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SAFE Finance Blog

Should votes in the ECB Governing Council be disclosed?

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Ignazio Angeloni: According to some, the ECB can learn from the Fed on how to deal with dissent. The US system, however, is not a reference Europe can easily conform to



“Nothing that results in human progress is achieved with unanimous consent”, Christopher Columbus is reported to have said. This is, by the way, the reason why he lied to his crew about the length of the voyage: had he told the truth, in all likelihood he would have faced a mutiny.

No such mendacious gimmicks are possible in today's central banking. Economic data are plentiful and publicly available. Multiple communication channels have reduced the scope for confidentiality to a minimum. Participants in the decision-making committees – the monetary analogs of Columbus' crew members – are briefed in detail by their staff before they enter each meeting. Yet, or maybe precisely for that reason, dissent is possible, actually rather frequent. And mutiny against the chief's command can happen anytime. Gathering consensus, more than anything else, is what today's "art" of central banking is about.

Never in recent years has this conundrum been more relevant than in recent ECB history. The last mile of Mario Draghi's tenure has been marked by fierce internal criticism, culminated in the publication of an open statement of dissent (<https://www.dnb.nl/en/news/news-and-archive/Persberichten2019/dnb385535.jsp>) on the website of a central bank belonging to the same system. More disagreement has been expressed in other forms, by current (<https://www.ft.com/content/9039dd0e-d61f-11e9-a0bd-ab8ec6435630>) as well as former (<https://www.ft.com/content/71f90f42-e68f-11e9-b112-9624ec9edc59>) European central bankers. One reason why such manifestations have taken such unusual and embarrassing form is that the ECB Governing Council lacks a formal procedure for publicizing internal disagreement.

By contrast, the US Federal Open Market Committee (FOMC) publishes records of dissenting members right after each meeting. The ECB statute is vague in this regard, stipulating that "The proceedings of the meetings shall be confidential"; a formula that does not require, nor prohibits, the publication of individual positions.

Could the ECB follow the Fed's example?

The new ECB president, Christine Lagarde, has launched a review (<https://www.ft.com/content/c3d72f52-1834-11ea-9ee4-11f260415385>) of the ECB monetary strategy. The way to deal with dissent is likely to be part of such a review. A Eurosystem governor (<https://www.ft.com/content/193e6362-2022-11ea-92da-f0c92e957a96>) has already voiced his sympathy for the Fed example; others probably share his view. Good news, one may think: more transparency is good in itself and may also, by bringing dissent in the open, help containing it and soothing it. Unfortunately, the conclusion is not so simple.

The US system is not a reference Europe can easily conform to, in spite of some similarities. Much like for the FOMC regional members, national governors in the ECB Council serve in the interest of the entire monetary area, not just of the country they come from. Each voting member expresses one vote. The policy objective, price stability measured by changes in a basket of consumer goods prices, is by construction geographically weighted. Here, however, the similarities end. Regional Fed presidents, who on rotation vote in the Federal Open Market Committee, are approved by (<https://www.federalreserve.gov/faqs/how-is-a-federal-reserve-bank-president-selected.htm>) the Washington-based Board of Governors and chosen (<https://www.federalreserve.gov/faqs/how-is-a-federal-reserve-bank-president-selected.htm>) by the eligible members of the regional boards, half of which is nominated by the Fed itself. By contrast, national governors in the ECB Council are purely national appointees.

On top of that, regional Fed presidents are limited in number, expressing only 5 votes out of 12; national ECB governors express 16 votes out of a total of 22 (or 15 out of 21, depending on rotation). For these reasons combined, the risk that local interests may bias the deliberations is much higher in the ECB case,

and so is the possibility that disclosing dissent may expose policymakers to undue pressure and alter their voting behavior.

Should one then abandon the hope for more transparency and orderly expression of disagreement? Not

Should one then abandon the hope for more transparency and openly expression of disagreement? Not necessarily. More deeply, the real issue that the debate about dissents brings to the fore regards the procedure for appointing national governors. The status quo has two disturbing features. The first is that the majority of those who govern the European currency is nominated without any European involvement. The second one is that national governors, unlike their colleagues in the ECB executive board, are not subject to European accountability, in spite of their equivalent power in setting the euro area monetary stance.

It is high time that the European institutions (European Council and Parliament, ECB, in some combination) get involved in appointing the officials who govern the euro. The road to get there may seem rough in times of rampant nationalism, but that is where the voyage must be heading. Politicians who advocate more transparency and accountability for non-elected monetary officials should be prepared to consider this step.


Ignazio Angeloni (<https://safe-frankfurt.de/policy-center/safe-senior-policy-fellows/senior-policy-fellows-ignazio-angeloni.html>) is a Senior Policy Fellow at the Leibniz Institute for Financial Research SAFE, a Senior Fellow at Harvard Kennedy School, and a former member of the ECB supervisory board.

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Leibniz Institute for Financial Research SAFE

Theodor-W.-Adorno-Platz 3
60323 Frankfurt am Main

Phone: +49 69 798 30080
Fax: +49 69 798 30077
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