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Diessner, S.; Adamski, D.; Amtenbrink, F.; Haan, J. de

Citation

Diessner, S. (2023). The politics of monetary union and the democratic legitimacy of the ECB as a strategic actor. In D. Adamski, F. Amtenbrink, & J. de Haan (Eds.), *The Cambridge Handbook of european monetary, economic and financial integration* (pp. 237-251). Cambridge University Press.
doi:10.1017/9781009364706.016

Version: Publisher's Version
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Downloaded from: <https://hdl.handle.net/1887/3718491>

Note: To cite this publication please use the final published version (if applicable).

The Politics of Monetary Union and the Democratic Legitimacy of the ECB as a Strategic Actor

Sebastian Diessner

13.1 INTRODUCTION

Any take on the politics of monetary policy starts from the recognition that a *de facto* separation of central banking from democratic processes is impossible to achieve fully in a democratic society, even if it is mandated *de iure* in the form of central bank independence (Adolph, 2013, 2018; Kirshner, 2003). This implies that monetary authorities, like the European Central Bank (ECB), can and should be evaluated not only in terms of how well they perform according to their own mandates, but also in terms of wider normative criteria of democratic legitimation (Dietsch, 2020; van 't Klooster, 2020). This chapter thus submits that to make sense of the *politics* of Europe's *monetary* union we need to focus on the *legitimacy* of the *ECB*.

European political science and political economy debates have traditionally revolved around the dimensions of input, output, and – more recently – throughput legitimacy (Scharpf, 1999; Schmidt, 2013).¹ However, the literature has had far less to say about the ways in which policymakers navigate and draw upon these different dimensions to legitimate their policies. Normative accounts of democratic legitimation stress that input and output legitimacy ‘coexist side by side, reinforcing, complementing, and supplementing each other’ (Scharpf, 1999, p. 12) and that throughput legitimacy ‘cannot be a substitute’ for either or both of them (Schmidt, 2013, p. 18). In contrast, this chapter argues and demonstrates that strategic actors who seek to legitimate their policies at minimal cost and within given institutional constraints *will* try to substitute the dimensions for one another in a way which suits their interests. There is little doubt that the ECB qualifies for the title of strategic actor. Despite its technocratic credentials as an independent agent, the supranational central bank has by no means remained a disinterested bystander within Europe's Economic and Monetary Union (EMU).² To the contrary, it has communicated and pursued its interests with a high capacity for strategic action before, during, and after the Global Financial Crisis (GFC) (Heldt and Müller, 2021; Henning, 2016;

¹ *Input* legitimacy refers to participation by the citizens as well as responsiveness to their concerns; *output* legitimacy refers to the effective achievement of policy outcomes (on both, see Scharpf, 1970); and *throughput* legitimacy refers to the quality of governance processes in terms of four dimensions: accountability, transparency, inclusiveness, and openness to consultation (see Schmidt, 2013, p. 2). While political scientists and political economists have discovered and debated throughput legitimacy only more recently, legal scholars have long been grappling with procedural types of legitimation in general, and the conditions and instruments that underpin accountability in particular (see, for example, Amtenbrink, 1999, 2019).

² As former ECB president Mario Draghi (2012) aptly reminded the audience of his now-notorious ‘whatever it takes’ speech: ‘I don’t think we are unbiased observers in Frankfurt.’

Howarth, 2004; Jones, 2019; Mabbett and Schelkle, 2019; Macchiarelli et al., 2020a; Müller and Braun, 2021; and see Chang, Chapter 10 in this volume).

Against that backdrop, this chapter seeks to shed light on the ECB's *legitimation strategies* throughout the first two decades of EMU. It shows that the central bank has – for both organizational and systemic reasons – over-prioritized output legitimacy throughout much of its existence. This lop-sided legitimation strategy became unviable during the protracted crisis of the eurozone, however, which forced monetary policymakers to belatedly take steps towards strengthening the ECB's throughput legitimacy as well. Whether this new strategy will suffice to sustain the central bank's democratic legitimacy in the long run is questionable.

The remainder of the chapter is organized as follows. Section 13.2 briefly discusses the key dimensions of input, output, and throughput legitimacy in EMU and develops a theory of when and how the ECB can be expected to draw on these strategically. Section 13.3 traces the central bank's legitimation strategies empirically in light of its pre-crisis and post-crisis monetary policy-making. Section 13.4 compares the ECB's democratic legitimacy to that of other major central banks and discusses whether the politics of monetary policy in Europe are special. Section 13.5 reflects on what lies ahead for the ECB's legitimacy in the future.

13.2 THE DEMOCRATIC LEGITIMACY OF THE ECB

The legitimacy of the ECB is, first and foremost, based on an act of delegation of policy autonomy which is codified in the European Treaties.³ The Treaties are derived from citizens' 'input' insofar as they are concluded by the EU's heads of state or government who, in turn, are voted into office by their citizens or parliaments (see Majone, 1999, p. 7). While this could be seen as a form of input legitimation on behalf of EU citizens via elected governments (and/or via popular referenda in several Member States), such inputs were effectively designed to remain a one-off in order to safeguard the far-reaching independence conferred upon the ECB. The Treaties stipulate in no uncertain terms that the supranational central bank shall not 'seek or take instructions from Union institutions, bodies, offices or agencies, from any government of a Member State or from any other body' (Article 130 TFEU) – or, put differently, that it shall not receive substantive inputs from anyone. For proponents of Europe's 'unprecedented divorce between the main monetary and fiscal authorities', this strict separation was seen as 'all to the good; indeed, it [was] largely the purpose of the exercise' (Goodhart, 1998, p. 410). Other observers have been less sanguine and have instead placed the ECB's unprecedented autonomy in the wider context of the EU's democratic deficit (Berman and McNamara, 1999; Majone, 1999; Sánchez-Cuenca, 2017; Verdun, 1998). In particular, the literature has pointed to an excessive reliance on output legitimacy in EMU, rendering the legitimacy of macroeconomic policy overly dependent on the effective achievement of policy outcomes (Auer and Scicluna, 2021; Enderlein and Verdun, 2009; Jones, 2009; Sadeh, 2018).

To try and redress this imbalance, Europe's monetary policymakers have resorted to more procedural forms of legitimation. The clearest manifestation of this is the ECB's emphasis on accountability as the 'necessary counterpart' to its independence (ECB, 2021; and see Braun, 2017), a precondition for which is monetary policy transparency (Curtin, 2017; de Haan et al.,

³ This sub-section draws substantively on Macchiarelli et al. (2020a).

2004).⁴ The ECB's accountability, in turn, has come to revolve around a host of different practices, the most important of which is oversight by the input-legitimated European Parliament (EP). While also reporting to the Council of the EU, the European Commission, and the European Council (Article 284(3) TFEU), the quarterly hearings between the ECB president and the EP's Committee on Economic and Monetary Affairs (ECON), known as the Monetary Dialogue, have inarguably become the cornerstone of the central bank's accountability framework.

At the same time, the ECB's accountability in general, and the Monetary Dialogue in particular, have long been subject to controversial debate (Buiter, 1999; de Haan and Eijffinger, 2000; Issing, 1999) and have been faced with growing criticism from academics and think tanks in recent years (Chang and Hodson, 2019; Claeys et al., 2014; Jourdan and Diessner, 2019). Those critiques have centred around the non-substantive, and thus mostly procedural, nature of the ECB's accountability towards the European Parliament, which has no means at its disposal to reward or sanction the supranational central bank (Schmidt and Wood, 2019, p. 8).⁵ How, then, has the ECB navigated the tensions stemming from its limited input legitimacy, overstretched output legitimacy, and non-substantive throughput legitimacy over time?

13.2.1 A Theory of Legitimation Strategies

The political science and political economy literature on the EU has established and debated the relative importance of input, output, and throughput legitimacy at length (see Scharpf, 1999; Schmidt, 2020). It has paid less attention, however, to the question of when and why one type of legitimation may come to trump either or both of the others.⁶ In the case of EMU, it would seem that part of this question is predetermined *de iure*, due to the Treaty prohibition for the ECB to receive instructions or 'inputs'.⁷ Yet the ways in which the central bank has sought to balance the remaining two dimensions of output and throughput legitimacy is far from self-evident and arguably lies to some extent within its own discretion. This requires a closer look at

⁴ Scholars have observed a tendency for the ECB to equate accountability with transparency, which, albeit overlapping, are conceptually distinct categories (Buiter, 2006; Collignon and Diessner, 2016). For instance, the ECB is keen to highlight 'other information channels' as part of its accountability framework, including press conferences, accounts (i.e., minutes) of monetary policy meetings, economic bulletins, weekly financial statements, and media as well as research outputs (interviews, articles, and speeches) (see ECB, 2021; Fraccaroli et al., 2018).

⁵ For critiques of proceduralism, and hence of throughput legitimacy, see Dawson and Maricut-Akbik (2021), Klein (2021), and Steffek (2019). Beyond this, note also the role which has been attributed to judicial review by the Court of Justice of the EU and the national courts, especially in the context of the ECB's crisis policy-making. On the interplay between judicial review and accountability, see Bobić and Dawson (Chapter 14 in this volume); on judicial review and democratic legitimacy, see de Boer and van 't Klooster (2020); and on both, see Markakis (2020). On the distinction between legal and other types of accountability in public administration research, see Romzek (2000) and van Osch et al. (2023).

⁶ This sub-section draws substantively on an earlier version of Braun et al. (2022), which elaborated on the distinction between organizational and systemic interests in more depth. For a recent study of the ECB's legitimation strategies in times of crisis, see Christensen and Nedergaard (2023). On the (self-)legitimation strategies of independent agencies in the EU, see Rimkutė (2019). On strategic and institutional approaches to legitimacy in sociology and organizational studies, see Suchman (1995).

⁷ Note, however, that Article 284(1)–(2) TFEU foresees the participation of the Council president in ECB meetings and of the ECB president in Council meetings. Moreover, it has been suspected that the ECB could seek or obtain inputs informally – as it supposedly did ahead of launching the Outright Monetary Transactions programme – which is harder to ascertain, however. This chimes with the often-highlighted vagueness of the ECB's mandate, as a result of which the central bank not only enjoys instrument and target independence, but also a degree of goal independence (Debelle and Fischer, 1994; De Grauwe, 2020). On the extent to which the mandate has become stretched, see Adamski (Chapter 9 in this volume).

TABLE 13.1 *The ECB's legitimation strategies*

Economic context	Dominant interest	Dominant legitimation strategy
Normal/pre-crisis	Organizational	Output (Mandated) > Throughput
Acute crisis	Systemic	Output (Reinterpreted) > Throughput
Non-acute/post-crisis	Organizational	Output (Diminished) < Throughput

Source: Author's elaboration, based on Braun et al. (2022).

the ECB's *de facto* legitimation strategies and, in particular, the varying interests behind its emphasis on output and throughput legitimation at different points in time.

A straightforward way to think about the ECB's strategic agency is to make a distinction between its organizational and systemic interests. While organizational interests inform the ECB's actions in non-crisis times, they are superseded by systemic interests in moments of crisis. Moreover, crisis times can usefully be subdivided into acute (fast-burning) and non-acute (slow-burning) crises (Boin et al., 2005; Seabrooke and Tsingou, 2019). In normal, non-crisis times central banks' organizational interests are shaped by their interactions with two main audiences: on the one hand, central banks seek to establish and maintain *credibility* in the eyes of market audiences (Lohmann, 2003) while, on the other hand, seeking to establish and maintain *legitimacy* in the eyes of political audiences (Mair, 2011; Moschella et al., 2020). Both of these efforts ultimately boil down to achieving and defending 'outputs' in the form of accomplishing mandated policy goals (Scharpf, 1999).⁸

Organizational interests cannot, however, account for central bank actions during crisis times, especially if the crisis is acute. Severe financial distress invariably forces central banks to step in as lenders of last resort, irrespective of the consequences for their credibility and legitimacy. The distinction between normal and crisis times applies with particular force to the ECB, which, in an acute crisis, is confronted with the very real possibility of a disorderly break-up of the monetary union over which it presides.⁹ Avoiding such a breakdown – and, by implication, its own obsolescence – then becomes a systemic interest or 'grim necessity' (Dyson, 2013) for the ECB. Central banks whose lender-of-last-resort function is ambiguous, such as the ECB (Buiter, 1999), will then find that the only viable way to justify their actions is to reinterpret their mandates in order to argue that acute crisis-fighting is a precondition for achieving their mandated policy outputs.

Whether this legitimation strategy can suffice beyond the immediate emergency of an acute crisis is questionable, however. As the discrepancy between (original) mandate and (reinterpreted) policy outputs becomes visible to an ever-broader audience over time, it risks bringing about a growing loss in public trust and popularity for the central bank (Macchiarelli et al., 2020c). It is only at this point that the focus can be expected to shift more decisively towards improving the central bank's throughput legitimacy, as an imperfect substitute to fill the gaps that have been left not only by missing inputs, but also by diminished outputs.

In sum, and with regard to the question of which legitimation strategy will prevail over the others and when, the preceding discussion suggests a three-fold sequence in theory (summarized in Table 13.1). First, a near-exclusive focus by central bankers on output legitimacy in normal

⁸ The perception of both efforts also rests on the ECB's epistemic authority on matters of macroeconomic policy (Dietsch et al., 2018; Mudge and Vauchez, 2016).

⁹ While central bankers across the globe habitually stress that public trust in their currencies is vital to their own legitimacy (Braun, 2016), the ECB is perhaps the one major central bank that faced the most acute risk of unravelling of (trust in) the currency it governed in the aftermath of the Global Financial Crisis of 2008.

(i.e., pre-crisis) times. Second, a reinterpretation of said output legitimacy in acute crisis times. And third, an emphasis on throughput legitimacy in non-acute (i.e., post-)crisis times. The chapter now turns to illustrating this sequence empirically.

13.3 THE DEMOCRATIC LEGITIMACY OF THE ECB AS A STRATEGIC ACTOR, 1998–2020

Equipped with the above toolkit, this section sheds light on the varying relevance of input, output, and throughput legitimation in the ECB's monetary policy-making pre- and post-crisis.

13.3.1 *Normal, Pre-crisis Times: Business-as-(Un)Usual, 1998–2008*

Throughout the early years of EMU, the ECB was preoccupied with business as usual – or rather, with establishing what business as usual ought to look like for an unusual monetary authority which had been tasked with setting monetary policy for a union of initially twelve (and nowadays twenty) Member States. Modelled ‘largely’ on the German Bundesbank (Schmid, 1997) and situated nearby its ‘boring older brother’ in Frankfurt am Main (Schelkle, 2018), the young ECB seemed poised to develop its own version of one of the key mantras of the German central bank – namely, that independence should come with as little accountability as possible.¹⁰ For instance, when confronted with proposals to create a ‘dialogue between monetary policy and other policy areas’, the ECB's first president, Wim Duisenberg, declared to the European Parliament early on that ‘such a dialogue should be clearly distinguished from any attempts to coordinate policies *ex ante*’, as this would only serve to ‘increase uncertainty about policy actions’ (Duisenberg, 1999; and see Braun et al., 2022). Instead, the ECB's approach to democratic legitimation became one of *ex post* answerability – or, in Duisenberg's half-joking words to Members of the European Parliament (MEPs): ‘I will fully inform you *after* the event’ (Adams and Osborn, 2001, emphasis added; see Akbik, 2022; Diessner, 2022).

As such, concerns about throughput legitimacy – and about democratic accountability in particular – seem to have played a subordinate role for the ECB during the first years of EMU.¹¹ Rather, the central bank's predominant concern lay with achieving output legitimacy by meeting its mandated primary objective of price stability. This entailed a lengthy process of defining its own price stability target, which culminated in the 2003 monetary policy strategy review, so as to cement a yardstick against which to measure ‘outputs’ in the first place. Duisenberg's successor, Jean-Claude Trichet, who took the helm of the central bank shortly after the completion of the review, built on these foundations and painstakingly sought to make the price stability target the be-all and end-all of debates about the ECB's policymaking. For instance, in his regular exchanges with the ECON Committee, Trichet ‘frequently stopped technical questions by referring to the ECB's mandate’, which meant that debates ‘covered broad macroeconomic issues and remained more superficial’ (Collignon and Diessner, 2016,

¹⁰ Paul Tucker (2018, p. 2) summarizes this ‘German view’, to which he objects, as follows: ‘We testify on other things, other people's affairs, but we do not testify on monetary policy, and nor should we, because it would undermine our independence’, implying that independent monetary policymakers should be ‘protected from accountability’ (Helmut Schlesinger quoted in Tucker, 2018, p. 9).

¹¹ In Willem Buiter's (1999, p. 207) words, it was ‘do[ing] no good either to the European Parliament or to the ECB to have the President of the ECB walk all over the MEPs’. See, however, Issing (1999).

p. 1305).¹² This state of affairs would change eventually, but only gradually, after the eurozone crisis.

13.3.2 *Acute Crisis Times: Preserving the Euro, 2009–2014*

It is fair to say that the story of the eurozone crisis, and the ECB's pivotal role in resolving it, has become so familiar that it hardly requires reiterating in depth. In the collective memory of lay and expert observers in Europe and beyond, the ECB's crisis management essentially boils down to three vital – if not magic – words: 'whatever it takes' (Bloomberg, 2018). Yet at least as important as the ECB's policy interventions, including said promise of flexible and quasi-unlimited government bond purchases, were the legitimization strategies for these interventions as well as their wider political implications.

At closer inspection, there is a technical and a more substantial side to those legitimations, reflecting not merely the organizational but rather the systemic interests of the central bank. In terms of technicalities, the ECB was at pains to point out that interventions in sovereign bond markets were reconcilable with its mandated objective of price stability. It argued that this was the case as long as sovereign risk premia did 'not have to do with factors inherent to' eurozone sovereigns themselves and '[t]o the extent that the size of these sovereign premia hampers the functioning of the monetary policy transmission channel' (Draghi, 2012).¹³ This legitimization strategy amounted to a subtle reinterpretation of the ECB's mandate in terms of elevating the auxiliary objective of financial stability to achieve the primary objective of price stability (Adamski, Chapter 9 in this volume).

The subtlety of the technical argument notwithstanding, it did little to avert a political backlash across parts of the monetary union, let alone protracted legal battles in European and national constitutional courts (Saurugger and Fontan, 2019; Chang, Chapter 10 in this volume). The fact that these repercussions, as well as their negative impact on the ECB's perceived legitimacy, were largely foreseeable strongly suggests that they were deemed a risk worth taking in light of the systemic threat to the single currency as a whole (Braun et al., 2022; Ferrara, 2020). The same can be said of the ECB's advocacy for fiscal consolidation and structural reform, and its ill-fated participation in the Troika (Lütz et al., 2019), all of which provoked predictable pushback across other parts of the monetary union (Kentikelenis, 2018; Schmidt, 2020).

However, the more significant reinterpretation which took place was in terms of the ECB's role within EMU as a whole. Consciously or not, the supranational central bank would rise to become the guarantor of the stability not only of prices and financial markets in the euro area, but of the euro area itself (Nicoli, 2019). This was most evident in president Mario Draghi's (2012) famed pledge that the ECB would do whatever it took to 'preserve the euro'. When confronted with another acute and equally systemic crisis in March 2020, his successor Christine Lagarde would make recourse to the very same legitimization strategy, pledging that there were 'no limits to our commitment to *the euro*' (Lagarde, 2020, emphasis added).

¹² During his penultimate appearance before the EP, the outgoing ECB president expressed surprise at the fact that ECON members had not been inquiring exclusively about inflation and interest rates, contrary to what he 'would have expected' (Trichet, 2011, p. 15, quoted in Claeys and Domínguez-Jiménez, 2020, p. 21).

¹³ This implied a belated recognition of the argumentation that had been championed by observers like Paul De Grauwe (2011; see Wolf, 2012).

13.3.3 *Non-Acute, Post-Crisis Times: Throughput Legitimacy to the Rescue, 2015–2020*

Beyond the reinterpretation of its mandate, a final legitimization strategy which became apparent towards the end of the crisis was the ECB's attempt to improve its throughput legitimacy. This manifested itself in the form of a 'strategic partnership' between the ECB and the ECON Committee (Torres, 2013), with exchanges becoming reflective of a 'more emancipated' accountability relationship between the two institutions and with president Draghi displaying an increased 'willing[ness] to answer even hypothetical questions' by MEPs compared to his predecessors (Collignon and Diessner, 2016, p. 1305). However, it would take several years and an intensifying political backlash for these and other throughput legitimization efforts to be pursued more seriously.

Despite being perceived as the saviour of the eurozone in academic circles and beyond (Bloomberg, 2018; Iversen and Soskice, 2013, p. 15; Wallace, 2015, p. 175), the post-crisis period proved to be anything but smooth sailing for the ECB. The protracted nature of the crisis and a decidedly sluggish recovery across large parts of the monetary union meant that growth remained well below – and unemployment well above – their pre-crisis trajectories. Accordingly, anti-establishment parties mushroomed and eventually found their way into coalition governments in several Member States (Hopkin, 2020). Maintaining output legitimacy in the sense of keeping the eurozone just about afloat, while no mean feat, did not turn out to be enough for the ECB. To make things worse, the central bank also began to underperform on its traditional yardstick for 'output' – i.e., price stability – as it faced the threat of deflation from late-2014 onwards (Rostagno et al., 2019).

The fateful combination of limited input legitimacy, neglected throughput legitimacy, and diminished output legitimacy can explain the broad-based backlash against the ECB post-crisis (Macchiarelli et al., 2020b). In short, two disparate but interlinked groups of critics came to voice their discontent in strange unison. Those – mainly from Europe's north – who thought the ECB was doing *too much* given its limited mandate, were joined by those – mainly from Europe's south – who thought it was doing *too little* given the meagre post-crisis recovery (Macchiarelli et al., 2020c; Walter et al., 2020). Among the latter, one may also count those who thought the ECB was asking too much *of them* in terms of fiscal restraint and structural reform, with too little democratic legitimization for doing so (Braun et al., 2022). The resulting deterioration in public trust has been amply documented, including by the central bank itself (see e.g. Bergbauer et al., 2020).

In response to these growing threats to its legitimacy, the ECB has ramped up its communication strategy, including towards the general public (Ehrmann and Wabitsch, 2021; Gardt et al., 2021; Lokdam, 2020; de Haan, Chapter 11 in this volume). It has started to publish minutes or 'accounts' of its monetary policy meetings (Heidebrecht, 2015) and has reacted to calls for more transparency in its asset-purchasing programmes. Moreover, the central bank launched a series of 'ECB Listens' events, starting with civil society organizations in 2019, which fed into its second monetary policy strategy review of 2021 (Begg, 2021). Despite these belated efforts to strengthen the ECB's throughput legitimacy, whether we can 'believe [that] it will be enough', to paraphrase Draghi's 2012 speech, remains an open question to date (which I shall return to in the concluding section).

13.4 IS THE ECB'S DEMOCRATIC LEGITIMACY SPECIAL?

This section discusses whether the ECB's legitimacy is comparable to that of other major central banks. It argues that the ECB's democratic legitimacy is undoubtedly special, but not in the way

we tend to think, and that being special does not amount to being incomparable, as opposed to the often-stressed notion that the monetary union is *sui generis* and thus beyond comparison.

13.4.1 *Same Same, but Different*

It is frequently said of Europe's Economic and Monetary Union that it is a unique construct and that its monetary authority, the ECB, is the most independent central bank in the world. While both statements are true, neither can be taken to imply that the ECB's actions are predetermined or that the politics surrounding its monetary policy-making are incomparable to other major central banks – many of which face similar challenges to those faced by the ECB (Sandbu, 2021). In particular, two salient features of EMU are typically highlighted to suggest that Europe's monetary union is unique. The first points to the sheer heterogeneity among the members of the union (Eichengreen, 1990; Scharpf, 2012), which leads to a situation in which the ECB is confronted with a diverse set of twenty national economies and societies, all of which are represented on the ECB's Governing Council through their national central bank governors. The second stresses the fact that this supranational central bank does not have a unified fiscal counterpart, which has led to an unprecedented divorce (read, degree of independence) between the monetary and fiscal authorities in any given polity (Goodhart, 1998).¹⁴

While both suggestions are correct, neither of them renders EMU, or its legitimization, incomparable. First, heterogeneity is by no means exclusive to Europe: there is little doubt about the diversity among regions in the United States monetary union, for example (Krugman, 1993; Schelkle, 2017).¹⁵ This diversity has meant that the Federal Reserve System is a more 'decentralized central bank' than is commonly assumed (Ainsley, 2021), even if less so than the Eurosystem (Cohen-Setton and Vallée, 2018). Thus, the key features of centralized agenda-setting (on behalf of a federal executive board) and of decentralized monetary policy *inputs* (on behalf of sub-federal central banks) are not all that different between the two monetary unions. Second, it is obvious that the ECB does not have a unified fiscal counterpart at the supranational level. However, evidence from the GFC suggests that this circumstance is not decisive for the achievement of policy *outputs* either, as Mabbett and Schelkle (2019) demonstrate for the case of financial stabilization (see also Diessner, 2018, 2019).

Yet what is truly special about the ECB's democratic legitimacy is that it has become inextricably linked to the legitimacy – and essentially the continued integration – of the EU polity as a whole (Lokdam, 2019).¹⁶ Since the eurozone crisis at the latest, it has become apparent that the central bank not only serves to resolve the commitment problems of its Member State principals and thereby furthers the integration of EMU, which is in line with the standard logic of delegation that runs through both the liberal-intergovernmental and neo-functional traditions of EU scholarship (Franchino, 2007; Moravcsik, 1998; Pierson, 1996; Sandholtz and Stone Sweet, 2012; Stone Sweet and Sandholtz, 1997; Tallberg, 2002; Thatcher

¹⁴ What is less appreciated in the literature is the fact that the ECB also boasts one of the most autonomous administrations of any international organization, second only to the World Bank, according to Bauer and Ege (2016, pp. 1031–33).

¹⁵ On the heterogeneity of the US 'dollarzone' and the UK 'poundzone', see Schelkle (2014, 2017b).

¹⁶ One other broadly comparable example that comes to mind is that of the Bank of England's brief and controversial involvement in quasi-constitutional debates around the British referendum on membership in the European Union as well as the Scottish referendum on independence from the United Kingdom. The Bank appeared to articulate a strong preference for the United Kingdom to remain a member of the EU during the former, while the question of whether an independent Scotland would be able to continue to use the British pound sterling as its official currency became a salient topic during the latter.

and Stone Sweet, 2002). Instead, it has come to resolve the *de*-commitment problems of its principals as well, by reinterpreting incomplete Treaty requirements in order to avert a disorderly *disintegration* of the union (Diessner and Genschel, 2021; Genschel and Tesche, 2020; Schulz and Verdun, 2022). This shift is reflective of a broader transformation of EU politics after the global financial crisis. Whereas previously the main political cleavages at the European level had run along the same lines as those within national democracies – including the traditional left–right cleavage – this has given way to a new dominant divide, namely of being either in favour of or against the European Union and its integration *per se* (see Hix et al., 2007, 2019; Hooghe and Marks, 2009).

These factors uniquely complicate the politics of central bank legitimacy in the case of EMU. Like other supranational institutions, the ECB has a systemic interest in maintaining the union (Pollack, 2003, p. 384; Scharpf, 1999, p. 62; Spielberger, 2023). Unlike other supranational institutions, however, it also has the necessary financial power to preserve the union in the short to medium term. Moreover, the ECB's 'dependence' on the existence of EMU extends beyond the mere preservation of its institutional status quo. If we accept the argument that EMU is 'unfinished' and 'incomplete' and thus remains 'fragile' unless complemented with more deeply integrated fiscal and financial unions, then the ECB is not only dependent on the continued existence but also on the eventual completion of the union (Begg, 2023; De Grauwe, 2011; Macchiarelli et al., 2019). This helps explain its strong preference for said completion (Jones, 2019; Schulz et al., 2020), as expressed through regular participation in the 'presidents' reports' as well as explicit calls on Member State governments to engage in much-needed institution-building (Diessner and Lisi, 2020; but see Hodson, 2011).

13.5 CONCLUSION

This chapter started from the proposition that the politics of Europe's monetary union are inextricably linked to the question of the legitimacy of the ECB. It then identified a gap in the literature on democratic legitimization in the EU, which has focused predominantly on input, output, and throughput legitimacy thus far, but which has told us little about how strategic actors navigate these dimensions in the pursuit of their own interests. To fill this gap, the chapter has put forward a theory of the ECB's legitimization strategies based on distinctions between normal and crisis times as well as between the organizational and systemic interests of a central bank. A closer look at the ECB's pre-crisis and post-crisis actions reveals that Europe's monetary policymakers have sought to enhance their throughput legitimacy only as a measure of last resort, once their policy outputs were increasingly called into doubt. It also reveals that the ECB's legitimacy has become closely tied to the existence and continued integration of the monetary union as a whole, which is what sets it apart from other major central banks.

Yet a vexing question remains. Can the ECB's current legitimization strategy be enough to sustain its democratic legitimacy in the future? That the central bank's fortunes have become tied to those of the euro area itself is a reason for both optimism and pessimism in this regard. On the optimistic side, one may note that while public trust in the ECB has remained subdued ever since the eurozone crisis, support for the single currency has held up relatively strongly (Bergbauer et al., 2020). One simple answer to the question whether the ECB's throughput legitimacy will be enough could thus be that it does not have to be enough, as long as it is the output legitimacy of EMU – or the sheer perception thereof (Jones, 2009) – that matters.

On a more pessimistic note, however, this state of affairs also gives rise to a unique risk to the ECB's democratic legitimacy. If the central bank openly takes responsibility for preserving the

monetary union, as it has done throughout successive crises, then it will be difficult, if not impossible, for the ECB to disentangle its legitimacy from that of the union when need be. As a result, Europe's monetary policymakers run the risk of taking the blame, even more than other actors, for the perceived outputs of EMU in areas for which they bear little to no responsibility and over which they can exert little to no influence on their own (Adamski, Chapter 9 in this volume). This helps explain the ECB's striking loss of popularity not merely in and as of itself, but also to an extent which exceeds that of other EU institutions (Macchiarelli et al., 2020a). Normative accounts of democratic legitimation have long cautioned us that any attempt at substituting input, output, and throughput legitimacy for one another is ultimately bound to fail. The ECB, and the monetary union more broadly, are poised to remain suitable test cases for these normative claims in the future.

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