP.

1. Introduction
In spite of a rather successful first decade EMU’s incompleteness allowed for the building up of disequilibria in the wake of the financial and economic crisis and brought to the forefront institutional fragilities, which led to the sovereign debt crisis. During EMU’s first 10 years, the lack of national reforms in some member states and the incapacity of financial markets to distinguish between Eurozone sovereigns paved the way for increasing intra-EMU macroeconomic imbalances. The fact that economic, financial and fiscal governance institutions were unable to account for increasing policy interdependence left EMU institutions, already affected by the 2008/09 global financial crisis, incapable to deal with the still on-going sovereign debt crisis, which began in 2010. In response to the financial crisis, the EU moved towards enhanced (albeit not yet sufficient) coordinated financial supervision. As a
response to the second and more important crisis, new mechanisms of economic governance and stronger fiscal and macroeconomic surveillance mechanisms (the European Semester, the 2011 EU economic governance package, dubbed ‘six-pack’, the Euro Plus Pact) have been established in an incremental way in an attempt to sustain EMU and, eventually, prepare a leap forward in integration in economic but also fiscal (Treaty on Stability, Coordination and Governance, TSCG), financial (EU banking union, the European Stability Mechanism, ESM) and political (possibly a new IGC to revise the EU treaties) terms.

EMU’s input legitimacy resides in the act of delegation of monetary policy to the ECB, by means of a European treaty agreed upon by all governments of the member states and ratified by all national parliaments. However, the initial act of delegation was not complete because EMU itself was an open ended political compromise (in the economic union part). It would therefore at some point require enhanced policy coordination, increased sovereignty- and risk-sharing and further centralisation at the EU level of various competencies in order to keep it functioning and hence fulfil its initial purpose. The Stability and Growth Pact (SGP) and the Lisbon Strategy, which have been subject either to parliamentary approval and/or enacted on the basis of a voluntary open policy coordination mechanism among member states, are cases in point. However, those two exercises in economic policy coordination (the Lisbon Strategy being continued by the Europe 2020 Strategy since 2010) have proved insufficient for ensuring the sustainability of EMU in the crises context. New institutions (such as the European System of Financial Supervisors, ESFS, the European Financial Stabilisation Facility, EFSF, and the ESM) and non-standard policies (the Securities Market Programme, SMP, the Long Term Refinancing Operations, LTRO, and Outright Monetary Transactions, OMT) have been created and enacted or at least envisaged for that purpose. Those institutions depict already an increasing centralisation of previously national competencies, which, together with new non-standard policies of the ECB (arguably of a quasi-fiscal nature), may well change the nature and the degree of economic and political integration agreed upon at Maastricht. Although new acts of delegation will benefit from input legitimacy, via parliamentary approval, they might well require internal constitutional changes and/or new treaty changes voted and ratified by all member states in order to function in a permanent and efficient way rather than in
an *ad hoc* manner.\(^2\) In addition, for EMU’s long-term sustainability its legitimacy would have to go beyond the act of delegation and encompass EMU’s functioning.\(^3\)

This paper departs from a gap in the literature with respect to the legitimacy (and accountability and/or responsiveness) of delegations to a supranational and independent institution, like the one of monetary policy to the ECB. It brings together various types of constraints faced by the common monetary authorities, presented in section 2, and various concepts (broad categories) of legitimacy – input, output and throughput legitimacy –, examined in section 3. Section 4 applies that framework to examine the ECB’s rationale to act strategically. Section 5 analyses the building up of a common–interest bound accountability by the European Parliament (EP) and the ECB as an informal institution and how it has been used by the latter in order to legitimate its strategic role. Section 6 concludes.

### 2. Central bank independence and accountability: the ECB as special case

From a rational-choice perspective, principal-agent accounts of delegation stress the rationality of member-state principals in delegating powers to supranational organisations, mainly to allow their respective governments to “reduce the transaction costs of policymaking, in particular through the monitoring of member-state compliance, the filling-in of incomplete contracts, and the speedy and efficient adoption of implementing regulations” (Pollack, 2012). This approach seems to apply to the relationship between the EU’s member states as principals and EU supranational bodies like the Commission as agents, where the former establish *ex ante* the scope of the agencies’ activities and the latter are accountable (and therefore subject to sanctioning and/or reward) *ex post*. However, it seems unable to account for the delegation of monetary policy to a new type of agency like the ECB, which is independent from its principal.\(^4\) As stressed by Dyson (2009), central banks (not as

\(^2\) See ruling of Germany’s Federal Constitutional Court of 7 September 2011 (2 BvR 987/10, 1485/10 and 1099/10). It established the decision-making rights of the German parliament in any rescue package, and by analogy in any further centralization of competencies that could exceed the capacity of the federal budget and the contingency on reforms by the receiving country. Other rulings on the ESM and the TSCG by the Bundesverfassungsgericht are to follow in September 2012.

\(^3\) As put by Magnette (2000: 331), the initial act of delegation makes the ECB a legal institution but ‘legality does not produce legitimacy on its own’.

\(^4\) Political science approaches to principal-agent problems in the EU, encompassing the main theories of and approaches to European integration, do in general not address the case of a fully independent
independent as the ECB, one may add) are in general embedded in more common principal-agent relations (in Westminster type of states) with an emphasis on parliamentary sovereignty whereas in the post-war German tradition, transferred to the ECB, the central bank was seen as a disinterested trustee for a specific public interest.  

A ‘political economics’ approach to the theory and practice of economic policy allows for distinguishing two types of constraints that policy-makers face: credibility constraints and political constraints. Credibility constraints are related to the temptation of policy makers to deviate from pre-announced plans, without disagreement over the ultimate policy goals. The concept derives from work on time-inconsistency and rules and reputation (commitment technologies) and does not encompass political conflict. Enforceable rules lead to the implementation of pre-set objectives. That kind of implementation fits well into the category of policy making at the EU level that Schmidt (2012) characterised as “policy without politics”, which presupposes relying on output legitimacy, that is, governing for the people on the basis of previously accepted and selected objectives. Such a form of legitimation is particularly relevant for the case of regulatory institutions. 

Conversely, political constraints regard conflicts of interest over those goals or, to use Drazen’s (2001) terminology, ex-post preference heterogeneity. The idea of binding political constraints stems from the political business cycle literature, where governments have opportunistic incentives to adopt certain policies, from the theory of public choice, where there are conflicting policy preferences among different interest groups and/or from the so-called agency and/or principal drift in principal-agent relations.

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5 See Keohane and Nye (2003), Buiter (2008) and Dyson (2009) for a discussion of these issues for the specific case of the ECB and the classical debate between Buiter (1999) and Issing (1999). For the ECB (2002: 48), the notion of “being accountable” entails being held responsible for one’s decisions but only implies an ex post explanation and justification. 


7 Ex-post preference heterogeneity is equivalent to the spillover effects of the legitimation of EU supranational governance (in this case monetary policy) to national level democracy and legitimacy. This question is also related to wider considerations on the qualitative change in the nature of EU and international governance.
The recognition of the existence of credibility constraints, or political transaction costs à la Majone, has resulted in a very particular institutional design of EMU (the establishment of an independent European central bank with the primary objective of price stability), which is characterised by a change in the nature of delegation (Torres, 2006) or by a fiduciary mode of delegation (Majone, 2001, and Maggetti, 2010) of monetary policy. This different form of delegation features a substantial differentiation between the initial principal and the agency’s preferences and behaviour.

In contrast, political constraints are more difficult to address and involve the question of the accountability of the monetary authorities. That is why economists also acknowledge that, from a normative perspective, legitimacy cannot be reduced only to performance (De Grauwe, 2011, Geraats, 2010, Geraats et al., 2008, Buiter, 2008 and 2012). They implicitly or explicitly address output legitimacy concerns (stressing that there is little to be done except increasing transparency as a means of sustaining the monetary authorities’ credibility and defending their independence) and in some cases even hint at some form of enhanced (procedural) informal accountability (the need for political control over monetary policy). As far as the ECB is concerned, they tend to disregard both the above-referred change in the nature of delegation and the Bank’s strategic role in shaping EMU’s completion. The latter has become particularly important since the eruption of the sovereign debt crisis.

Buiter (2008) defends that truly operationally independent central banks such as the ECB lack any substantive accountability, which increases the risk of political backlashes against their independence. As put by Jones (2009: 1093), the ECB “cannot ignore the possibility of unfavourable political reactions” when politicians have to choose between defending the ECB and pleasing public opinion and their electorates. Even if taken in opposite and contradictory directions, attacks on the ECB affect its credibility and hence its output legitimacy.

Therefore, the ECB has a strong interest in finding ways to be perceived, on the one hand, as accountable and transparent (and within a wider EMU cum EU governance system, responsive) and, on the other hand, as acting effectively on behalf of the interest of European or Eurozone citizens (output legitimacy).
3. Bridging the gap between delegation and delivering results: throughput legitimacy

Initial legitimate principals expect agents to carry out policies that are consistent with their initial preferences in the steady state of supranational regulation. However, the agent’s actions may differ from the principal’s preferences because either the principal’s or the agent’s preferences or indeed both may change. Output legitimacy (“government for the people”), the indirect legitimacy via the performance in attaining objectives (namely the objectives established in the treaties), is then not sufficient to sustain EMU.

Against the background of possible disagreements with respect to European monetary governance, there is a need for some type of procedural legitimacy. In fact, there is an optimal degree of politicisation to deal with political constraints. Yet, there are few possibilities of resorting to input legitimacy (“government by the people”) beyond the act of delegation. To a limited extent, input legitimacy is still exercised along the process, notably through the process whereby national governments appoint the members of the ECB’s decision-making bodies (ECB, 2002). This process has also evolved and since the Lisbon treaty members of the ECB’s Executive Board are appointed by the European Council, acting by qualified majority and no longer by common accord, on a recommendation from the Council of the EU. However, one-time acts of legitimisation cannot per se replace mechanisms of democratic accountability.

For EMU’s sustainability, and beyond input and output legitimacy, ECB’s policies should therefore also be perceived as much as possible as “government with the people”. This intermediate type of legitimacy (throughput legitimacy), in between the input and the output types of legitimacy (Schmidt, 2012), is related to the quality of the decision-making process itself (Risse and Kleine, 2007). It is compatible with the type of independent agency in question, that is, the common monetary authority of a multi-level polity like the EU. Throughput legitimacy is practised as an informal dialogue between the ECB and other EU organisational actors such as the EP, the EU Council and the European Council, the European Commission and, through effective communication also with society at large.

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8 Such optimal degree of politicisation parallels Rogoff’s (1985) optimal degree of commitment in monetary policy as a means of dealing with credibility constraints.
Table 1: Policy constraints and EMU’s legitimacy

<table>
<thead>
<tr>
<th>Types of constraints affecting policies</th>
<th>Types of legitimacy to address the two types of constraints</th>
<th>Means and phases of implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credibility constraints (related to the temptation of policy makers to deviate from pre-announced plans; time-inconsistency)</td>
<td>Output legitimacy (government <em>for</em> the people): rests on the effectiveness of policy achievements and is especially relevant for the case of non-majoritarian institutions</td>
<td>Through the performance in attaining its proposed objectives (namely the objectives established in the treaties) all along the process</td>
</tr>
<tr>
<td>Political constraints (regarding conflicts of interest over the ultimate goals of policy; ex-post preference heterogeneity)</td>
<td>Input legitimacy (government <em>by</em> the people): rests on popular representation and participation and is especially relevant for the case of majoritarian institutions</td>
<td>Available mainly at the initial (constitutional) phase of setting EMU’s policy objectives and through the act of delegation of monetary policy to the ECB; also, indirectly, through the process of nomination of the ECB Executive Board and the Governing Council</td>
</tr>
<tr>
<td>EU multi-level governance</td>
<td>Throughput legitimacy (government <em>with</em> the people; responsiveness): rests on the quality of the decision-making process itself and/or on interest intermediation and is relevant for both majoritarian and non-majoritarian institutions involved in multi-level governance. Bridge between the input legitimate act of delegation of monetary policy to the ECB and the (procedural) phase of implementation of EMU’s objectives</td>
<td>Through informal dialogue between the ECB, the EP, the EU Council and the European Council, the European Commission and effective communication with society at large all along the process; legitimates strategic role of the ECB, adopted to assure EMU’s sustainability</td>
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Table 1 systematises the above discussion on policy constraints and EMU’s legitimacy. It sets the various types of constraints affecting policies against the various types of legitimacy considered (coined by and discussed in Scharpf, 1999, Lord and Magnette, 2004, Risse and Kleine, 2007, Schmidt, 2012) and the means (and phases) of addressing them.
4. Why does the ECB act strategically?

Traditional principal-agent notions of accountability applied to EU institutions do not consider the political dynamic nature of the process of monetary integration. In the context of EMU, the ECB is not a mere agency responsible for the implementation of monetary policy but also an actor in the political equilibrium of the entire EUcumEMU governance construct. Such a strategic role is particularly important in a crisis setting.

As Bartolini (2006) notes, a governance system cannot be accountable in strictu sensu. He argues that a wider – that is, less strict – notion of accountability, such as the notion of responsiveness, appears more suitable in the context of governance than a traditional notion of accountability. It is even more adequate given the continuous change in the nature of economic governance in the EU. The type of legitimacy with which complex channels of responsiveness seem more compatible is throughput legitimacy.

Furthermore, EMU’s economic side had been left incomplete at Maastricht and that incompleteness, with the sovereign debt crisis, has come to negatively affect monetary policy and the very sustainability of EMU. On the one hand, monetary policy has to face up to member state governments with independent and often uncoordinated if not contradictory economic policies. On the other hand, spillovers from the financial, fiscal and economic areas of the union into its monetary side have come to challenge the ECB’s independence through renewed political pressures on the monetary authorities and put at stake EMU’s stability (Torres, 2012). As a result, the ECB does not seem to take its independence in an incomplete EMU for granted.

The ECB responded to the crisis providing liquidity (including through non-standard measures) but also as the only European institution that could step in to avert major credit incidents: intergovernmental funds were either not in place, not operational for buying government bonds or simply not sufficient for countries such

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9 Unlike in the cases of the US Fed or the Bank of England, the ECB faces a situation that potentially puts at risk the entire monetary construct and stability of the Union. In another sense, its role is reduced as compared to the one of other central banks that are also assumed lenders of last resort. However, one can argue that, with the financial and sovereign debt crises, the ECB is catching up.

10 The ECB (2011a: 58) recognises that the benefits of non-standard measures increase with the severity of economic shocks whereas their costs (strains induced on central bank operations and the risk exposure of its balance sheet) will tend to exceed their benefits in normal times.
as Italy and Spain from Summer 2011 onwards. For the same reason, it also engaged in the building up of new institutions such as (the modalities of) a EU banking union and agreed to take on supervisory powers. Moreover, in August and September 2012, the ECB announced that it would impose strict conditionality on member states, that is, governments would have to “stand ready to activate the EFSF/ESM in the bond market with strict and effective conditionality” (ECB, 2012a) upon OMTs in secondary sovereign bond markets aiming “at safeguarding an appropriate monetary policy transmission and the singleness of the monetary policy” (ECB, 2012b). OMTs substitute the SMP in order to address the severe malfunctioning in the price formation process in the bond markets of euro area countries (which may hinder the effective working of monetary policy). The start, continuation, suspension and termination (once their objectives are achieved or in case of non-compliance) of macroeconomic adjustment or precautionary programmes is to be decided by the Governing Council in full discretion and acting in accordance with its monetary policy mandate (ECB, 2012b).

The ECB became also more vocal with respect to other policy domains – classified by Buiter, 2008, as an unwarranted invasion from the point of view of the Bank’s legitimacy – such as product and labour market reforms, privatisations, ‘true oversight’ of national budgets, centralisation of financial supervision, a framework for bank resolution, among others. Even Buiter (2008), however, in his criticism of central bank (in particular of ECB’s) intrusions into wider economic policy debates well beyond their mandates and competences, acknowledges that in one specific situation such a posture is justifiable, namely when an independent central bank’s independence is threatened.

For the ECB, this “invasion of other policy domains” – by calling for sound economic policy management, in particular in the fiscal domain, for structural reforms and for reinforced economic governance in general – is motivated by the fact that the euro area is at the epicentre of the sovereign debt crisis. Considering what the ECB has emphasised on many occasions, as for instance in Padoa-Schioppa (2000), Trichet (2011) and Draghi (2012), those “intrusions” are driven by a sense of mission of an institution that perceives itself as an anchor of stability and confidence within a highly fragmented political system.
For the ECB (2011b), individual member states’ economic policies should contribute to the achievement of the objectives of the Union (Article 120 of the TFEU\(^1\)) and be regarded as a matter of common concern to be coordinated within the Council (Article 121(1) of the TFEU). EMU then implies the need to transfer national sovereignty in economic policy-making to the supranational level, given that price and financial stability-oriented monetary policies alone are insufficient to sustain EMU.\(^2\)

Moreover, the ECB functions in a state of “institutional loneliness”, within a complex structure of EU multi-level governance.\(^3\) With the crisis, it became also a guardian of EMU since the EU’s political system *per se* seems incapable of providing timely and consistent solutions to a governance problem. It therefore interprets its engagement in exceptional measures and its strategic role as within its mandate (Draghi, 2012).\(^4\)

The wider interpretation of the ECB’s mission (its inflation and burden-sharing impacts across member states) is not uncontroversial even within the ECB, both within its Executive Board and its Governing Council. Their respective members have publicly emphasised their disagreements over particular aspects of the ECB’s role, namely in the case of the SMP and other non-conventional measures, and on how the ECB can best preserve its independence.

In sum, it is due to the perceived threat to its independence that the ECB tends to act strategically, especially with respect to the Council.\(^5\) On the other hand, for the ECB, EMU needs to be completed (on its economic side) in order to fulfil its

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\(^{1}\) Besides having to “conduct their economic policies with a view to contributing to the achievement of the objectives of the Union, as defined in Article 3 of the Treaty on European Union, and in the context of the broad guidelines referred to in Article 121(2)”, the member states and the Union shall also, according to article 120 of the TFEU, “act in accordance with the principle of an open market economy with free competition, favouring an efficient allocation of resources, and in compliance with the principles set out in Article 119”.

\(^{2}\) This is consistent with ECB president Draghi’s first address to the European Parliament on 1 December 2011, pressuring the European Council for a fundamental restatement of EMU’s fiscal rules.

\(^{3}\) The ECB, as a strong central bank in a weak polity or in a polity in the making suffered from what Padoa-Schioppa (2000: 37) termed institutional loneliness. See also Jabko (2009: 401) and Dyson (2009), who refers to the ECB as an isolated central bank in an institutionally fuzzy polity.

\(^{4}\) As put by the ECB president (Draghi, 2012): “The ECB is not a political institution. But it is committed to its responsibilities as an institution of the European Union. (…). The banknotes that we issue bear the European flag and are a powerful symbol of European identity”.

\(^{5}\) See Kirkegaard (2011) for various examples of the ECB strategy aimed at “getting recalcitrant Eurozone policymakers to do things they otherwise would not do”.
objectives and to be sustainable and therefore it engages in wider economic policy debates. The ECB derives its legitimacy not only from delivering price stability (and, without prejudice to that primary objective, from supporting the general economic policies in the Union – art 127 of the TFEU) but also from acting as a guardian of EMU objectives, doing “whatever it takes to preserve the euro”. The ECB aims at guaranteeing what may be termed its foremost objective: the sustainability of EMU as such. This implicit objective, not addressed in the literature on EMU’s legitimacy, leads the Bank to behave strategically and engage in exceptional measures and in wider economic policy debates.

5. Legitimating the ECB’s strategic role through a common-interest bound accountability

According to Majone (2005b) and Maggetti (2010), principals can transfer their powers but not their legitimacy to an independent agency and therefore the latter must rely on other external sources of legitimacy.

As for EMU, one can argue that member states did not only transfer their responsibility over monetary policy to the ECB but that, at the same time, they have created the conditions for the gradual emergence of another legitimate principal as far as monetary policy is concerned, the EP.16 In this particular case, (initial) principals transferred their powers to a common independent agency, the ECB, and their legitimacy to another source of legitimacy, the EP, external to the agency but internal to the democratic system of the Union. The legitimacy of the Parliament is clearly stated in Article 10.2 of the TEU: “Citizens are directly represented at Union level in the European Parliament”. The ECB being a supranational institution, a transfer of legitimacy of the initial (national) principals of (national) independent central banks to a supranational representative institution comes as a logical development. The ECB itself explicitly recognises that legitimacy, as part of a mutual interested strategic collaboration: “the EP, as the institution which derives its legitimacy directly from the citizens of the EU, plays a key institutional role in holding the ECB to account”.17

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16 This is even more so with respect to new tasks that shall be attributed to the ECB, notably financial supervision.

17 See http://www.ecb.int/ecb/orga/accountability/html/index.en.html, last consulted on 29 August 2012. This more recent formulation goes beyond the ECB’s views on accountability (with respect to
The Treaty of Maastricht gave the EP significant competencies.\textsuperscript{18} As stressed by Jabko (2009: 402/3) and Torres (2011), the ECB’s interest in acquiring legitimacy and the Parliament’s desire to get a greater say in the conduct of economic policy within the EU, especially with respect to Eurozone governance, has greatly contributed to the convergence of the two supranational actors on “the rules of the accountability game”.\textsuperscript{19} Their strategic collaboration has considerably widened in scope during the 2008/9 and 2010/12 crises, in favour of a new economic governance institutional architecture (Torres, 2011). This is the case of the successes achieved by the Parliament in strengthening the Stability and Growth Pact by reverse qualified majority voting (RQMV), which implies the need for a qualified majority of member states to block warnings and sanctions against debt offenders.\textsuperscript{20} It also succeeded in raising budgetary surveillance in general and in pushing for more EU-level economic policy coordination.

Another example of this collaboration between the EP and the ECB (emphasized by former ECB president Trichet in his last hearing at the Committee on Economic and Monetary Affairs of the European Parliament in October 2011) was the new architecture of financial supervision, which the Parliament had regularly called for throughout the first decade of 2000, pointing out significant failures in the supervision of ever more integrated European financial markets. Following the European Commission’s initiative with respect to the financial supervisory package, the Parliament, counting on the ECB’s support, worked towards strengthening the powers of the new supervisory authorities.

Moreover, the ECB has encouraged the EP, in the new framework of economic governance (adopted in October 2011 and in force since December 2011), to use the symmetric tool of ‘economic dialogue’ to promote economic integration with the “required legitimacy”, which, by enhancing transparency in the process of

\textsuperscript{18} Notably, articles 284(3) and 283(2) of the TFEU, formerly articles 109-B (3) and 109(2b) of the Treaty establishing the European Community (TEC). See Torres (2006) for a detailed analysis.

\textsuperscript{19} ‘Inventing a European tradition of accountable independence’ in the words of Magnette (2000: 339).

\textsuperscript{20} The fact that RQMV was agreed by France and Germany in December 2011 to be enshrined in the treaties in forthcoming revisions is a good example of a potential recursive relationship (in the terminology coined by Farrell and Héritier, 2003) between formal and informal (in this case the role of monetary dialogue in advancing EMU cum EU governance) institutions.
fiscal and macroeconomic surveillance, would lead to better results (Trichet, 2011). The new financial supervisory framework and the new “EU cum EMU governance” package are two examples of collaboration that are especially worth analysing within the continuous monetary and economic dialogues. This is because through the enacting of the review clause in 2013 and in 2014, the European Parliament, on the basis of its track record, has two more occasions to move further. The examples fit into a type of strategic interaction whose role in determining political outcomes is also stressed by rational choice institutionalism.

In his last hearing at the EP ECB president Trichet (2011) also stressed that, while the ECB was the guardian of the currency of the European citizens, the European Parliament was the heart of the living democracy in Europe and that the fact that the ECB was fully independent in its actions to protect the currency was not incompatible with the EP’s request for the ECB reporting to it. In fact, the European Parliament is a priori less conditioned by domestic (debt biased) vested interests and political business cycles than the Council. The domestic oppositions to national governments are also represented in the EP and may well have different views on the issue under discussion.

The strategic cooperation between the ECB and the EP roots in what they, as supranational institutions, perceive as the common interest of the people of Europe versus the various (and at times irreconcilable) interests of the EU member states. It demonstrates the ECB’s interest in not only acquiring more democratic legitimacy with the Parliament but also in influencing the coordination of economic policies within the EU and move (leap forward) to a new economic governance institutional architecture (a desire shared with the Parliament). Beyond aligned objectives of principal (the EP) and agent (the ECB) in the making, there are converging interests between the two institutions with respect to the EU economic governance institutional architecture. The two institutions can make use of their cooperation to condition the position of the Council of the EU, of the European Council and of the Commission.

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21 A European Parliament resolution, adopted on 1 December 2011 on the European Semester for Economic Policy Coordination (2011/2071(INI)), called for the Annual Sustainable Growth Guidelines to be subject to a co-decision procedure that should be introduced by the next Treaty change.

22 It is not to be expected that say the German or Portuguese opposition would come to rescue their respective countries from an early warning under the excessive deficit procedure as it happened in the Council (Heipertz and Verdun, 2010; Schuknecht et al., 2011).
going beyond (but in that way also contributing to) securing their independence and role of principal in the making, respectively. They can also shape the development of the economic side of EMU with a view to not having to face various uncoordinated and at times contradictory fiscal and economic policies by Eurozone members, which totally escape the democratic oversight of the Parliament and affect (through negative spillovers) the credibility and independence of the ECB.

6. Conclusion

This paper departed from the observation that there is a gap in the literature with respect to the analysis of the legitimacy of the ECB. The literature does not provide a framework for analysing the legitimacy of monetary policy at the Eurozone level, especially for the case of the EU cum EMU complex governance structure and in times of crisis.

The paper put forward a framework that brought together broad categories of legitimacy and various types of constraints that the common monetary authorities face. The framework was applied to examine the ECB’s rationale to act strategically and its quest to legitimate its strategic political role through a renewed monetary dialogue with the EP.

The ECB acts strategically because of the perceived threat to its independence from an incomplete EMU (on its economic side) and seeks to derive its legitimacy not only from delivering price (and financial) stability but also from acting as a guardian of EMU objectives, doing “whatever it takes to preserve the euro”. In that sense, it aims at guaranteeing what may be termed its foremost objective: the sustainability of EMU as such. This implicit objective leads the Bank to engage in exceptional policies, beyond standard monetary tools, and wider economic policy debates, pushing for “a gradual and structured effort to complete EMU” (Draghi, 2012).

The paper also explained the ECB’s engagement in the building up of a common–interest bound accountability with the EP as a means of legitimating its policies and of promoting the completion of EMU as to protect its independence. This ‘accountable independence’ has operated in the context of the monetary dialogue between the two institutions, which has become especially productive since the beginning of the crises.
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