

Instrumentalizing EMU's democratic deficit:

the ECB's unconventional accountability measures during the eurozone crisis

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ABSTRACT This article shows that the quasi-fiscal nature of the ECB's unconventional monetary policy measures and its troika membership created three mutually reinforcing threats to its political independence. First, it led to a rising level of public distrust in the ECB. Second, it triggered an elite dissensus on whether political independence of central banks was still the appropriate solution to the time inconsistency problem. Third, it created institutional overburdening with negative repercussions for the central bank's output legitimacy. Faced with this diverse set of challenges in creditor and debtor countries, the ECB exploited EMU's democratic deficit by relying on visits to national parliaments to preserve its independence.

KEY WORDS European Central Bank; accountability; euro area; central bank independence; monetary policy; national parliaments.

INTRODUCTION

One of the most frequently leveled criticisms against the European Central Bank (ECB) is that it is an unaccountable and opaque institution (De Haan, Amténbrink, and Waller 2004; Buitér 2014; Curtin 2017). Given its treaty-enshrined political independence, the ECB has the normative obligation to communicate and explain its monetary policy decisions to the wider public. The euro area crisis increased the pressure on the ECB to become more accountable and transparent (Fraccaroli, Giovannini, and Jamet 2018). Key drivers were the ECB's controversial role in the troika (Beukers 2013; Chang 2016; Braun 2017) and its unprecedented use of unconventional monetary policies (UMPs) with quasi-fiscal implications (Torres 2013; Schelkle 2014; Lombardi and Moschella 2015; Krampf 2016; Orphanides 2017).

A major sticking point has always been the ECB's reluctance to publish the minutes of the Governing Council's monetary policy deliberations (Buitér 1999; Issing 1999). Under the tutelage of Mario Draghi the ECB reversed course and started to publish its first 'meaningful account' of the Governing Councils deliberations without any voting records in early 2015 (Giavazzi and Wyplosz 2015; Verdun 2017). But, more importantly, Draghi embarked on a tour of national parliaments to explain the ECB's monetary policy decisions and to engage in an 'exchange of views' with elected representatives (Bovens and Curtin 2016; Jančić 2017). Why does the ECB President appear in front of national parliaments when the pre-crisis ECB insisted that the European Parliament's ECON Committee was the only proper body to exercise democratic oversight? Draghi's accountability stunt is puzzling because the ECB had, thus far, jealously guarded its political independence avoiding any impression that could suggest it is listening to elected parliamentarians. Visits to national parliaments are risky because they could further politicize the role of the ECB and undermine the 'Monetary Dialogue' (MD) with the EP. On the other hand, they allow the central bank to appear responsive and accountable.

This article makes an empirical contribution to the burgeoning literature which analyzes the ECB's actions through the lens of the principal-agent framework (Elgie 2002; Amténbrink and de Haan 2002;

Torres 2013; Högenauer and Howarth 2016; Pollack 1997; Thatcher and Stone Sweet 2002). In particular, it tries to shed additional light on the important question ‘how agents matter’ (Hawkins and Jacoby 2006). It argues that as long as monetary policy was perceived as a technocratic rules-based exercise with limited distributional implications, the EP appeared to be the appropriate oversight body. But the ‘new normal’ in which monetary policy is ‘more distributive and targetable’ (Fernández-Albertos 2015, 230) demanded renewed democratic legitimacy from the euro area sovereigns. Faced with this diverse set of challenges, the ECB decided to go beyond its conventional accountability measures and to speak to national parliaments directly. *Conventional* accountability measures like the exchanges with the EP are *formal* (i.e. they follow a standardized procedure) and *permanent* (i.e. they reoccur in pre-set intervals). In contrast, *unconventional* accountability measures are *informal* (i.e. they are based upon negotiated terms and do not follow one template) and *ad hoc* (i.e. they are tailored towards a particular actor). Paradoxically, EMU’s democratic deficit manifest in the absence of sufficiently formalized accountability channels enabled the ECB to instrumentalize national parliaments to thwart arising threats to its independence.

The article will proceed as follows. The next section recaps the ECB’s actions during the euro area crisis. The subsequent section zeros in on the fiscal repercussions of UMPs and on the ECB’s membership in the troika. The following section shows how these have triggered three threats to its independence. The penultimate section demonstrates empirically how the ECB expanded its ‘accountability toolkit’ to include unconventional measures to bolster its institutional position. It also discusses the risks involved in visiting parliaments for the ECB. The article concludes with a summary of the main findings.

THE ECB DURING THE EUROZONE CRISIS

In the pre-crisis era, the borders of the ECB’s remit were clearly defined by its (allegedly) narrow legal mandate. The extension of the mandate was ruled out by default. Heisenberg and Richmond (2002, 206) concluded that ‘the Treaty does not leave open the possibility of accreting more powers to the central bank like fiscal policy or banking supervision. Without a treaty amendment, any possibility for increasing its competences, in the way the Court has, is virtually non-existent.’ The euro area crisis has fundamentally transformed the perception of the ECB as a reluctant institution. It shifted its ‘approach from (simply) critically assessing, suggesting and recommending to (also) strongly pressuring a specific course of action’ (Beukers 2013, 1604). As a troika member the ECB prescribed tough austerity measures to countries with a financial assistance programme (Chang 2016). ECB officials repeatedly threatened to cut off emergency liquidity assistance (ELA) to ensure compliance with troika conditionality (Beukers 2013; Steinbach 2016; Braun 2017). As a result of its willingness to engage in an iterative game of chicken with the eurozone’s fiscal authorities (Henning 2016), the ECB has been described as a strategic, even shrewd, political actor (Torres 2013, 279; Menz and Smith 2013, 203).

Its first bond buying scheme - the Securities Market Programme (SMP) – was initiated in May 2010 to restore the proper functioning of the monetary transmission mechanism that was hampered by financial fragmentation (Niemann and Ioannou 2015, 211). It was the first cautious attempt by the ECB to intervene in the sovereign bond markets, however, with limited success. The Governing Council had to realize that anything short of a ‘big bazooka’ would not return confidence to jittery markets. This would require not only extending its balance sheet but also to send a clear signal that it stood ready to act as a lender of last resort. Ultimately, Draghi’s London speech prevented a eurozone break-up (De Grauwe and Ji 2015). A side-effect of OMT was that it paved the way for fiscal integration through the ‘monetary backdoor’ (Schelkle 2014). The ECB also adopted ‘forward guidance’, a new communication instrument by which the central bank conveys its future inflation expectations and reassures markets that cheap money will flow for an ‘extended period’. When the traditional interest

rate instrument hit the zero-lower bound, negative interest rates and other UMPs were supposed to remove deflationary risks (Lombardi and Moschella 2015; Krampf 2016).

In 2012, European policy-makers decided to turn the ECB into the eurozone's chief banking supervisor for significant banks (De Rynck 2016; Howarth and Quaglia 2013; Epstein and Rhodes 2016). The ECB had a long-standing interest in acquiring competences in banking supervision (Padoa-Schioppa 1999; European Central Bank 2001). Supranationalized micro-prudential supervision provided access to data that eliminated informational asymmetries and enabled central bankers to extend liquidity to solvent banks only. In a nutshell, the ECB extended its remit beyond the realm of regulation into stabilization through liquidity provision and even allocation (Caporaso et al. 2015; Fontan, Claveau, and Dietsch 2016). The extension and transgression of its mandate left it politically exposed to an unprecedented degree with adverse consequences for its legitimacy and its political independence (Högenauer and Howarth 2016; Balls, Howat, and Stansbury 2016; Schoeller 2018).

THE FISCAL REPERCUSSIONS OF UNCONVENTIONAL MONETARY POLICY

On 22 January 2015, Draghi announced that the ECB would embark on their own version of quantitative easing (QE). QE aims at pushing down yields at the long end of the maturity curve to ease credit conditions when short-term interest rates hit the zero-lower bound. By buying large amounts of long term debt, the central bank creates incentives for investors to rebalance their portfolios towards riskier assets. This might put downward pressure on the exchange rate and thereby lead to a depreciation of the currency which will boost inflation. In addition, QE might have a direct effect on long-term inflation expectations because the central bank demonstrates its willingness to act (Brunnermeier, James, and Landau 2016, 362). Yet, considerable uncertainty remains about the exact channels through which QE functions.

The design of QE considered debt instruments issued by all levels of euro area governments in addition to eurozone-based public sector agencies and European institutions as eligible (Micossi 2015). All assets are purchased according to the ECB's capital key and 80% of the purchases are bought by NCBs (therefore not subject to profit- and loss-sharing) (Brunnermeier, James, and Landau 2016, 361). The remaining purchases will be held on the ECB balance sheet and are subject to full risk-sharing. In the case of a counterparty default, this could wipe out the capital of an NCB and leave the burden squarely on the respective sovereign, which could give rise to a new type of negative feedback loop between NCBs and their sovereigns (Micossi 2015, 30). Despite Greek bonds being exempted from QE purchases, observers in creditor countries cautioned that QE was tantamount to fiscal transfers through the backdoor fueling moral hazard (Brunnermeier, James, and Landau 2016, 365).

Already in 2010, there was a growing realization within the Governing Council that embarking into uncharted monetary territory would require the 'fiscal backing' of the eurozone fiscal authorities. During an emergency, the quality of the collateral that a central bank accepts in its liquidity operations inevitably declines even if adequate haircuts are applied (Giavazzi and Wyplosz 2015, 730). For this reason, the ECB quietly increased its subscribed capital by €5bn between 2010 and 2012 up to €10.76bn (European Central Bank 2010). Withholding profits for 'rainy day' funds signals that the central bank anticipates risks to taxpayers and might thus further contribute to the public perception that UMPs are misguided.

MISSION CREEP IN THE TROIKA

Since the eurozone crisis erupted, mission creep, i.e. the expansion of powers by claiming competence over policy fields that are functionally related but formally beyond the mandate, spread within the ECB (Menz and Smith 2013; Buitier 2014; Gros 2015; Braun 2017). The ECB's participation in the troika results from the high priority it has attached to its role as a 'technical advisor' to governments (Jabko 2003, 725) and its willingness to enhance its competences when they are compatible with its commitment to price stability and the bureaucratic self-interest of the NCBs (Hodson 2015). However, many policy fields indirectly affect price stability opening a Pandora's box to unlimited creeping competences.

To conceal its mission creep, the ECB made frequent reference to its core mandate. In response to an EP questionnaire on the troika, the European Central Bank (2013) replied that it 'gives advice as part of the troika in full respect of its primary mandate to maintain price stability. It is in the best interest of both the euro area as a whole and of the respective Member State that the ECB conducts sound monetary policy operations to be able to deliver on its mandate.' Furthermore, legally ambiguous language (*'in liaison* with the ECB') helped to obscure the ECB's responsibilities in the troika. While the Eurogroup formally approved the financial assistance programmes, the ECB played a crucial advisory role in shaping the conditionality (Gros 2015). Given its balance sheet exposure, this allowed the ECB to gather first-hand information about the quality of the Eurosystem's collateral (Pisani-Ferry, Sapir, and Wolff 2013, 123). Juggling these dual roles created a deep conflict of interest for the ECB. Gros (2015, 6) criticized that:

Today the ECB argues that it only gave 'advice' and that Finance Ministers took all the decisions, but during the time the programmes were running, the ECB has seldom emphasized this aspect in public. Members in the Governing Council were usually careful to use the term advice in describing the activities of the ECB, but the overall impression they were giving was that the ECB played a full part in the process and had developed views on all aspects of the overall programme design.

Highlighting one's 'politically impartial expertise' is an indicator for mission creep. This framing helps to extend the 'sphere of expertise and to play down the political dimension of its recommendations' (Jabko 2003, 722). Even though Draghi protested that it was not the ECB's task to coerce governments into action, his track record suggested otherwise (Beukers 2013; Braun 2017; Curtin 2017). Ultimately, the troika membership only deepened the ECB's legitimacy dilemma with detrimental consequences for its political independence.

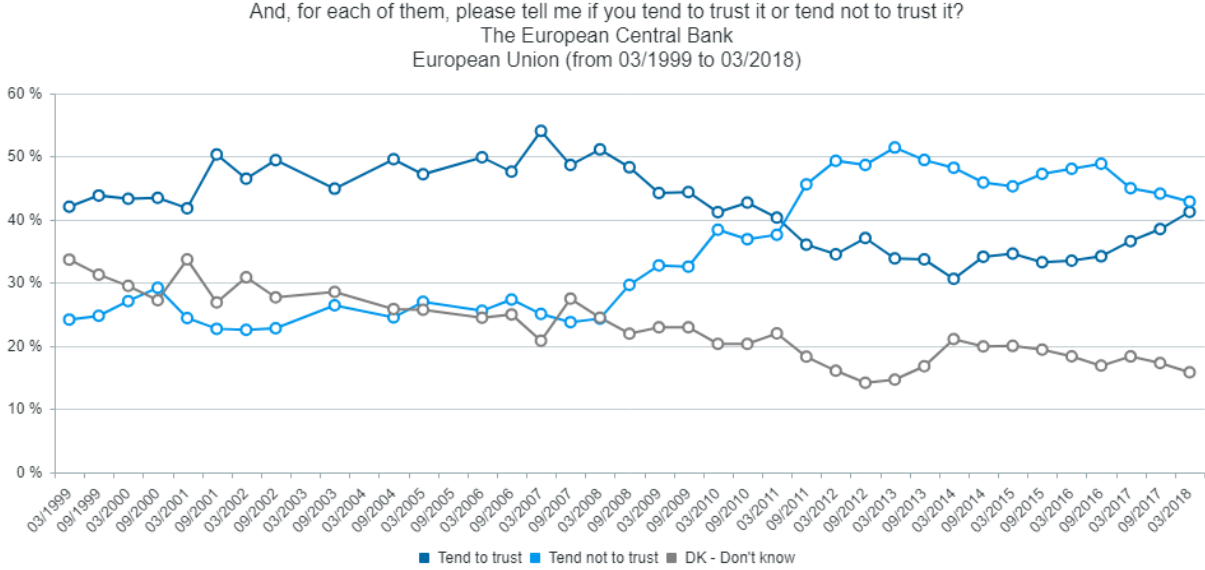
THREATS TO CENTRAL BANK INDEPENDENCE

The ECB's UMPs and its troika participation created three mutually reinforcing threats to its political independence. If trust in an institution declines, it negatively affects its capacity to fulfill its mandate resulting in declining output legitimacy. For instance, long-term inflation expectations are particularly susceptible to declining institutional trust. A central bank that derives its legitimacy from its ability to guarantee price stability might suddenly find that the pre-crisis elite consensus on the desirability of political independence morphs into an elite dissensus, which can set in motion a vicious circle of declining independence further eroding its output legitimacy and trust. Once these negative feedback effects are at work, it is hard to reverse them. The following section discusses these three threats to the ECB's political independence in more detail.

First, the ECB's UMPs and its troika membership led to the highest level of distrust in the ECB (51 percent) ever measured within the EU since the birth of the euro (see Figure 1). However, we need to assess trust in the ECB by dividing the eurozone up into creditor and debtor countries. In the creditor

countries distrust increased mostly due to the concern that the ECB’s UMPs are outside of its mandate, whereas in the debtor countries distrust rose because of its participation in the troika. Vice versa, UMPs were positively assessed in debtor countries and the ECB’s troika membership was welcomed in creditor countries. The aggregated EU level data show a rising level of distrust with the onset of the Lehman crisis. The second spike in distrust coincides with its participation in troika missions and the launching of the SMP in May 2010 triggering the resignations of two hawkish members of the Governing Council.

Figure 1: Trust in the European Central Bank (1999 - 2018)



Source: Eurobarometer (2018)

Albinowski, Ciżkowicz, and Rzońca (2014) found that lowering nominal interest rates at the zero-lower bound can fuel distrust if households have pessimistic consumer expectations. Also QE nourishes distrust because it contradicts the monetarist folk theory that the central bank strictly controls the quantity of money (Braun 2016). In November 2016, an alarming 55 percent of German respondents distrusted the ECB, while only 33 percent still trusted it (Eurobarometer 2016, T80). In the same year only Greece (80%), Spain (66%), Cyprus (65%) and Slovenia (57%) exceeded the German level of ECB distrust. Roth, Gros, and Nowak-Lehmann D. (2014) find rising unemployment decreases trust in the ECB in times of crisis, while other factors might be at play in normal times. However, national idiosyncrasies (i.e. troika presence, high debt-to-GDP ratio, blame-shifting) can all give rise to increasing distrust in the ECB. In the largest creditor country, Germany, economic variables such as the level of unemployment fail to explain the high levels of distrust as the unemployment rate was failing while distrust was rising (Roth, Gros, and Nowak-Lehmann D. 2014, endnote 19). Furthermore, the mere fact of being a country with an EFSF/ESM financial assistance programme has reduced trust in the ECB (Kalbhenn and Stracca 2015). By the beginning of 2017, distrust had declined slightly due to the fact that most countries had exited their structural adjustment programmes and a fragile economic recovery had set in.

Second, the ECB’s actions during the crisis have ignited an elite debate about the appropriateness of central bank independence (Buiter 2014; Tucker 2014; Issing 2016; De Haan and Eijffinger 2016; Braun 2017; Orphanides 2017; Papadia and Välimäki 2018). The rock-solid pre-crisis consensus about its desirability suddenly appeared fragile. The functional benefits of delegating monetary policy to independent central banks have been questioned in the past (McNamara 2002). Now, it was argued

that giving up political independence would not curb a central bank's ability to keep inflation in check as long as operational independence was guaranteed (Balls, Howat, and Stansbury 2016). Lohmann (1999, 26) had presciently cautioned that 'because of its apolitical design, the ECB will have difficulties attracting political protection. It would be preferably by far for the designers of the ECB to accept the idea that a central bank, with its vast powers over the wealth and well-being of millions of voters, is fundamentally a political animal.' In essence, a central bank that is too independent will run into practical difficulties because its institutional design is in denial of the underlying distributional conflict inherent in its policies. Even if the general support for the euro remains high (Roth, Jonung, and Nowak-Lehmann D 2016), institutional distrust will incentivize political entrepreneurs to support the erosion of central bank independence for electoral gain (Kaltenthaler, Anderson, and Miller 2010). The Italian populist party *M5S* has called for a referendum on euro membership. But blame-shifting is not an exclusive feature of populist parties in debtor countries. Increasingly, creditor countries' parties blame national distress on ECB's policies and call for exiting EMU (Frieden and Walter 2017). Former German Finance Minister Schäuble blamed the ECB for the rise of the right-wing party *AfD* (Wagstyl and Jones 2016). The elite dissensus on central bank independence enabled these statements and reinforced public distrust in the ECB. In turn, this convinced the ECB that a communication strategy tailored towards national monetary discourses was urgently needed.

Third, central banks took on a host of new competences that were not always conducive to enhancing their output legitimacy because they clashed with their existing mandates (Buiter 2014). They are now expected to preserve financial stability through their involvement in micro- and macro-prudential supervision, while providing liquidity to keep struggling banks afloat. Former ECB chief economist Issing warned that 'being seen as the only game in town demonstrates an existential disequilibrium in the distribution of political power in the EMU. It signals an extreme case of overburdening of the central bank in almost every respect – creating expectations, assigning a political role for which a central bank has not and must not have a mandate' (Issing 2016, 7). Furthermore, since the 2008 financial crisis the ECB had not achieved its self-defined goal of an inflation rate 'below but close to 2 percent'. This was particularly troubling for an institution which had consistently relied on its output legitimacy to justify its independence. Inevitably the ECB had to shield itself against accusations of incompetence by engaging with national representatives directly.

THE ECB'S CONVENTIONAL AND UNCONVENTIONAL ACCOUNTABILITY MEASURES

Ceremonialism describes the 'superficial reporting of an organization's activities designed to satisfy monitors without revealing too much information' (Hawkins and Jacoby 2006, 210). Ceremonializing accountability means that the agent gets the principal to accept incomplete or symbolic information (Hawkins and Jacoby 2006, 210) and, thereby, manages to preserve its current level of independence. Highly independent agents even rely on 'structured self-reporting, which might permit the principal's desire for reassurance, but attenuate any potentially intrusive aspects' (Hawkins and Jacoby 2006, 211). Whether an actor can deploy ceremonialism depends on its degree of independence. Less autonomous agents whose accountability regime is tightly governed by their principal might find it harder. This section presents empirical evidence how the ECB deployed conventional and unconventional accountability to bolster its institutional position.

Conventional Accountability Measures: Monetary Dialogue and Minutes

Since its inception, the ECB understood the need to keep principals at bay to preserve its political independence. Consequently, the ECB's first President Duisenberg agreed to appear in front of the EP's

ECON Committee for a quarterly MD. This accountability stunt went beyond the formal treaty requirements. However, the EP can neither dismiss ECB Executive Board members for inadequate performance nor does it have a say in their appointment procedure (Howarth 2009, 83). Jabko (2003, 721) has shown that 'the ECB tried to utilize the European Parliament in order to consolidate its independence, while the European Parliament accepted to play the game in return for its privileged oversight role.' The ECB's meddling with fiscal policy tipped off this fragile equilibrium. As a result, it became more challenging for the ECB to use the EP as a platform for independence consolidation also due to the launch of an own-initiative report on the troika. This led to a structural break in the inter-institutional relationship between the EP and the ECB.

First, the euro area crisis has raised the salience of the EP-ECB exchanges even though they still generate less media attention compared to the ECB press conferences (Claeys, Hallerberg, and Tschekassin 2014). Second, it has given MEPs a strong incentive to attend the MD and to take an informed and critical stance on ECB policies. This also explains the disproportionate increase of written MEP questions to the ECB President (Braun 2017, 44; Jančić 2017, 149). Recent research covering the period 2009-2014 shows that a core group of active MEPs (i.e. mostly full members of the ECON Committee) felt 'well informed and prepared' for the MD (Collignon and Diessner 2016, 1310). Third, the technical nature of the relevant policy problems moved to the center stage of the exchanges. Overall, MEPs managed to gradually assert themselves over the ECB leading to a more balanced working relationship characterized by a higher degree of operationality and technicality under Draghi (Collignon and Diessner 2016, 1305). Fourth, new competences related to the accountability of the Single Supervisory Mechanism (SSM) reaffirmed the EP's privileged oversight role. While it roughly mirrors the ECB's accountability regarding monetary policy, it provides for the possibility of additional ad hoc exchanges of views and for confidential meetings in which market-sensitive information can be discussed between the Chair of the Supervisory Board and selected MEPs behind closed doors. The EP also has a say in the appointment procedure of the SSM Chair and Vice-Chair.

While the SSM accountability regime added another layer of complexity to the ECB's inter-institutional relations, it did not alleviate the pressure on the ECB to increase the democratic legitimacy of its quasi-fiscal policies. As a result, the ECB undertook a host of measures to boost the 'procedural transparency' of its monetary policy decision-making process (Geraats 2002, F540). By superficially reporting the Governing Council's deliberations - through the publication of a 'meaningful account' of the minutes - the ECB satisfied monitors without revealing individual voting records (Giavazzi and Wyplosz 2015, 732). It also functioned as a disciplining device for dissenting NCB governors by mitigating double-talk (Verdun 2017) and as a communication tool for steering expectations. A repeated pattern emerged by which the ECB would make strides towards greater transparency only after external pressure had reached a critical point. The ECB would then present its decision as emblematic for its commitment towards transparency. This was the case for additional information regarding the TARGET2 balances, the Irish bail-out letters, the ELA procedures, the Executive Board members' meeting calendars, the agreement on net financial assets with NCBs and the credit ratings of its holdings of corporate debt. But this 'stop-and-go transparency' failed to instill trust in the ECB. This left the ECB with the sole option to engage in a direct 'exchange of views' with national parliamentarians.

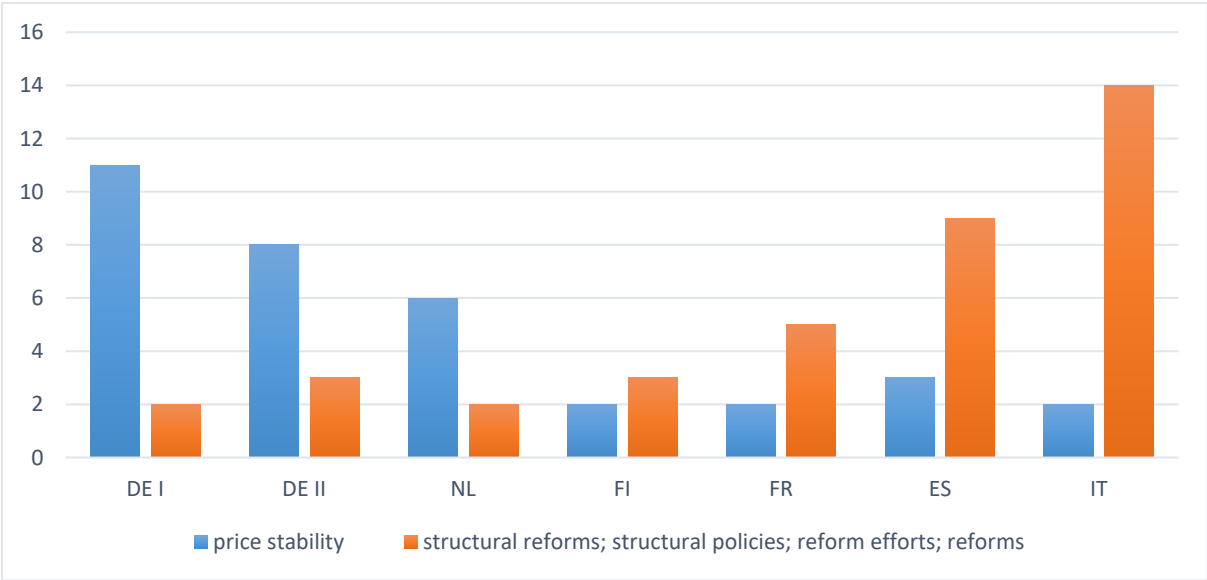
Unconventional Accountability Measures: visiting national parliaments

Since taking office Draghi has visited the German, French, Spanish, Finish, Italian and Dutch parliament to explain and to listen to the concerns of parliamentarians (Bovens and Curtin 2016; Jančić 2017). The ECB is the only supranational central bank that faces the challenge of having to communicate to multiple national audiences that sometimes produce conflicting demands. Thus, visiting national

parliaments provides an opportunity to deliver a message tailored towards the concerns of a specific national public sphere, thereby, contributing to increasing ‘throughput legitimacy’ (Torres 2013). Due to the diverging assessments of the ECB’s UMPs and its troika membership in the creditor and debtor countries, one would expect Draghi to counter the perception that the ECB acted outside of its mandate by reaffirming its commitment to the ECB’s primary mandate in the creditor parliaments and to convince debtor parliaments of the benefits of the troika’s reform agenda.

A comprehensive analysis of Draghi’s introductory remarks in all parliaments shows that the tone of his speeches varied depending on his audience. While he listened to the concerns of the parliamentarians from creditor countries, he tried to convince the debtor countries’ parliaments about the benefits of structural reforms. A simple word count shows that Draghi used the words ‘price stability’ 27 times in total during his opening statements to German, Dutch and Finish parliamentarians and only 7 times during his visits to France, Spain and Italy (see Figure 2). On the other hand, he mentioned ‘structural reforms’ 28 times in the latter three parliaments but only 10 times when speaking to members of the creditor countries’ parliaments.

Figure 2: Word count of Draghi's opening statements to national parliaments (2012 - 2017)



Source: author’s own analysis

The ECB has argued that it uses visits to national parliaments to explain its monetary policy decisions in greater detail. However, this is only one rationale for its willingness to engage with national parliaments. Table 1 provides an overview of Draghi’s speeches in national parliaments. It shows that topics like EMU governance reforms, central bank accountability and the benefits of structural reforms have featured prominently.

Table 1: Visits to national parliaments

Date	National Parliament	Topics of the introductory remarks
October 24, 2012	German Bundestag	Causes of the euro area crisis; the monetary policy transmission mechanism; defense of OMT
February 12, 2013	Spanish Congreso de los Diputados de España	Economic adjustments in the euro area; UMPs impact on Spanish banking system; financial assistance programme and structural reforms; long-term vision of EMU (‘reform contracts’)

June 26, 2013	French Asemblée Nationale	Overview of UMPs (LTROs, OMT); adjustments in the euro area (fiscal consolidation and structural reforms); limits of central bank's capacity to create growth; EMU long-term vision and banking union
November 27, 2014	Finish Suomen eduskunta	Overview of UMPs; the ECB's accountability framework and transparency; EMU governance (reinforced SGP)
March 26, 2015	Parlamento Italiano (publicly available)	Overview of UMPs; the beneficial effects of structural reforms; economic convergence through institutional convergence
September 28, 2016	German Bundestag	Impact of ECB's actions on price stability; the distributional effects of UMPs (implications for households, savers, pensioners and bank profitability); need for structural reforms (closing the investment gap)
May 10, 2017	Dutch Tweede Kamer der Staten-Generaal (publicly available)	Distributional effects of UMPs; implications for households, savers, pensioners and bank profitability; financial stability risk (high household indebtedness and low level of mortgage collateralisation); need for structural reforms and prudent fiscal policies; EMU governance reforms (EDIS, SRF backstop, Capital Markets Union)

Source: author's own compilation

The first visit to the Bundestag was a closed-door meeting that played out against the backdrop of the OMT announcement which triggered fears by some German MPs that it would violate the treaties. In his opening speech Draghi embarked on a defense of OMT rebutting the critics' arguments point by point. He claimed that the risk of moral hazard was reduced through linking any bond purchases in the secondary market to ESM conditionality (Jančić 2017, 152). Furthermore, Draghi reaffirmed the ECB's commitment to guarantee price stability. By tailoring his speech to specific German concerns, Draghi managed to reduce the audience costs of OMT. However, additional UMPs created demand for more accountability towards the Bundestag. Only four years later, Draghi was back to launch a defense of QE and its negative interest rate policy. This time concerns about the distributional effects of UMPs on German depositors and pensioners were at the heart of the debate. The term 'price stability' was only invoked eight times as public attention had shifted compared to 2012 (see Figure 2). Draghi acknowledged that real interest rates were low but were required to support the fragile economic recovery. He pointed out that 'what a household may lose in terms of little interest on their bank account, it might save in lower mortgage payments for their home' (Draghi 2016). Yet, his appearance did not have the anticipated effect on parliamentarians. The *FT* titled that Draghi had faced the MPs 'wrath over ECB policies' (Jones and Chazan 2016). One MP lamented that 'the measures the ECB has taken are good for the eurozone as a whole but not for Germany', whereas another highlighted the failure to increase trust in the ECB (Jones and Chazan 2016). The negative backlash continued during a visit to the Dutch House of Representatives, where Draghi was 'riled by Dutch MPs in a rare public grilling' (Jones and Khan 2017). The focus of Draghi's speech resembled in large parts the one he had given in the Bundestag in the previous year as the creditor countries' concerns broadly overlapped. Draghi defended the UMPs and their distributional implications (Draghi 2017). In addition, he argued that structural reforms and prudent fiscal policies were required and supported by the ECB's accommodative monetary policy stance (Draghi 2017). In the Finnish parliament, Draghi provided a comprehensive overview of the monetary policy measures and reaffirmed the Governing Council's commitment 'to using additional unconventional instruments within its mandate' (Draghi 2014). The remainder of the remarks distinguished the ECB's accountability regime from that of the NCBs which are accountable to their respective national parliament. Draghi explicitly acknowledged the connection between enhanced procedural transparency and UMPs when he stated that 'transparency is key,

especially in times where unconventional measures are being taken' (Draghi 2014). Finally, the ECB President called for more 'shared sovereignty' when he argued that 'in the euro area, economic policy choices are so interdependent that, ultimately, sovereignty over economic policy-making should be exercised jointly' (Draghi 2014).

In contrast, in the French Assemblée Nationale Draghi's focus notably shifted towards emphasizing structural reforms rather than price stability. In particular, Draghi singled out the importance of the interplay between fiscal consolidation and other reforms to raise competitiveness and productivity. At the same time, he moderated heightened expectations about the effects of monetary policy when he stated that 'monetary policy cannot create real growth. If growth is stalling because the economy is not producing enough or because firms have lost competitiveness, this is beyond the power of the central bank to fix' (Draghi 2013a). The last part of his address sketched out the key pillars of a closer economic union, namely, the delegation of additional sovereign competences to the European level and sticking to the fiscal rules to increase trust in mutual solidarity. When Draghi addressed the Spanish and the Italian Parliament his emphasis on structural reforms became even more pronounced. In Spain, which was still under an ESM adjustment programme at the time, the ECB President explained that structural reforms would take time to bear fruits (Draghi 2013b). He highlighted the extensive liquidity provision to the Spanish banking sector that was instrumental in averting a credit crunch. Finally, Draghi reiterated how the design features of its UMPs minimized moral hazard risks by linking them to strict conditionality. He stated that 'our interventions are conceivable only if the risk of fiscal dominance is firmly excluded. This requires certainty that governments will maintain fiscal discipline and that continuous reforms will correct underlying weaknesses' (Draghi 2013b). In the Italian Parliament Draghi outlined a comprehensive structural reform agenda with detailed policy prescriptions ranging from administrative and tax reform to skill training of the work force and the reduction of non-performing loans (Draghi 2015c). He cautioned that a lack of institutional convergence could have negative spill-over effects for the euro area as a whole. As a result, he concluded that the 'long-term goal must be to move from a rules-based system to one based on stronger European institutions' (Draghi 2015c).

Risks of unconventional accountability: a slippery slope into parliamentary inquiries?

Giving national parliamentarians an opportunity to voice their apprehension creates a precedent that might lead to a permanent institutionalization of an unconventional accountability arrangement that was supposed to be informal and *ad hoc*. The ECB will likely receive more invitations to visit other euro area based parliaments. If the ECB declines them, it will be accused of pandering to the interests of a selected group of countries. The ECB has not clearly indicated whether it regards the visits as a temporary or permanent feature of its accountability structure. In the Finnish Parliament the ECB President argued that 'our accountability towards the European Parliament does not exclude that there are also a number *ad hoc* interactions with national parliaments' (Draghi 2014). It is conceivable that the demand for visits might recede automatically. Nevertheless, the visits set an important precedent that cannot be easily reversed by future ECB Presidents. Exchanges of views with national parliaments regarding the micro-prudential supervision of credit institutions have already been formalized in the SSM Regulation. Article 21 states that a national parliament can invite the Chair or a member of the Supervisory Board for an exchange of views concerning credit institutions in the respective country. The same article also gives national parliaments the right to pose written questions related to the ECB's micro-prudential tasks and to receive its annual report (Jančić 2017, 156). Zilioli (2016, 177) argues that 'the rationale for these exchanges of views is the need to involve parties which may be responsible for recapitalizing an ailing credit institution'. It shows that when the fiscal

repercussions of the ECB's actions become more identifiable the demand for the involvement of national parliaments grows.

The Irish parliament proved to be a particularly challenging case for the ECB. Like his predecessor, Draghi declined an invitation to testify in front of the Irish Joint Committee of Inquiry in the banking crisis arguing that 'owing to the ECB's accountability to European institutions and primarily to the European Parliament, the ECB is not in a position to participate in inquiries conducted by national parliaments. [...] The ECB stands ready, in due course and in liaison with the Irish parliament, to determine how best to interact on an informal basis, outside the context of the banking inquiry' (Draghi 2015b). Later, Vice-President Constâncio was supposed to attend an informal exchange of views according to pre-negotiated terms. However, when it appeared that this exchange of views might be used in the inquiry, the ECB withdrew its offer immediately. Draghi argued that 'statements made by the Chairman of the Joint Committee of Inquiry, suggested that the necessary clear separation between an exchange of views and the work of the committee of inquiry could not be guaranteed. Under these circumstances, accepting the invitation would have amounted to the ECB de facto participating in the inquiry and hence discharging accountability to the Oireachtas. However, this is the prerogative of the European Parliament' (Draghi 2015a; European Parliament 2014, 18). Only after Ireland had formally exited its adjustment programme and the inquiry committee had published its final report did Draghi signal his willingness to appear in front of the Oireachtas if he was invited again.

Despite Draghi's assurances that the ECB is solely accountable to the EP, his appearances have challenged the EP's monopoly as the exclusive interlocutor for the ECB to discharge accountability. First, the co-optation of national parliaments created a rivalling accountability structure even if they are referred to as 'exchanges of views'. De facto the EP now shares its oversight rights with national parliaments. Second, it serves as a reminder that ultimately only national parliaments can provide credible fiscal backstops. Third, Draghi's move signals that outside options existed if the EP would become increasingly assertive. In sum, ceremonialism proved to be a useful strategy to address the fundamental trade-off inherent in visits to national parliaments, namely, to show responsiveness to specific national concerns, while not appearing to neglect the interests of the euro area as a whole. The mere symbolism of Draghi reaffirming the ECB's commitment to price stability in the Bundestag might affect public trust through positive national media coverage. Thus, the ECB co-opts national parliaments to penetrate the national public sphere, thereby, causing a virtuous cycle of revived support for central bank independence and increasing output legitimacy. Even though the ECB doesn't reveal any new information, other positive externalities like a reduced risk of future sanctioning through legal challenges can arise.

CONCLUSION

This article has demonstrated that the ECB's UMPs and its troika membership created three mutually reinforcing threats to its political independence. It led to a high level of distrust in the ECB, an elite dissensus on central bank independence and declining output legitimacy. Faced with this diverse set of challenges and in the absence of a fully-fledged eurozone parliament, the ECB tried to contain these threats through conventional and unconventional accountability measures. Its immediate response was to turn to its conventional accountability channels. However, the EP lacked the command of fiscal resources that could bestow the necessary democratic legitimacy upon the ECB's quasi-fiscal operations. To boost its procedural transparency the ECB Governing Council decided to publish a 'meaningful account' of its deliberations. But these measures could not sufficiently halt the onslaught on its independence. The challenge was to address the differing concerns of the ECB's actions in creditor and debtor countries. Thus, the ECB took the unprecedented step to rely on unconventional

accountability measures. ECB officials decided that the ECB President should visit national parliaments to reduce distrust by delivering tailor-made messages to national audiences. In sum, the ECB shrewdly instrumentalized EMU's democratic deficit for its own independence consolidation.

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