

Frankness in Frankfurt

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vrijdag 09 mei 2014, 13:42

update: vrijdag 09 mei 2014, 13:43



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While central banks have traditionally not been very transparent, this is undergoing rapid change. Public scrutiny of their performance during the crisis, whether through unconventional monetary policy measures or in their function as supervisors of banks, has added impetus towards opening up.

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Mario Draghi's recent speech in Amsterdam

In his recent [speech](#) during the bicentenary festivities for the [Dutch central bank](#), ECB President Mario Draghi gave his personal views on more transparency from the Frankfurt-based monetary authority of Europe. Placing the move towards more openness in the context of the effectiveness of monetary policy in times of crisis, President Draghi followed up on his [announcement](#) in August 2013 to give a “richer communication of the rationale behind [the

ECB's] decisions" and proposed to give "a written account of [the ECB's] policy deliberations".

He added that the frankness from Frankfurt would have to be in a format that fits the institutional set-up of monetary union. In contrast to central banks serving only individual countries, the ECB operates in a multi-nation environment. The members of the Governing Council are to act independently in the interest of the Euro Area as a whole. Since its inception in 1998, the ECB has refrained from publishing minutes of its highest decision-making body.

The legal reason was the stipulation in the [ESCB Statute](#) (Article 10.4) that the proceedings of the Governing Council meetings shall be confidential, whereas the Governing Council may decide to make public the outcome of its deliberations. The Treaty authors inserted this clause to protect the governors of the National Central Banks from pressure to exercise their mandate in accordance with perceived national interests which they should precisely not pursue. It is the overall European interest in price stability that they are called to serve.

The prohibition of attributing views to individual members of the Governing Council and of the publication of their voting behaviour also helps preserve the independence of the central bank. President Draghi underlined the importance of a frank discussion among the Governing Council members who should be able to be convinced by their peers of the merits of a certain policy stance. "Give and take" and readiness to reappraise first opinions help to attain consensus, he said. Thus, more openness from the ECB will not consist in publishing minutes with attributable positions. The frankness will imply that more extended reasoning will be given for the policy decisions.

Implications beyond monetary policy

In his speech, the ECB President himself alluded to the [inter-institutional agreement between the ECB and the European Parliament](#) as a sign that more accountability and transparency is called for. However, this example concerns the ECB's new task of directly supervising the Euro Area's significant banks and overseeing the supervision of all banks in the Euro Area. As the gatekeeper to the banking market in Europe, and the overseer of the solidity of players permitted to the market, the ECB will be called to give in-depth insights to the European Parliament. Parliament, in turn, is to respect the confidentiality of supervisory data.

The new openness of Frankfurt on monetary policy will have an overflow effect on the ECB's other functions, notably banking supervision. Even though the different nature of this function will require the ECB [to keep information secret](#) (at least until well after an issue with an individual bank has been addressed), the Governing Council would be well-advised to ponder how to answer calls in other areas than monetary policy for more frankness from Frankfurt. In Amsterdam, Mario Draghi didn't elaborate on providing more reasoning behind choices in respect of other policy areas than monetary policy. Only a balanced openness across the board will do justice to today's generally felt need for more central bank transparency.

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