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Political leadership of the European Central Bank

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ABSTRACT

What role did the European Central Bank (ECB) play in EU governance, regarding the financial, the economic and sovereign debt crises? How should we understand ECB leadership from a theoretical perspective? Based on speeches, literature review and interviews, this contribution concludes that by using policies such as the Securities Market Programme and by promising to do whatever it takes (e.g. Outright Monetary Transactions the ECB supported the euro-area faced with an unprecedented crisis. Its two presidents during the crisis periods were leaders in that they managed to get the ECB followers (its Governing Council; EU member states) willing to take part in a common enterprise solving the sovereign debt crisis with the bank using exceptional monetary policy tools. This contribution argues that both Presidents Jean-Claude Trichet and Mario Draghi exercised transformative leadership and were willing to take action when no other leaders were willing or able to lead.

KEYWORDS

Mario Draghi; Economic and Monetary Union; euro area; European Central Bank; political leadership; Jean-Claude Trichet

1. Introduction

The financial crisis that erupted in the United States (US) and quickly spread to the rest of the world eventually had a major impact on the European Union (EU) member states, in particular on the countries of the euro area. There is widespread understanding that strong political leadership was crucial in the survival of the euro area in this crisis. Fingers often are pointed at the leaders of Germany and France but also at the European Council and the Euro-group. The one institution that changed its political leadership stance more than most is probably the European Central Bank (ECB) under the leadership of its President. This contribution zooms in on this issue and asks: (1) what role did the ECB play in EU governance, in particular regarding the financial, the economic and sovereign debt crises? (2) How should we understand ECB leadership in this context and also from a theoretical perspective?

The literature on political leadership in the context of the EU is relatively small compared to the literature on national political leadership. It is challenging to study political leadership in the EU because the actors who execute leadership differ considerably from one another, the context matters a lot, and the various institutions and personalities interact with one another impacting the outcome. Nevertheless, it is quite intuitive that political leadership in the EU matters and many scholars (and indeed the general public) are fascinated by how

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leadership is of importance in crisis resolution. When the sovereign debt crisis was at its height, many were asking questions about which leaders in the EU context were the appropriate ones to respond and what instrument would be available for them to act (cf. Dempsey 2012).

The case of the ECB is particularly interesting because it is widely recognised that central banks play a crucial role in combatting the financial crisis right from the start. The Chairman of the US Federal Reserve at the time of the onset of the crisis, Ben Bernanke, by some coincidence, was an expert of the financial crisis of 1929 and subsequent depression of the 1930s. With him at the helm it made the US Fed a central bank keen not to repeat the policy errors of the past, which included protectionism, isolationism, and cuts in government spending (Eichengreen 2012). The central banks thus prescribed policies that were opposite to those pursued in the 1930s, which at the time wrecked havoc with the economy and ultimately with world peace. In 2007–2008 their policies focused on avoiding that governments would pull up trade barriers, start to embark on protectionism and isolationism; instead they focused on making sure that international capital flows kept going, finding ways to ensure that money and credit was easily available, and encouraging governments to spend more money. The leading central banks continued and increased their coordination efforts during the tumultuous autumn of 2008 and thereafter.

The sovereign debt crisis was however one that demanded first and foremost a European response. The ECB did end up playing a large role – a much larger role, perhaps, than one may have anticipated only a few years before, and that may have been predicted based on the ECB specific mandate. This contribution looks at the role of the ECB in the crisis. In terms of its methodology, it examines documents and newspaper articles that are in the public domain, speeches by ECB presidents, and draws on some personal interviews with key informants.

The structure of this contribution is as follows: The next section offers a brief definition and literature review of the concept 'political leadership'. Section three provides an overview of the events of the financial crisis and the euro debt crisis and how the ECB responded to the crisis; furthermore, it explains how the ECB may have increased political leadership. The final section draws some lessons from this ECB case for our understanding of leadership of the ECB.

2. Political leadership – definitions and literature review

Before we look at the actual case at hand, let us turn very briefly to the existing literature for a definition of political leadership (for a more exhaustive review see Tömmel and Verdun, 2017). Burns (1978) defines a leader as someone who can get followers and someone who can enable leaders and followers to take part in a common enterprise. 'Transactional leadership' takes place when 'one person takes the initiative in making contact with others for the purpose of an exchange of valued things'. Transformative leadership takes place when 'one or more persons engage with each other in such a way that leaders and followers raise one another to higher levels of motivation and morality' (Burns 1978, 83; see also Tömmel 2013). Blondel (1987) connects leadership to power. His or her personality is also of importance (see also Blondel 2008). Elgie (1995) looks at the power and motivation of central political leaders taking the context seriously (see also Elgie 2005). Elgie (1995, 1–3) sees political leadership as '… the process by which governments try to exercise control … the extent to which … individuals who occupy the most prominent positions of authority in the state structure, are able to determine the outcome of the decision-making process' (Elgie 1995, 4). He offers mostly an institutional analysis to understand leadership. Rhodes and 't Hart (2014, 2) study leaders in high political positions and point to the special qualities of such an individual. Rhodes and 't Hart point to two aspects of leadership that are particularly relevant for this contribution. In looking at the supreme decision-makers, when an organisation or a nation faces a high-stakes decision that no one is willing to take, someone has to take responsibility (2014, 8). In other words, instead of looking at leadership as a 'cause', another way is to look at leadership as a 'consequence'. In the latter perspective leadership could be seen as the 'dependent variable' (Rhodes and 't Hart, 10) and the role of a study would be to find differences in the supply of leadership as the object of study.

The above makes clear that leadership is a wide topic, and political leadership only just a little bit narrower. What do we know about Political Leadership of the EU? If one turns to leadership in the EU, the scope of the topic is, however, reduced a little more. Some of it is idiosyncratic to the politics in the European Union, as the EU lacks many features of being a consolidated political system, but still has considerable characteristics that make it a polity. Leaders operating in the EU context need to balance out many EU-specific variables. As we saw in the introduction to this volume (Tömmel and Verdun 2017), various studies have been made into leadership in the EU but to date most have concentrated on leadership of the major EU institutions or by national leaders (see also Tallberg 2003, 2006; Schild 2010). In terms of leadership studies and the ECB, there are very few academic studies to go on. The connection between the two has been made more in passing on VOX.eu or in the media; few scholars have taken a look at the role of the ECB through a leadership lens (e.g. Grözinger 2014). It does not mean that scholars have failed to notice that the ECB has done exceptional things during the financial crisis and the sovereign debt crisis, quite the contrary. Rather, the analysis of the ECB actions in recent years has been more policy oriented than focused on the broader concept of 'leadership' and most of the studies are done by economists focusing on the instruments and policies adopted by the ECB and assessing their usefulness as such.

3. The financial and sovereign debt crisis and the actions of the ECB[1]

Let us now turn to the actual actions of the ECB during the financial crisis and the sovereign debt crisis. The 2007–2008 financial crisis, followed by the economic crisis of 2009 and the sovereign debt crisis of 2010–2012, has put Economic and Monetary Union (EMU) and its governing bodies to the test. The euro edifice showed cracks in its architecture in three stages. In the first stage, in 2007, when the financial crisis took hold of Europe, when there was insufficient money to go around, the ECB made overnight lending easily available. This support was necessary because as the money dried up banks were increasingly reluctant to lend to one another and these measures facilitated them to park their funds with the ECB (Drudi, Durré, and Mongelli 2012). This step was a bold and innovative step, on the part of the ECB, that few expected it was prepared to do. The ECB rose to the occasion, was the first central bank to act in this way (Trichet 2010b), and would do so a few more times subsequently when credit was tight or bond markets worried.

The financial crisis brought to the fore the incomplete nature of European integration in economic and monetary affairs. Fiscal policy remained firmly in the hands of national authorities and there was no collective fund or responsibility to come to the aid of member states

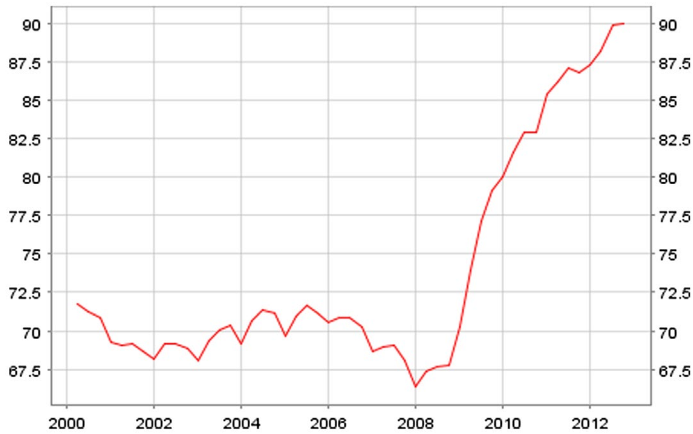

Figure 1. General Government Debt to GDP – 17 euro area member states. Source: ECB 2013 (http://sdw.ecb.europa.eu/quickview.do?SERIES_KEY=121.GST.Q.I6.N.B0X13.MAL.B1300.SA.Q).

Notes: Euro area 17 (fixed composition) based on Maastricht assets/liabilities. General government (ESA95)-NCBs. All sectors without general government (consolidation) (ESA95) – NCBs. Financial stocks at nominal value. Neither seasonally nor working day adjusted.

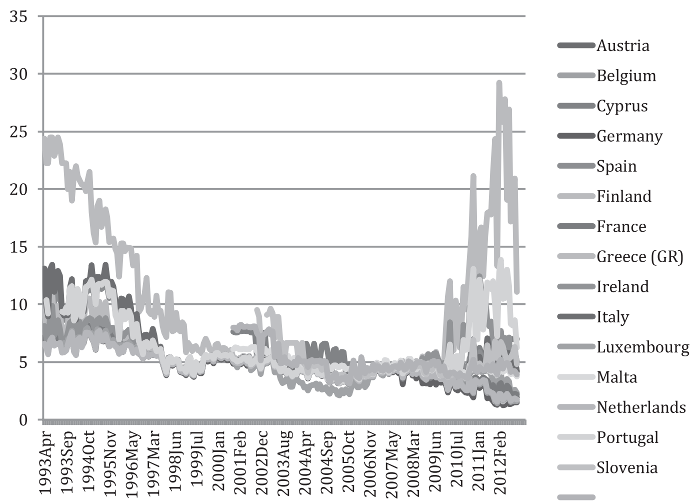

Figure 2. Euro area 10-year government bond yields (per cent). Source: ECB.

in need. Indeed, the crisis exposed not only the weaknesses in fiscal policy architecture; banking supervision was also weak (see Schure 2013). Or as British economist Charles Goodhart (2009, 16) put it: 'a cross-border bank is international in life but national in death' (House of Lords 2009, 30). It meant that in the face of a severe banking crisis and subsequently major downward corrections of the stock exchanges, EU countries found themselves not knowing what strategy the EU would take, and national governments turned to domestic solutions. A fortnight after the Lehman collapse,[2] Ireland decided, unilaterally, to secure consumer bank deposits (*Financial Times* 2008a; Engineer, Schure, and Gillis 2013). The

German government criticised the Irish government for such unilateral action, but a week later followed suit with a similar unilateral policy (*Financial Times* 2008b).

Only by November 2008 had the EU furnished a European response that focused on having the Member States and the EU inject 200 billion euro into the EU economy (1.5% of Gross Domestic Product (GDP)) and on ways to improve competitiveness (European Commission 2008). However, the EU central budget did not have access to such large funds. First, it does not have a large budget to spend (the EU manages about one per cent of the EU GDP) and the Commission would only have a very small proportion of that amount to allocate to crisis management (on the role of the Commission Leadership see Cini and Šuplata, 2017). Second, by fall 2008, it only had access to a small amount of loans to deal with crisis management. Thus, what it did in November 2008 was offer to act as 'clearing house', a broker for a coordinated response by Member State governments. In fact, after this decision the proposal still needed to go to national parliaments for approval. This episode exposed the problem that the EU lacked a sufficiently large central budget or other fund to be tapped into at a time of crisis. It also showed the vulnerability of collective action in the EU – it being so reliant on national parliamentary approval. As we will see below, the EU eventually sought to deal with this shortcoming by creating the European Financial Stability Facility (EFSF) (since October 2012: the European Stability Mechanism) and is working towards deeper economic integration (for instance the creation of a banking union (Howarth and Quaglia 2016) and further plans for further deepening EMU through the four and five presidents report).

Once again, the ECB took on an important role throughout the crisis, unforeseen in its mandate. Following the intensification of the financial crisis in autumn 2008, the ECB sought to deal with the paralysis of the inter-bank transactions in the money-market by reducing the policy rate (Trichet 2010b). The ECB implemented a set of non-standard measures, which they referred to as 'enhanced credit support' (Trichet 2009). The measures aimed at helping banks maintain their liquidity so as to make sure that the monetary policy transactions would impact the broader economy in the desired way.

After the financial crisis hit in full force, the economic crisis ensued. In 2009 the EU was in recession (European Commission 2012, table 7, p. 43). The governments of EU Member States sought to combat the crisis by finding domestic solutions. The governments of member states, particularly those with large financial sectors, such as Belgium, Ireland, the Netherlands, and the UK, spent vast amounts of public money to keep the economy going. Fearing a repeat of the recession of the 1930s, that followed the stock exchange crash of 1929 and subsequent banking crisis, the spending of national governments led to a considerable increase in public debt and budgetary deficits in most EU countries (see Trichet 2010a). As Figure 1 shows, in 2008 the average public debt of the seventeen countries of the euro area was below 70% GDP. By 2009 it was steeply on the rise, see Figure 1 below (see also European Commission 2012, table 78, p. 185).

The crisis changed its nature in fall 2009. In October 2009 the newly elected government of Greece under George Papandreou informed the EU that its budgetary deficit was much larger than reported by the previous government, namely 12.8% instead of 3.6% of GDP (Featherstone 2011; see also Van Esch 2017). The result was a chain reaction of responses ranging from rating agencies downgrading Greek debt to an increase in the cost of lending for the Greek government.

Member State governments had a hard time deciding what to do in response to this problem. They were facing two possible scenarios. They could decide not to do anything because Article 125 TFEU[3] does not allow the EU to bail out a Member State that is running a large debt and has difficulties to refinance this debt. Alternatively, the EU Member States could decide to help out collectively, as provided for by Article 122 TFEU.[4] Germany, led by Chancellor Angela Merkel, was initially reluctant to help. But by May 2010 it became apparent that the problems were too large. If no help were given, Greece would default with unpredictable, but probably disastrous consequences for Greece, the euro area, and EU Member States as a group. If the EU wanted to avoid that, Greece would need to be rescued after all (Featherstone 2011).

The big problem here was that the options were difficult to implement. To provide Greece with funds meant having to decide the structure and mechanism through which one would provide funds to a country in need, but also dealing with the fall-out from that situation. Providing funds to such a country ultimately implies a transfer from one group of people (tax payers in the Member States) to another one (those holding Greek debt). A default would affect not only investors within Greece but also outside Greece, many of them banks in other EU Member States (notably in France and Germany). However, those contemplating providing loans to Greece demanded assurances that Greece would be able to pay back the loans, alongside a credible commitment to restructuring expenses and revenues. There was also agreement that if funds were made available to Greece now, then funds should be earmarked for other Member States as well facing major refinance problems in the future. Worried by a perceived breach of Article 125 TFEU, Member States acted in an intergovernmental capacity. A year later, in March 2011, they decided to make a minor change to Treaty Article 136, which should ensure beyond doubt the legality of setting up a stability mechanism. This amendment would enter into force on 1 January 2013, provided that all Member States had ratified.[5]

None of this was planned for in the original architecture of EMU as per the Maastricht Treaty or its reform by the so-called Stability and Growth Pact (SGP) (Heipertz and Verdun 2010). Although there had been problems with complying with the SGP rules before, the order and magnitude of the Greek rule violation so blatantly made it difficult for all to step up to the plate and assist Greece. The problem was that as time passed without a clear solution to the Greek problem, the sovereign debt crisis quickly escalated (Krugman 2012). As financial markets were not sure if Greece was going to be assisted, the cost of borrowing for Greece increased sharply.

The yield spreads for Greek government debt rapidly went up, making it increasingly difficult (bordering on the impossible) for the Greek government to refinance its debt. Eventually, in May 2010, it came to a climax when EU leaders needed to decide whether they would let Greece default or if they would provide Greece with enough funds that it could renew its loans.

They opted for the latter, and created a new temporary fund: the EFSF (Gocaj and Meunier 2013; Verdun 2015). In first instance the EFSF received 750 billion euro. The Troika of European Commission, ECB and the International Monetary Fund (IMF) made 110 billion available to assist Greece.

Unfortunately, however, the sovereign debt crisis continued. The difficulties to refinance debt (attract capital at an affordable rate) affected also other countries in the periphery of Europe. By November 2010 Ireland was given a financial support package of loans for the amount of 85 billion euro with contributions from the euro area Member States through the EFSF, bilateral loans from Denmark, Sweden and the UK (countries not in the euro area), assistance from the IMF and even an Irish contribution (from the national pension fund). In May 2011 Portugal was also provided with a 'financial and economic support package' of 78 billion euro, again a mix of loans or lines of credit from the IMF, the EU and euro area, managed by the IMF, the EFSF and the European Financial Stability Mechanism (EFSM). On 8 October 2012 a new permanent crisis mechanism, the European Stability Mechanism (ESM), was inaugurated.[6] It is an intergovernmental organisation set up by the Member States of the euro area to ensure financial stability of the EU's single currency.

In July 2011, and again in November 2011, the cost of refinancing government debt in Greece, and to a lesser extent in Italy (and to some degree in Spain), were making headlines. Financial markets and analysts were worried about the health of the euro area, because the situation in Greece was bad, but if a similar situation happened in Italy or Spain individually, but especially together, these countries would be considered are too big to bail out (*The Economist* 2012). In July 2011 Greece is offered a 109 billion euro rescue package. This time there is some 'restructuring' of debt (meaning that effectively Greece goes through a partial default). In July and August 2011, the ECB had been buying up sovereign debt of countries in difficulty in order to provide those countries with the funds they needed. But in order to stabilise the euro, further institutional changes were required. The crises in Greece and Italy in November 2011 quickly entered the political domain ultimately costing the political life of Prime Minister Berlusconi in the wake of the resignation of Greek Prime Minister Papandreou. Both men were replaced by caretaker Prime Ministers, by 'seasoned eurocrats' – both were economists with ample experience in European institutions (Lucas Papademos of Greece had previously served as the Vice-President of the ECB and Mario Monti of Italy had served for ten years as an EU Commissioner, first of the internal market and then for competition).

Besides the situation in Greece and Italy, in a number of other EU Member States governments either fell over the difficulties related to the sovereign debt crisis or during regularly scheduled elections. Examples of the former are the Netherlands, Slovakia and Slovenia – where the crisis, arguably, led to early elections. Examples of the latter are France and Spain where the party (or candidate presenting opposition parties) lost in generally scheduled national elections, even though here too the crisis played a role in the defeat of the government of the day.

Throughout all of this turmoil, the ECB played an important role in stabilising markets. As was mentioned above, the ECB made credit readily available in August 2007. In the fall of 2008, it collaborated actively with other major central banks to respond to the financial crisis. In the May 2010 period it is part of the troika to assist countries in need. In December 2011 it enabled long-term refinancing by making nearly 489 billion euros in loans available (at one per cent interest rate) to 500 banks. The ECB made another 530 billion euro available to 800 banks in its second long-term refinancing operation in February 2012 (Wyplosz 2012). In June 2012, Spain requested 100 billion euro in soft loans from the EFSF and later that month also Cyprus requested support. In June 2012 the first steps were taken to devise a so-called banking union, and the role of supervisor would be given to the ECB. In summer 2012, when the yield spreads between countries of the periphery and the euro area core were widening too much – due to speculation of a euro area collapse and unsustainable finances – the ECB took another major step. It introduced a programme called OMT (Outright

Monetary Transactions).[7] This policy meant that the ECB would buy unlimited quantity of bonds (less than three years maturity) from a country that has a debt market that appears not to function because of financial speculation. At the time of writing, OMT has not been used, but the mere fact that the ECB President, Draghi, said he was willing to use such measures, calmed the markets. The ECB announced that it would only make these funds available to those countries that have applied for assistance from the ESM and agreed to the economic conditionality (see Drudi, Durré, and Mongelli 2012). In this way the ECB took numerous bold steps to act during the euro debt crisis. Indeed, the many daring decisions made under the leadership of ECB President Mario Draghi earned him the 'person of the year 2012' award of the *Financial Times* (2012) and 'responsible leadership prize' (see also Draghi 2013). Finally, since then, the ECB has taken a few other very bold steps. In June 2014 it announced negative interest rates. Another very bold step, in January 2015, was to get involved in quantitative easing (QE), which was something other central banks had already been doing (Japan, US) and which was seen as necessary as there was a risk of continued deflation (prices were falling in December 2014). On 22 January 2015, the ECB announced its willingness (and in fact action) to purchase large-scale assets. The effect thereof was to inject liquidity into the economy and thereby promote growth.

The possible need to use OMT has reoccurred since 2012 (in 2014 for instance), and it has been challenged by German lawyers, who have asked the German Constitutional Court in Karlsruhe to pronounce on whether OMT was legal; on 16 June 2015, the Court upheld OMT as legal. Even the ECB's actions to purchase bonds on secondary markets were considered legal, and the Court stated that it did not exceed the mandate of the ECB.

4. Analysis of the crisis and the ECB: how the ECB may have increased its political leadership

The above overview of the financial crisis and the role of the ECB is a non-exhaustive summary of the crisis and (some of) the responses of the ECB. But what is worth pointing out is that the ECB was strong throughout the two periods – the early financial crisis and the euro crisis (sovereign debt crisis). Another remarkable observation is that the ECB was proactive and path-breaking under both the leadership of Jean-Claude Trichet as well as during that of Mario Draghi. What can we learn about these actions of the ECB through the lens of political leadership?

Let us turn to the two concepts of transactional and transformational leadership. It seems that in both the cases of Trichet during the financial crisis and Draghi during the sovereign debt crisis the ECB was willing to embark on novel terrain. Trichet was willing to cooperate with other central banks immediately once the financial crisis started. He gave the order to make money available, when money dried up, in mid August 2007, even in advance of the Federal Reserve Bank of the US doing that. The staff of the ECB was very excited about this bold step of their president.[8] Similarly, Draghi's plan to embark on OMT, basically to do anything that it takes to secure the euro, is an example of leadership as Rhodes and 't Hart (2014, 8) found (already referred to above), whereby someone is willing to take decisions (responsibility) when an organisation or a nation faces a high-stakes decision that no one is willing or able to take. Here the 'organization' or 'nation' at risk was the euro area. The governance structure was too weak; Draghi decided to take responsibility to step up to the plate.

To many observers however, the ECB's actions since 2007 have been 'pathbreaking', 'innovative', 'leading' and they would argue that they would not have imagined the ECB as an institution would display these characteristics. In fact, until recently, west ECBs have been the beacon of conservatism, and even in the first ten years of EMU, the ECB had been erring on the side of caution in case of doubt. To see this switch in policy stance in response to the crises is to say the least remarkable.

How might we explain these actions by two successive ECB presidents (and their governing boards)? First and foremost, it seems as mentioned above that the ECB recognised that the euro was at risk, and that the EU governance structure was unable to respond to the accumulation of crises in a timely fashion. Each time the financial makers wreaked havoc with the situation in Greece, for instance, the governance bodies that deal with EU governance had to come together to negotiate. The first decision by the ECB to make money available when funds were drying up, was in the middle of summer (August) when hardly any governance bodies were available to make any decision at all. The ECB noticed the power vacuum, the lack of ability of the EU governance actors to act forcefully and jumped into that vacuum. Why might it have done that?

First, it seems from speeches that both Trichet and Draghi have given that they felt responsible in this way. Trichet says in his speech of 29 April 2010 that the lessons of the financial crisis are that there is a need for more regulation and for more transparency of financial structures (Trichet 2010 cf. Trichet 2009). Draghi's first speech, on 18 November 2011, that many have referred to, stated that he wanted to have monetary policy be based on the principles: continuity, consistency and credibility (Draghi 2011). But one of the problems that Draghi points to in the same speech is the lack of a robust economic governance of the EU – not only the difficulties in making decisions, but also the weaknesses in implementation, that is, in executing plans taken at the EU Summits that usually had been slow in coming off the ground (for instance leveraging funds 4–5 times the declared EFSF guarantee volume; and making sure that the EFSF would be fully operational).

The most influential speech that Mario Draghi ever gave was the speech on 26 July 2012, the 'bazooka speech', which according to many stopped the euro crisis in its track in the middle of summer that had been raging on for three years. He had said 'Within our mandate, the ECB is ready to do whatever it takes to preserve the euro. And believe me, it will be enough' (Draghi 2012). Until that time the ECB was focusing on price stability; but with this sentence, the ECB put itself in the shoes of a powerful actor. The remarkable thing is that it seems to have worked.

As part of the research of this contribution, I conducted four in-depth interviews with key informants connected to the ECB in various capacities.[9] I posed numerous questions but the one that is worth reporting on in more detail is the question whether the respondents believed the ECB exercised political leadership over this process and, if so, what instruments were used.

All four agreed that the ECB did exert leadership over the process. In terms of leaders and followers, the President of the ECB (whether Duisenberg, Trichet or Draghi) has been seen to be on the one hand a leader among equals. His role ultimately is to be a spokesperson (or if you will 'leader') of the Governing Council. In this way, he can only 'lead' if the Governing Council follows. Typically the Governing Council will be consensual, but there have been moments that it has taken a decision that not all GC members would have preferred. By contrast, the ECB can only be a successful leader in this policy domain, as was made clear in the case study presented above, if actions by the ECB were accepted ('followed') by Member States. Key informants felt that convincing this second group to follow was perhaps even more difficult than leading the Governing Council.

The ECB has been a fast mover. As was mentioned above, Trichet made funds available in August 2007, which was faster than other central banks. The ECB has also been a bold mover by taking forceful action when the European Council was unable to come to a clear decision in a timely fashion (for example its actions in May 2010 or the 'whatever it takes speech' by Draghi; on the role of the European Council see Dinan, 2017, and Tömmel, 2017). The ECB also became more involved in macro-economic policies outside its immediate orbit. For instance the fact that the ECB has been part of the Troika is not immediately logical, given the traditional focus of an ECB on monetary policy.

The ECB has also been getting involved in changing the debate about the future of economic governance in the EU. The financial, economic and sovereign debt crisis has made clear that having only a supranational monetary body that can conduct EU level monetary policy is insufficient to tackle the multiple crises. In order for adjustments there needs to be more cooperation, indeed integration, in adjacent policy areas. From interviews it became clear that Draghi has been a very influential person in setting the tone and content of the Five Presidents' Report that seeks to deepen EMU. It is clear that without further integration in other domains, the multifaceted crisis in the EU cannot be overcome (see Fratzscher et al. 2016). Yet one of the most challenging factors is getting the EU citizens to agree to deeper integration. It is one of the most important reasons for having the European Parliament (EP) President involved in the Five Presidents Report. From interviews done for this study it became clear that Draghi had indeed sought out the backup from the EP and has emphasised the importance of including legitimacy and democracy considerations when making plans to deepen EMU (see also Trichet 2013).

Finally, speaking about the difference in leadership style between the two persons who held the Presidency of the ECB during the different parts of the crisis, the respondents agreed that both Presidents were strong leaders that made path-breaking decisions. Their style was different, however. Although both leaders took bold steps, Trichet was leading by being the pioneer and more carefully and cautiously moving the ECB policies into virgin terrain with programmes such as the SMP. Draghi benefitted from having seen the actions by Trichet and built on them (one interviewee argued that Draghi would not have been able to devise the OMT without the SMP having been created by Trichet). But clearly Trichet was willing to take bold decisions that were not always supported by all members of the Governing Board (evidenced by some members of the Governing Board resigning; but also that Axel Weber, first nominated to become Trichet's successor, did not want to accept that position because he disagreed with the direction of the policies of the ECB, in particular the SMP). In the end, Draghi took the commitment to support the euro with 'whatever it takes' and subsequently to unveil what OMT would be all about. Yet Draghi's way to deal with dissention was to move in the direction of more openness: to publish the 'records' of the Governing Council meetings. Publishing these records (the minutes) had been part of a controversy as to whether that would be a good thing to do. One advantage of having the minutes published was that this way there would be a more structured venue for dissent. Before minutes were published, Governing Council members, with a different opinion, could be giving speeches to the media. By having the records published, any dissenting views could be seen in the records. This was felt by one interviewee as an example of a style of leadership by Draghi that is more focused on transparency.

5. Conclusions: lessons from this ECB case for our understanding of leadership of the ECB

The reason why scholars may not have focused on the ECB much as a political leader is because it traditionally had a narrow mandate and because the actions of the ECB have been studied mostly by economists. Furthermore, it was only in July 2012 that the ECB President indicated that he was willing to do 'whatever it takes' to protect the euro, and the policy devised for this purpose (OMT) has not yet been deployed. Another reason is that central banks around the world only have a narrow mandate – they have few instruments and typically, in recent western economies, are independent of political influence. Yet as we have seen in the case of the ECB and the financial, the economic and sovereign debt crises, central banks have been willing and able to jump in so as to combat developments in the financial markets.

In the introduction we asked the following questions: (1) what role did the ECB play in EU governance, in particular regarding the financial, the economic and sovereign debt crises? (2) How should we understand ECB leadership in this context and also from a theoretical perspective? Although traditionally the ECB has hardly been an institution examined through the lens of political leadership, this contribution makes clear that the ECB played an important and innovative role in combatting the financial, economic and the sovereign debt crises. Using various policies, the two the presidents at the helm of the ECB during these crises, Trichet, and in particular Draghi, seemed to have adopted leadership characteristics that can be considered 'transformative'. Using policies such as SMP and by promising to do whatever it takes (such as OMT), they supported the euro area as it was facing an unprecedented crisis. They motivated their staff as well as the member states to make steps that were fundamentally different from before and they broke new ground with their policies and procedures. More remarkably is that the rest of the Governing Council as well as the EU member states have followed them.

Both Trichet and Draghi displayed leadership traits that enabled them to lead and to entice followers. In the framework of Elgie (1995), these two leaders fully maximised the room for manoeuvre that the person in the position of president of the ECB would have. Both presidents realised that there was a power vacuum because the EU institutional structure did not facilitate speedy decisions in the European Council, in particular because there was insufficient agreement. In the terminology of Rhodes and 't Hart (2014, 2) both Trichet and Draghi rose to the occasion by taking responsibility when the other leaders (in the context of the European Council for instance) were deadlocked and unable to take decisions in a speedy fashion, at a time when movements in the financial markets were quickly making the crisis worse. These two leaders responded to a clear need at the EU level and developed policies to execute leadership to seek to solve the problems at hand. Both have been identified as having been bold in their policy choices. Each has used his leadership skills to preside over the Governing Council as primus inter pares, yet getting the group to agree to controversial decisions. They have also each been able to persuade the member states to accept their policies, even if their particular individual leadership style may have differed from one another in line with their particular personalities (Blondel 2008).

This contribution has shown that in the EU context, when examining the many faces of political leadership in the EU, it is worthwhile keeping an eye on the new kid on the block, the ECB.

Notes

1. This section draws on an extended version reported in Verdun (2013).
2. Lehman Brothers, the US investment Bank, filed for bankruptcy on 15 September 2008 (*The Economist* 15 September 2008). This event is often heralded as having escalated the 2007–2008 financial crisis (for an insightful account of the unfolding of the financial crisis see Sorkin 2009).
3. Under Article 125 (1) Treaty on the Functioning of the European Union (TFEU), the 'Union shall not be liable for or assume the commitments of central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of any Member State, without prejudice to mutual financial guarantees for the joint execution of a specific project'. Also, Member States shall not assume such liability for other Member States, but this is 'without prejudice to mutual financial guarantees for the joint execution of a specific project'.
4. TFEU Article 122(2) (ex article 100 TEC), enables the EU to provide financial assistance to a Member State 'in difficulties or seriously threatened with severe difficulties caused by natural disasters or exceptional occurrences beyond its control'.
5. European Council Decision 2011/199/EU of 25 March 2011 amending Article 136 of the Treaty on the Functioning of the European Union with regard to a stability mechanism for Member States whose currency is the euro, published in OJ 2011, L 91/1 of 6 April 2011. The additional text reads as follows: 'The Member States whose currency is the euro may establish a stability mechanism to be activated if indispensable to safeguard the stability of the euro area as a whole. The granting of any required financial assistance under the mechanism will be made subject to strict conditionality' (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:091:0001:0002:EN:PDF).
6. Article 136 TFEU indicated the need to set up an instrument to ensure financial stability. In the end it materialised in the form of the Treaty Establishing The European Stability Mechanism, concluded between all the Member States whose currency is the euro. This treaty was signed on 2 February 2012 and entered into force on 27 September 2012. The European Stability Mechanism was inaugurated in Luxembourg on 8 October 2012. For the treaty text see: http://www.european-council.europa.eu/media/582311/05-tesm2.en12.pdf; for the information on the completion of the ratification see European Parliament (2013), see also Council of the European Union (2012) and ECB (2011).
7. The outright monetary transactions (OMT) is the successor to the ECB's securities markets programme (SMP). The OMT confirms the ECB's de facto role as lender of last resort, with limitations: first, the ECB's purchase of government bonds will be limited to secondary markets, even though it allows, in principle, for the unlimited purchase of government bonds. Second, the OMT is subject to strict conditionality (of fiscal consolidation and economic reform). Member States seeking to benefit from it must first seek financial support from the EU and from the IMF (for a discussion see Hodson 2013).
8. Personal interview with a member of the ECB staff, August 2007.
9. Four interviews, of about one hour in length, were held with key informants, between 16 April and 6 May 2016, based on a semi-structured questionnaire.

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