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Revisiting ECB's Technocratic Legitimacy: No Longer Fit-for-Purpose?

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Abstract

This article revisits the technocratic model of legitimacy that the European Central Bank (ECB) has enjoyed since its early period, by exploring the Monetary Policy Strategy statements that constitute the "comprehensive framework" guiding the Bank's operational decisions. We examine whether the operational framework and the interpretation of the ECB's legal mandate, which are included in these statements, are aligned with this model. We find that the ECB's early monetary policy statements (1998 and 2003) appear to be aligned with this model, due to the presence of strictly defined performance criteria and an interpretation of the ECB's mandate that was limited to pursuing price stability as a single objective. Our analysis of the ECB's 2021 monetary policy strategy highlights its incompatibility with the technocratic model as a result of significant changes that enabled wide policy discretion and a re-interpretation of the ECB's mandate, which revealed a largely vague and broad mandate. We argue that the ECB's model of technocratic legitimacy is untenable in a democratic polity, given the extent and type of choices that the Governing Council is required to make in the current policy setting. Finally, we suggest that only a strengthening of the (hitherto diminished) input dimension of the ECB's legitimacy could address this legitimacy gap.

Keywords

European Central Bank; legal mandate; legitimacy; monetary policy strategy; unconventional monetary policies

1. Introduction

The issue of the legitimacy of the European Central Bank (ECB) has preoccupied scholarly work since the early days of the institution in the 1990s. Initially, academic contributions had concentrated on the particular issue of the Bank's democratic accountability before the discussion shifted to the more generic issue of the legitimacy of the new institution (Buiter, 1999; de Haan, 1997; de Haan & Eijffinger, 2000; Elgie, 1998). Majone (1998, 2005) moved on to outline the regulatory legitimacy model of the ECB, which Dyson (2000) depicted as "technocratic." After the eruption of the financial and the eurozone crises, academic interest in ECB's legitimacy revived as the Bank's policy response involved the engagement with unconventional monetary policy measures and the adoption of new functions that sparked controversy and multiple legal challenges (Buiter & Rahbari, 2012; Eijffinger & Hoogduin, 2018; Fontan & Howarth, 2021; Högenauer & Howarth, 2019; Mabbet & Schelkle, 2019; Scicluna, 2018; Sinn, 2018). Against this backdrop, scholars documented that the technocratic model of the ECB's legitimacy came under stress and proceeded to the examination of the ECB's response to this challenge (Collignon & Diessner, 2016; Diessner, 2022; Heldt & Müller, 2022; Moschella et al., 2020; Schmidt, 2016, 2020; Tesche, 2019; Torres, 2013).

Despite the increased scholarly interest in the issue of the post-crisis legitimacy of the ECB, there is no academic consensus regarding the direction of the ECB's legitimisation strategy and the sustainability of the technocratic model in the aftermath of the multiple consecutive crises. Our work contributes to this discussion by examining the alignment of the ECB's operational framework, namely the Monetary Policy Strategy (MPS), which underwent a comprehensive revision in 2021, with the technocratic model of the ECB's legitimacy and by exploring its implications for the Bank's legitimisation strategy. In this context, we pay also specific attention to how the ECB has interpreted its (enshrined in EU primary law) mandate in its MPSs and to the extent to which this interpretation appears to be aligned with this model of legitimacy.

Our focus on the MPS is due to the overarching role of this document in the decision-making system of the ECB. According to the first Monetary Bulletin of the Bank: "[a] monetary policy strategy is therefore a coherent and structured description of how monetary policy decisions will be made [...]" (ECB, 1999, p. 43). The ECB made clear from its early days that "[t]he strategy will guide the single monetary policy of the Eurosystem" (ECB, 1999, p. 39). The Bank confirmed the overarching role of the strategy in its discussion of the latest MPS review. While the ECB underlined that the strategy is "...bound by its mandate conferred by the Treaty on European Union and the Treaty on the Functioning of the European Union" (ECB, 2021a), the Bank stressed that "...it is the ECB's monetary policy strategy that *defines how* the Governing Council implements this mandate [...]"(ECB, 2021d, p. 4, emphasis added, see also Section 3.2). The strategy thereby also reveals how the Governing Council *understands* the ECB's legal mandate. The statement on the MPS of the Federal Reserve of the United States plays a similar role (Federal Reserve, 2024). Rather than evaluating the ECB's model of legitimacy through an examination of the justifications behind particular monetary policy decisions or programmes, which can be disproportionately influenced by temporary needs and conjunctural factors, we opt for a broader analysis of the "systematic framework for the conduct of monetary policy" set out by the MPS's statements (ECB, 2002c, p. 63).

Our findings show that the early MPSs of 1998 and 2003 were broadly aligned with the ECB's technocratic legitimacy as they contained provisions which limited the discretion of ECB policymakers. With the 2021 revision of the MPS, key new provisions have enhanced the discretion of the ECB officials, thereby revealing significant incompatibilities between the ECB's operational framework and its model of technocratic legitimacy. In parallel, we find that there is an evolution of the ECB's interpretation of its legal mandate over time. In its early MPSs (1998 and 2003), the ECB had conceived its mandate as a clear and narrow mandate, limited to the primary objective of price stability. We argue that this interpretation appeared to go hand in hand with its technocratic model of legitimacy. The re-interpretation of the ECB's mandate in its 2021 MPS to address various challenges (such as climate change) revealed a much broader and less clear mandate. It is argued that, given this mandate, the technocratic legitimisation strategy of the ECB, combined with its limited input legitimacy, is untenable. There has been revealed therefore a legitimisation gap in the ECB's function. We conclude by showing that because of the extent and type of choices that the Governing Council is required to make, the ECB's input legitimacy must be strengthened in a democratic polity.

Considering the structure of this article, Section 2 identifies the basic elements of ECB's technocratic model of legitimacy. Section 3 delves into the ECB's early MPSs (1998 and 2003), examining whether the operational framework included in these strategies and the ECB's interpretation of its mandate therein appear to be aligned with the technocratic model. Section 4 repeats the exercise for the revised 2021 policy strategy. Section 5 concludes.

2. ECB's Technocratic Legitimacy

The ECB engaged briefly with the issue of its legitimacy in one of its Monthly Bulletins. The Bank adopted the distinction between the input and output dimensions of legitimacy that was widely accepted in political science at the time (Lord & Beetham, 2001; Scharpf, 1997, 1999):

> Typically, legitimacy is conceptualised as comprising two principal elements: first, public policy decisions are legitimate if they are, directly or indirectly, the expression of the will of the people [...]. This is often referred to as "input legitimacy" or "legitimacy by procedure". Second, decisions can be considered legitimate if they meet the justified expectations and needs of the people...a notion which is also referred to as "output legitimacy" or "legitimacy by result." (ECB, 2002a, p. 46)

The ECB stressed that its function relied on both dimensions. The Bank underlined that it enjoyed input legitimacy as its creation and the transfer of the competency for monetary policy to the supranational level was a sovereign decision of the peoples of Europe, who expressed their will via their elected representatives. Apart from the aforementioned singular event, the ECB noticed that the political process leading to the appointment of ECB officials by national governments was a further—continuous—manifestation of input legitimacy. Additionally, the ECB pointed out that the successful performance of the tasks entrusted to it imbued the Bank with output legitimacy as the institution enjoyed the confidence of the citizens.

The legitimacy model of the ECB that emerged in scholarly work differed from the above portrayal of a balanced legitimisation strategy. A limited number of authors emphasised the "input" or "procedural" dimension of the ECB's legitimacy (Moravcsik, 2002). Instead, academic analysis concentrated on the output or substantive aspect of the Bank's legitimacy. Majone (1998) noticed that this type of legitimation hinged on the existence of "accountability by results" and proceeded to define the conditions that would make this accountability applicable: A clear specification of the Bank's policy objectives and an objectively measured evaluation of the Bank's decisions limiting the discretion of ECB policymakers. Majone underlined that accountability by results was highly relevant for the ECB as the Bank had a single overriding objective, namely price stability, and its performance could be measured unambiguously against the rod of inflation, while the policy area of monetary policy belonged to the category of efficiency-oriented policies that sought to increase the aggregate welfare of the society. Majone insisted that this type of legitimation could never be used for redistributive policies aimed at improving the welfare of particular groups. In later work, Majone pinpointed a further element, “distinctive institutional competence,” which went beyond accountability by results and referred to an evaluation of whether any other alternative institutional arrangement could compete in terms of effectiveness (Majone, 2005, p. 38, 2014, p. 1217). Dyson (2000, pp. 216–219) called this type of legitimacy “technocratic” arguing that the technocratic character of legitimacy was linked to the conceptualisation of price stability as a eurozone public good requiring protection and the identification of the ECB as “guardian” (or trustee) of the public interest. Other idiosyncratic elements of the technocratic legitimacy model of the ECB were the portrayal of monetary policy as a policy field of exceedingly technical complexity that needed to be left to experts and the acknowledgement of the sector-specific requirement of credibility: monetary policy decisions had to appear credible to the markets in order to be effective (Dyson, 2000, pp. 238–239). That depiction of the ECB’s legitimacy was in line with what Beetham and Lord (1998, pp. 16–22) called the “technocratic model” of legitimacy, that is a model emphasising the significance of governmental performance, praising the importance of scientific knowledge and professional expertise in decision-making, and acknowledging the appropriateness of depoliticised policymaking as a way of avoiding the distortive effects of electoral politics. Overall, the technocratic model was imbalanced as it relied primarily on output legitimacy, but this does not mean that procedural legitimacy was totally absent. Limited procedural legitimacy taking the form of democratically enacted statutes specifying the legal authority and the objectives of the Bank was also part of the model but played a complementary role (Majone, 1997, 1998).

3. The MPSs of 1998 and 2003

This section examines the MPSs of 1998 and 2003. The analysis begins (in Section 3.1) with the examination of the operational framework included in the strategies and proceeds to evaluate their compatibility with the ECB’s model of technocratic legitimacy. It argues that both strategies were compatible with the ECB’s model of technocratic legitimacy that prioritises legitimacy by results. What follows (in Section 3.2) is the analysis and assessment of the ECB’s interpretation of its legal mandate in these MPSs. It is argued that this interpretation is linked to the ECB’s vision of its mandate as a clear and narrow mandate of price stability. This vision can be considered as going hand in hand with the ECB’s model of technocratic legitimacy.

3.1. The Early Operational Framework: Aligned With ECB’s Technocratic Legitimacy

The ECB adopted its first MPS in October 1998. The ultimate purpose of this document was to guide individual monetary policy decisions in a policy environment marked by strategic uncertainty and the complexity of the monetary policy transmission process (ECB, 1999, pp. 43–45; Gaspar et al., 2002, pp. 80–81). In this context, the MPS had two functions: First, the strategy structured the internal decision-making process of the Governing Council ensuring that the latter reached policy decisions based on available data and the right type of analysis. Second, the strategy provided a consistent and coherent framework for the presentation of policy decisions (and the economic logic behind them) to the public, thereby serving as an instrument of communication with a wider audience.

3.1.1. Operational Elements

The central element included in the MPS was the quantitative definition of the ECB's primary objective, namely price stability. The ECB defined price stability "as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%" (ECB, 1998). This definition narrowed down the decision-making path of the Governing Council as it clearly set an upper bound of acceptable inflation and at the same time prescribed prolonged declines in the level of the HICP (that is, deflation) as being incompatible with the definition of price stability (ECB, 1999, pp. 45–50; Gaspar et al., 2002, pp. 80–81).

In parallel, the MPS underlined the medium-term orientation of the Bank's monetary policy, thereby acknowledging the existence of short-term volatility in prices and the presence of long time lags in the transmission of monetary policy actions to the level of prices (ECB, 1999, pp. 45–50; Gaspar et al., 2002, pp. 80–81). This meant that the MPS discouraged ECB policymakers from making decisions based on short-term price developments but urged them to engage in an assessment of future risks to price stability (forward-looking assessment) as their decisions would affect prices with considerable time lags.

Another important element was the so-called two-pillar analytical framework, which guided the aforementioned assessment of price instability risks (Galí, 2002, pp. 49–61). The first pillar assigned a prominent role to money as it directed ECB policymakers to consider the price stability risks arising from monetary growth. The MPS announced the setting of a reference value for the growth of the monetary aggregate (M3), which was later set at 4.5% per annum. Any prolonged or significant deviation from the reference value would indicate increased price instability risks. The second pillar urged decision-makers to make use of a broader set of indicators including inter alia wages, the exchange rate, asset prices, cost and price indices, and business and consumer surveys. The analysis under this pillar would take the form of macroeconomic forecasts and projections.

The 2003 revision of the MPS left the original strategy largely unchanged. The quantitative definition of price stability remained but a clarification was added to indicate that inflation needed to be "below, but close to, 2%" (ECB, 2003, p. 79). This addition was deemed to be necessary to provide the ECB's policymakers with a greater margin to avoid deflation. Also, there was a modest (but detectable) attempt to place more emphasis on the second analytical pillar (economic analysis) at the expense of the first (Holm-Hadulla et al., 2021, p. 31). Therefore, the review of the level of the M3 reference value on an annual basis was discontinued as the ECB wanted to stress the medium-term nature of the assessment. The rest of the elements of the 1998 MPS remained unaltered.

3.1.2. Compatibility of the Early MPSs With ECB's Technocratic Legitimacy

The main elements that were included in the ECB's MPSs of 1998 and 2003 were compatible with the ECB's model of technocratic legitimacy. The early versions of the ECB's operational framework referred to a single monetary policy objective, price stability, while other policy objectives linked to the secondary mandate of the ECB were not operationalised (see Section 3.2). From the point of view of legitimacy, the absence of other policy objectives in the MPS documents highlighted the depiction of ECB's monetary policy as an efficiency-oriented policy seeking to increase the aggregate welfare of the society. By dealing strictly with the control of inflation, the ECB appeared to avoid any engagement with distributional issues. This, in turn, made it easier for the ECB to portray its activity as one that brought gains to every section of European societies without favouring particular groups, thereby shunning the politicisation of its policy decisions. Also, the institutional choice to overlook other policy objectives in the MPS boosted the image of the ECB as the sole "guardian" of one common public interest: the protection of price stability.

The early strategies facilitated the function of "accountability by results" à la Majone. The quantitative definition of price stability was in line with the requirements for a clear specification of the ECB's policy objectives and the objectively measured evaluation of the Governing Council's policy decisions, thereby establishing a policy framework that restricted the discretion of ECB policymakers. In contrast, the medium-term orientation of the monetary policy that was included in the two MPSs appeared to enhance the discretion of the ECB officials. In reality, this provision was compatible with another idiosyncratic aspect of the ECB's technocratic legitimacy: the credibility of policy decisions in the eyes of the financial markets. Given the time lags in the transmission mechanism of monetary policy, ECB policymakers had to be able to respond to fluctuations of inflation in a forward-looking and non-mechanistic manner to maintain the confidence of market actors. Therefore, the MPS enabled them to be less responsive to short-term developments without stretching their policy discretion.

The two-pillar analytical framework confirmed the image of monetary policy as a policy field of extreme technical complexity and corroborated the distinctive institutional competence of the ECB. The analytical framework underlined that policy decisions were underpinned by highly technical economic analyses. However, the presence of two pillars representing "different views of the world" regarding the causes of inflation and the detection of price stability risks made the whole exercise of cross-checking cumbersome. When the 2003 revision of the MPS took place, the first pillar was already considered redundant by most economists (Galí, 2002, p. 69). Its retention was linked to its symbolic value. A strong link between money and inflation pointed towards the superior expertise of central bank officials on the issue, highlighting the distinctive institutional competence of ECB decision-makers. Indeed, before the era of independent central banking, finance ministry officials had been closely involved in monetary policy decisions, so central bankers could not claim a monopoly of expertise on monetary matters.

3.2. ECB's Early Interpretation of Its Mandate and the Vision of It as Clear and Narrow

The ECB has defined its objectives in its MPSs, thereby interpreting in reality its (enshrined in EU primary law) mandate. The ECB justified this practice in its 2021 MPS (with reference to its definition of the price stability objective), by writing that "[s]ince the Treaty does not provide a precise definition of what is meant by price stability, *it is the ECB's monetary policy strategy that defines how the Governing Council implements this mandate* […]" (ECB, 2021d, p. 4, emphasis added). This shows the crucial role of MPSs in the ECB's specification of its mandate, even more so since the EU's political institutions cannot have any decisive say on this specification due to the high degree of independence that the ECB has enjoyed since the Maastricht Treaty (see also Section 3.2.2 about this).

3.2.1. ECB's Interpretation of Its Mandate in Its Early MPSs: Focusing on a Single Objective

In its early MPSs, namely in 1998 and 2003, the ECB focused merely on one objective—the "primary objective" of price stability (see Smits, 2022, p. 6) that was enshrined in the first sentence of Article 105.1 of the Treaty establishing the European Community (TEC; 1997). This objective is now enshrined in the first sentence of Article 127.1 of the Treaty on the Functioning of the European Union (TFEU; 2016). The ECB's focus merely on this objective was particularly clear in the following phrase of the 1998 MPS of the ECB: "As *mandated* by the Treaty establishing the European Community, the maintenance of price stability will be the *primary objective* of the ESCB [European System of Central Banks]. Therefore, the ESCB's monetary policy strategy will focus *strictly* on this objective" (ECB, 1998, p. 1, emphasis added; see also ECB, 2003, p. 80). As a consequence, the ECB left unmentioned in its early MPSs its binding secondary mandate. This secondary mandate, being enshrined in Article 105.1 second sentence TEC (now Article 127.1 second sentence TFEU), required the ECB to "support the general economic policies in the Community with a view to contributing to the achievement of the objectives of the Community as laid down in Article 2" (provided this is done "[w]ithout prejudice to the objective of price stability").

The ECB justified elsewhere, in this early period, the non-recognition of "secondary objectives" (or mandate) by resorting mainly to two kinds of arguments: A legal argument—the "Treaty has not given the ECB direct responsibility for any additional objectives other than price stability," since the phrase "secondary objectives" was absent from the Treaty (ECB, 2002b, p. 2); and an economic argument—maintaining price stability is the "best contribution of monetary policy" to the support of the general economic policies in the long run, especially to growth and employment (ECB, 2002b, pp. 2–3, 5).

The ECB defined the price stability objective in its early MPSs based on a quantitative definition (see Section 3.1.). This quantification was considered to serve a *purpose*: "establish a solid anchor for inflation expectations and set a benchmark which the public could use to hold the ECB accountable" (Issing, 2004; see also ECB, 2003, p. 80). The quantified definition of price stability was, therefore, considered to enhance further the clarity of the ECB's mandate (see Issing, 2001). This clarity is put into question by scholars arguing that "the goal formulated in 2003 ('an inflation rate below but close to 2%') left the central point undetermined [...]" (Angeloni & Gros, 2021).

3.2.2. ECB's Vision of Its Mandate as a Clear and Narrow Mandate

The ECB's interpretation of its legal mandate was linked to the ECB's portrayal of it as a clear and narrow mandate. The ECB's vision of its mandate as *a clear* mandate (see, for instance, Issing, 1998) was justified by reference to the (ECB's) focus on a single objective: price stability. This clarity was directly linked with the ECB's independence that was enshrined in Article 108 TEC (now Article 130 TFEU). According to the ECB's Bulletin in January 1999, which explained the ECB's 1998 MPS (following, therefore, its interpretation of the mandate), "[t]he Treaty states that *the primary objective of the ESCB shall be to maintain price stability* [...]. In order to fulfil this clearly defined mandate, the Treaty accords the ESCB...a considerable degree of institutional independence [...]" (ECB, 1999, p. 39, emphasis in the original). In other words, the delegation of monetary policy by political authorities to an independent ECB was considered to serve the purpose of ensuring the *clearly defined* mandate of price stability. Besides, as has been argued in the literature, the rationale behind granting a high degree of independence to the ECB lies in the pursuit of price stability (see Smits, 1997, p. 184; see also Ioannidis, 2020, p. 374; Zilioli & Selmayr, 2007, p. 361).

Regarding the ECB's vision of its mandate as a *narrow* mandate, this was also justified by reference to the (ECB's) focus on a single objective (price stability) and was undergirded by the assumption, endorsed by ECB officials during the ECB's early period, that ensuring price stability would be beneficial in the long run for society (see Hämäläinen, 2001, 2002). Since it would be beneficial for society, the inference that can be drawn is that the conduct of monetary policy under the price stability objective was not supposed to have a redistributive impact (see also Section 3.1.2). The delegation of monetary policy to an independent ECB that would be focused on the objective of price stability was considered to serve "the interest of the public at large" (Issing, 1998). The narrow vision of ECB's mandate was also related, according to the literature, to considerations of respect for the EU principle of conferral (Treaty on European Union, 2016, Article 5), thereby respecting that it is the national political authorities which have the competence for conducting economic policies (to be coordinated within the Union) and which can make therefore distributional choices. As Tuori explains:

> [The n]*arrow mandate of the ECB excluding political value judgments* was an integral part of the distinction between ECB monetary policy and Member State economic policies, the borderline between national and EU competences. The independence of the ECB had the counterpart that the Treaty enumerated the tasks allocated to the ECB—tasks that were directly linked to monetary policy and excluded political value judgments and explicit distributional functions. (Tuori, 2022, p. 266, emphasis in the original; see also Dawson et al., 2019, p. 77)

The ECB's vision of its mandate as a clear and narrow mandate can be considered to go hand in hand with the ECB's technocratic model of legitimacy insofar as the ECB was focused on a single objective (price stability) that was supposed to be specific and narrow (in the sense described above) and to allow, therefore, limited discretion (see Section 3.1 about this technocratic model). By contrast, a report of the European Parliament questioned, in 1998, the narrowness of the mandate assigned to the ECB and its limited implications, by arguing emphatically that "[b]y leaving it to the ECB to define price stability, the Treaty also gives it power *over economic policy*" (European Parliament, 1998, p. 3, emphasis added). In addition, Article 105.2 TEC (now Article 127.2 TFEU) had left to the European System of Central Banks (ESCB)—and therefore to the ECB, since "[t]he ESCB shall be governed by the decision-making bodies of the ECB [...]" according to Article 107.3 TEC (now Article 129.1 TFEU; see also *Gauweiler and Others v Deutscher Bundestag*, 2015, para. 38)—to "define and implement the monetary policy of the Community." This was considered to give the ESCB, and therefore the ECB, "[f]ree hand in formulating and implementing monetary policy" (Smits, 1997, p. 197). So, doubts were raised from early on about whether EU primary law left to the ECB wider discretion than the one assumed.

4. The MPS of 2021

This section examines the 2021 MPS of the ECB. In Section 4.1, we analyse and assess the revised operational framework of the ECB. We find that this framework is incompatible with the ECB's technocratic model of legitimacy. In Section 4.2, we analyse the re-interpretation of the ECB's legal mandate in its 2021 MPS. We argue that the ECB's mandate, given this re-interpretation, proves to be neither clear nor narrow, which has serious implications for the tenability of the ECB's technocratic model of legitimacy. Methodologically, Section 4.1 partially relies on the analysis of data taken through the method of elite interviewing. Four in-person semi-structured interviews were conducted with members of the Governing Council of the ECB and members of the Monetary Policy Committee (which is the main preparatory body of the Governing Council). Interviewees were provided with full anonymity and confidentiality. The list of interviews can be found in the Supplementary File.

4.1. ECB's Revised Operational Framework: Incompatible With the Technocratic Model of Legitimacy?

The ECB revised its MPS in 2021. The functions of the revised strategy remained the same as those of the previous strategies: The structuring of the decision-making process and the use of the document as an instrument of communication with the public (ECB, 2021c, p. 75). The ECB invoked various reasons for the strategy review ranging from the consecutive shocks hitting the euro area (global financial crisis, sovereign debt crisis, and pandemic) to the changing international economic environment (globalisation, digitalisation, and evolving financial structures), and even climate change, arguably the most important challenge that humanity faces. However, the principal reason behind the revision was the need to incorporate in the policymaking framework of the ECB the tools to address the zero-lower bound (ZLB) constraint (Interviewee 05). The ZLB constraint emerges when central banks are unable to reduce interest rates below zero because agents can avoid negative nominal rates by holding money rather than interest-bearing assets (Gerlach & Lewis, 2014). The fact that the Federal Reserve proceeded to a strategy review in 2020 with a similar consideration in mind provided further impetus to the Governing Council of the ECB to launch its own revision (Interviewees 03 and 05).

4.1.1. Operational Elements

A comparative examination of the MPS of 2021 with the early MPSs of 1998 and 2003 reveals significant changes. ECB's primary objective remained quantified, but the Bank shifted from indicating an acceptable range of HICP increase to setting a particular target. According to the ECB: "price stability is best maintained by aiming for two percent inflation over the medium term" (ECB, 2021a). In so doing, the ECB fully embraced the inflation-targeting policy regime, thereby abandoning the ambivalence between monetary targeting and inflation targeting that marked the earlier strategies (see Galí, 2002, pp. 41–72; Svensson, 1999). In parallel, the ECB underlined that the 2% target would be symmetric with "both negative and positive deviations of inflation from the target to be equally undesirable" (ECB, 2021a). From the perspective of communication, the term was employed to denounce the perceived asymmetry of the ECB's policy framework which was believed to have contributed to a lowering of inflation expectations (ECB, 2021b, pp. 11–12). From the aspect of decision-making, the term symmetric was used to justify the activation of unconventional monetary policy instruments as negative deviations from the inflation target required forceful and persistent measures (ECB, 2021a, 2021c, pp. 82–83).

The MPS of 2021 confirmed the medium-term orientation of the monetary policy, providing the ECB with policy flexibility to tolerate lengthy deviations from the targeted inflation (ECB, 2021c, pp. 80–81). Most importantly, though, the MPS adopted a new interpretation of the medium-term orientation that enabled "the Governing Council in its monetary policy decisions to cater for *other considerations* relevant to the pursuit of price stability" (ECB, 2021a, emphasis added). The significance of this addition to the strategy can hardly be overstated. In its Economic Bulletin that commented on the revised strategy, the Bank made clear that the term "other considerations" refers to other policy objectives beyond price stability (ECB, 2021c, pp. 84–86). The Bank named balanced economic growth, full employment, financial stability, and climate change objectives as considerations that should be taken into account when formulating its monetary policy. In other words, the ECB introduced for the first time other policy objectives beyond price stability in its operational framework. Given the existence of multiple policy objectives, the ECB anticipated the emergence of temporary trade-offs and considered the medium-term orientation as an adequately flexible mechanism to deal with them (ECB, 2021c, p. 81).

Another new element in the MPS of 2021 was the reference to the Bank's monetary policy instruments. The ECB discerned interest rates as its primary monetary instrument but made sure to list the rest of the instruments in its toolkit (forward guidance, asset purchases, and long-term refinancing operations) linking them with the lower bound limitation of the interest rates. The MPS enabled the Governing Council to consider new instruments if needed.

The formal incorporation of unconventional monetary policy instruments in the policy strategy of the ECB brought about further significant changes to the operational framework of the Bank. The ECB recognised that the use of unconventional monetary policy instruments, particularly asset purchases, could have significant unintended side effects on real economy and the financial system (Altavilla et al., 2021, pp. 24–32). Even the ECB itself could be adversely affected by those measures as the expansion of its balance sheet could ultimately lead the bank to incur losses. As a result, a proportionality assessment became "an integral part" of monetary policy decision-making guiding the Governing Council members to evaluate the benefits and side effects of their decisions including their interaction over time (ECB, 2021c, p. 81). The two-pillar analytical framework that used to underpin the evaluation of price stability risks under the previous strategies was replaced by an "integrated analytical framework" that relied on economic analysis to identify economic developments (rather than price stability risks) affecting the multiple objectives of the Bank (ECB, 2021a, 2021c, pp. 86–87). The monetary analysis shifted its focus to the detection of financial stability risks (arising primarily from asset purchases) and the assessment of the state of monetary policy transmission. The cross-checking of the information derived from the economic analysis was discontinued (Holm-Hadulla et al., 2021, pp. 44–52).

4.1.2. Compatibility of the Revised Strategy With ECB's Technocratic Legitimacy

A few of the above (Section 4.1.1) elements appear to be aligned with the technocratic model of ECB's legitimacy. The new quantification of the price stability objective and the concomitant full endorsement of inflation targeting did not seem to be problematic in this respect as they established a policy framework that restricted the discretion of the Bank's policymakers (other central banks, such as the Federal Reserve and the Bank of Japan, are also using point target objectives; see ECB, 2021b, p. 54). The symmetry of the target was not questionable either, as it reflected the need to anchor inflation at higher levels within a context of low inflation expectations (at the time of the revision) without unduly increasing the discretion of the ECB officials. The use of the negative deviation from the symmetric target as a trigger of unconventional monetary policy measures was a more dubious element as no specific benchmark was set for the activation of unconventional monetary policies, while the Bank's commitment to tolerate "moderately above target" inflation, when these measures were activated, did not provide more clarity (see also Section 4.2).

Other key elements of the revised MPS seem to be sharply incompatible with the technocratic legitimacy model. The new reading on the medium-term orientation created significant strain. By introducing a mechanism for the accommodation of other considerations, the ECB's objectives essentially multiplied, and their specificity decreased while the absence of any new relevant performance criteria in the MPS impeded an objective measurement of the ECB's decisions in relation to those policies. The emergence of trade-offs among multiple policy objectives exacerbated the discretion of the ECB's policymakers, thereby inflicting a significant blow to accountability by results. In parallel, the new understanding of the medium-term orientation contrasted with the distinctive institutional competence of the ECB, as the Bank became involved in policy fields where governments and other policy experts played the primary role.

The proportionality assessment was another important element of the revised MPS that appeared to clash with the logic of the technocratic model of legitimacy. By acknowledging the existence of significant unintended side effects that needed to be taken into account before the adoption of policy decisions, monetary policy's portrayal as an efficiency-oriented policy, focused on the increase of aggregate societal welfare, showed signs of erosion. More importantly, the proportionality assessment exposed the distributional aspect of ECB's policymaking in the era of unconventional monetary policy instruments, thereby underlining the inadequacy of the technocratic model which precluded this strategy of legitimation for policies with redistributive aspects.

In sum, this section has shown that key innovations of the revised MPS of 2021 were found to be incompatible with the ECB's model of technocratic legitimacy, highlighting the particular model's limitations in legitimising the modern operational framework of the ECB.

4.2. ECB's Re-Interpretation of Its Mandate: Neither a Narrow nor a Clear Mandate?

While the ECB's legal mandate has remained largely unchanged since the Maastricht Treaty and the ECB stated in its 2021 MPS that "[t]he strategy review takes the ECB's mandate as given" (ECB, 2021d, p. 4), it has in fact re-interpreted significantly its mandate. In this section, we find that this re-interpretation was mainly twofold: Firstly, it consisted of the ECB's re-definition of its primary objective of price stability (Section 4.2.1). Secondly, it consisted of the recognition of its secondary mandate as a legal basis for the ECB's monetary policy (Section 4.2.2). This re-interpretation reveals a mandate that is neither narrow nor clear, as a result of which a technocratic model of legitimacy proves to be visibly untenable for the ECB (Section 4.2.3).

4.2.1. Re-Defining the Primary Objective

The ECB re-defined the price stability objective, which is enshrined in the first sentence of Article 127.1 TFEU, benefitting from the fact that EU primary law left this objective largely undefined (see Section 3.2). Regarding the ECB's redefinition of its objective, two main elements indicate a shift from the early MPSs of the ECB.

Firstly, whereas the previous inflation goals were focused mainly on guarding against high inflation, "potentially implying that 2% was a ceiling rather than a target" (Höflmayr, 2021, p. 3), the "symmetric target" of 2%, that was adopted in 2021 MPS (see Section 4.1), seems to pay equal attention to guarding against high inflation and deflation (see Höflmayr, 2021; Tooze, 2020, p. 20). At the same time, there remains a lack of clarity since there is no specified "range around the inflation target" (Höflmayr, 2021, p. 3), the result being that there is "*no clue* [as] to what deviation the ECB is willing to tolerate" (Angeloni & Gros, 2021, emphasis added). This lack of clarity becomes more visible by the phrase that there can be tolerated "a transitory period in which inflation is *moderately* above target" (ECB, 2021d, p. 10, emphasis added), given that it is unclear what "moderately" means.

Secondly, and most importantly, multiple considerations are deemed relevant to the ECB's primary objective of price stability, given the phrase in ECB's 2021 MPS: "other considerations relevant to the pursuit of price stability" (ECB, 2021d, pp. 8, 11; see Section 4.1). These considerations include primarily financial stability and climate change considerations (ECB, 2021d, pp. 11–13). Regarding financial stability, whereas neither the previous MPSs nor the Maastricht Treaty referred to it as relevant to the price stability objective (see Lastra &

Alexander, 2020, p. 12), the 2021 MPS conceived it as a "precondition for price stability and vice versa," while it also stressed that the ECB will "avoid the misperception that monetary policy is responsible for guaranteeing financial stability" (ECB, 2021d, p. 12). In a similar way, the paper of members of the ECB legal services (that informed the Governing Council's deliberations on the review of the MPS) suggested that financial stability "could be a means necessary to achieve the primary objective of maintaining price stability, in accordance with Article 127(1) TFEU" but, at the same time, they stressed that "Article 127(1) TFEU could not be used to circumvent the *only contributory competence* entrusted to the ECB by the lex specialis of Article 127(5) TFEU by indirectly transferring direct responsibility for financial stability to the ECB" (Ioannidis et al., 2021, p. 20, emphasis added). Hence, the 2021 MPS recognised financial stability as part of the ECB's mandate, even though not officially as an ECB's "objective." Besides, this recognition was also seen earlier at a judicial level in the reference of Advocate General Cruz Villalón (2015, para. 215) to the "…mandate of maintaining price stability and achieving financial stability (Articles 127(1) TFEU and 282 TFEU) […]" in his Opinion in *Gauweiler and Others v Deutscher Bundestag* (see also Adamski, 2023, p. 156). However, pursuing financial stability as part of the ECB's mandate renders it more unclear since, as had been recognised by an ECB's executive board member, "the notion of financial stability is nebulous and much more difficult to capture than price stability" and "the pursuit of financial stability often involves choices with stronger distributional implications" (Mersch, 2018, pp. 2, 6).

Regarding climate change considerations, whereas they were absent from the ECB's previous MPSs, the ECB included these considerations in its 2021 MPS (ECB, 2021d, pp. 11, 13) and presented also a roadmap of how it planned to incorporate them into its policy framework in four years (ECB, 2021e). The ECB regarded these considerations as falling within its primary mandate, "since physical and transition risks related to climate change have implications for both price and financial stability, and affect the value and the risk profile of the assets held on the Eurosystem's balance sheet" (ECB, 2021d, p. 13; see also Lagarde, 2020). At the same time, these considerations are also regarded as part of its secondary mandate (ECB, 2021d, p. 11, 2021e), given that the environment's protection is among the objectives mentioned in Article 3 of the Treaty on European Union and that there is an EU policy on climate change that set out the objective of climate neutrality in the Union (Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021, 2021). Both mandates can be identified also in the discourse of ECB policymakers on this issue (e.g., Schnabel, 2021; see Deyris, 2023, p. 719) and in the ECB's action (ECB, 2022; see also Decision (EU) 2022/1613 of the European Central Bank of 9 September 2022, 2022). The inclusion of climate change considerations in the ECB's policy framework as part of the ECB's mandate has raised a debate on the range of decisions the ECB is called upon to take and their potential (re)distributive implications (see for instance Dietz, 2022; Steinbach, 2022).

The ECB leaves also open the possibility of other considerations being relevant to the price stability objective, which is more clearly elaborated in the paper of members of the ECB legal services. They argued that within the primary mandate fall not only measures "directly pursuing the primary objective" (aiming at achieving the inflation target) but also "measures that are *instrumental* to pursuing price stability" (Ioannidis et al., 2021, p. 9, emphasis added). They justified not only the former category by reference to the reasoning of the Court of Justice of the European Union (CJEU; *Weiss and Others*, 2018, paras. 54, 57) but also the latter category by arguing that "[m]easures which aim at preserving the transmission mechanism have been explicitly recognised by the CJEU as pertaining to the primary objective and thus falling within the ECB's mandate" (Ioannidis et al., 2021, p. 10; see also *Gauweiler and Others v Deutscher Bundestag*, 2015, para. 50). They concluded that:

> There could be other measures which foster the preconditions necessary to pursue the price stability objective….[M]onetary policy strategy, or specific monetary policy measures, having the ultimate objective of maintaining price stability may therefore take into account other considerations. These might include, for example, full employment, a high level of protection and improvement of the quality of the environment, or financial stability, where these are a means necessary for pursuing price stability in accordance with Article 127(1) TFEU and the ECB's decision and reasoning complies with the applicable procedural and substantive safeguards […]. (Ioannidis et al., 2021, p. 10)

Based on the above analysis, it seems that the ECB's primary mandate is linked with multiple considerations that are largely left to be determined by the ECB itself (such as financial stability). So, although the ECB's primary mandate is presented as "well understood and well defined" (Zilioli, 2023, p. 7), its clarity and narrowness are put into question.

4.2.2. The (Hesitant and Nebulous) Recognition of the Secondary Mandate

The 2021 MPS recognised the ECB's secondary mandate (albeit without using this term), which is enshrined in the second sentence of Article 127.1 TFEU, by writing that:

> The Treaty specifically requires the Eurosystem to support the general economic policies in the European Union with a view to contributing to the achievement of the Union's objectives as laid down in Article 3 of the Treaty on European Union. (ECB, 2021d, p. 11)

This recognition stands in contrast with the earlier MPSs (see Section 3.2) and with the discourse of ECB officials until 2020, which had neglected this mandate (see van 't Klooster & de Boer, 2023, p. 733). However, this recognition is hesitant and nebulous, since the analysis of the secondary mandate is included within the section of the 2021 MPS entitled "[o]ther considerations relevant to the pursuit of price stability" (ECB, 2021d, p. 11). In addition, the 2021 MPS is not entirely clear as to whether this mandate can be actively pursued independently of the price stability objective, by writing that "when adjusting its monetary policy instruments, the Governing Council will—provided that two configurations of the instrument set are equally conducive and not prejudicial to price stability—choose the configuration that best supports the general economic policies of the Union […]" (ECB, 2021d, p. 11). By contrast, the line of interpretation suggested by members of the ECB legal services is clearer: "[p]rovided the secondary objective is not in conflict with the primary objective, pursuing the former is *not subject to the condition of actively pursuing the latter at the same time*" (Ioannidis et al., 2021, p. 16, emphasis added).

The ECB is not clear in its 2021 MPS on how it is going to pursue its secondary mandate (Höflmayr, 2021, p. 7). Besides, EU primary law has left this mandate largely undefined, being "blank on guidance on how these secondary objectives should be ranked and attained" as argued in the literature (Claeys et al., 2021). For instance, it is rather unclear how the ECB's secondary objectives would be prioritized given the various policies in the EU, what will happen in cases of conflicts between these objectives (see Claeys et al., 2021; Dietz, 2022, p. 426; Steinbach, 2022, p. 348), and what "support" to the general economic policies in the Union means. As a result of this, the picture of a mandate that proves to be neither really clear nor narrow is reinforced.

4.2.3. Implications for ECB's Model of Legitimacy

The ECB's re-interpretation of its mandate in its 2021 MPS reveals a mandate that is *neither clear nor narrow*. Multiple considerations are necessary to be taken into account by the ECB as part of its mandate, which is related to the existence of new challenges (e.g., climate change) but also to the fact that most elements of the ECB's legal mandate have remained largely undefined in EU primary law—such as, what is price stability. This leaves significant discretion to the ECB in the definition of its mandate, in combination with Article 127.2 TFEU (see Section 3.2). In addition, the pursuit of the ECB's objectives is operationalised via multiple instruments in a much less clear and more complex than originally presented decision-making process, entailing a range of decisions with much wider implications than what the initial paradigm indicated (see Section 4.1). The existence of wide implications in the ECB's monetary policy had been already brought to the fore in the judgment of the German Federal Constitutional Court on the Public Sector Purchase Programme (PSPP) and in the literature (see, for instance, van 't Klooster & Fontan, 2020 about the ECB's unconventional measures; especially for their environmental effects see Dafermos et al., 2020). The abovementioned judgment stressed the considerable economic and social policy effects of the ECB's PSPP programme, arguing that the ECB violated the (enshrined in EU primary law) principle of proportionality and, subsequently, exceeded "the monetary policy mandate of the ECB deriving from Art. 127(1) first sentence TFEU" (German Federal Constitutional Court, 2020, paras. 176–177).

The ECB's largely vague mandate, seen in combination with the ECB's insulation from political authorities due to its independence, leaves the ECB largely unconstrained (see also van 't Klooster & Monnet, 2024). At the same time, the review by the CJEU of the ECB's specification of its mandate, specifically of its primary objective, has been limited to the benchmark of a "manifest error of assessment" (*Weiss and Others*, 2018, para. 56)—invoking, inter alia, the "general and abstract manner" in which the primary objective was defined by "the authors of the Treaties" (*Weiss and Others*, 2018, para. 55)—thereby allowing broad discretion to the ECB (Ioannidis, 2020, p. 370; see also Ioannidis et al., 2021, p. 8). Hence, as argued in the literature, "all the constraints on the monetary policy mandate of the ECB have been gradually and profoundly relinquished" (Adamski, 2023, p. 156; see also Menéndez, 2022, p. 647). This overall picture leads to the conclusion that the limits of the ECB's technocratic model of legitimacy have been visibly reached, given the very wide discretion that the ECB enjoys in the specification of a largely vague mandate.

5. Conclusion

In this article, we have focused on the 2021 revision of the ECB's MPS, which constitutes the ECB's operational framework. Our analysis revealed important incompatibilities with the ECB's model of technocratic legitimacy which relies primarily on policy performance and less so on democratic procedures. We have also shown how the ECB engaged in a process of reinterpreting its own legal mandate that ended up exposing the latter as broad and vague rather than clear and narrow, in contrast to the original ECB's early vision of its mandate. These findings indicate that a technocratic model of legitimacy is visibly untenable, thereby raising the question of the extent to which the diminished input legitimacy that the ECB has enjoyed since the Maastricht Treaty is suitable for the ECB's current policy setting and the nature of its current activities, which differ substantially from those in the early days of the Bank.

While our research has shown that the ECB's early operational framework and reading of the Bank's legal mandate were aligned with the model of technocratic legitimacy, we are not suggesting that that model was unproblematic in the past. Indeed, scholarly work has unveiled how ECB's monetary policy decisions before the financial crisis of 2007–2009 differed widely from the technocratic archetype of depoliticised decision-making devoted to the increase of the aggregate welfare and deprived of distributional effects as they were shown to favour particular growth models, thereby benefiting some member states at the expense of others (Hall, 2014), and actively support financialisation in the euro area, thereby increasing the vulnerability of the European financial institutions in the pre-crisis period (Lapavitsas, 2013). However, the post-crisis decisions of the ECB's technocratic elite have indeed received considerably more scrutiny and criticism given that the Governing Council engaged with unconventional monetary policies, which exposed monetary policymaking as a redistributive and politicised activity (Adam & Tzamourani, 2016; Buiter & Rahbari, 2012; Eijffinger & Hoogduin, 2018; Sinn, 2018). The revision of the MPS in 2021 was the ECB's way of acknowledging the increased complexity of the monetary policymaking exercise and a concomitant attempt to restructure its internal decision-making structure in a way that would not undermine the technocratic legitimacy model that the ECB relies upon. By concentrating on the internal inconsistencies between this model and the revised MPS of 2021 our work has highlighted the need for a new model to legitimise the decisions of the Governing Council.

The new model shall rely on the strengthening of democratic procedures in the monetary policymaking of the ECB since the long overdue enhancement of the ECB's input legitimacy appears to be more pressing given the disjuncture of the ECB's 2021 MPS with the output-oriented technocratic model that was unpacked in this article. The ECB's (diminished) input legitimacy has been limited mainly in the initial ratification of the Treaty (that set the ECB's mandate and status) by the democratic procedures of the member states, in the appointment of the ECB's executive board members by the European Council and in the appointment of governors of National Central Banks (that participate in the ECB's Governing Council) by national political authorities. Obviously, these channels do not allow the representation of popular interests in the decision-making structures of the ECB as they were established in an era when the mantra was the insulation of central bank officials from societal pressures and the democratic process. Although it is beyond the scope of this article to provide detailed institutional proposals on revamping the framework for the provision of input legitimacy to the ECB, the suggested direction of this revamping requires the important decisions of monetary policymaking to be made by the Union's democratic political institutions in which the (different) socio-economic interests within European societies are represented. For example, the MPS would need to be approved by the European Parliament and the Council and be regularly revised (e.g., every five years), while the ECB would be tasked to propose the MPS in a role similar to that of the European Commission in the ordinary legislative procedure. This unavoidably requires a Treaty reform since the EU's political institutions cannot have a decisive say on monetary policymaking under the current legal framework, which attributes a high degree of independence to the ECB (see TFEU, Article 130).

An alternative way of boosting the legitimacy of the ECB seems to be linked with the so-called "throughput" legitimacy (Schmidt, 2013, 2020). Some scholars even suggested that the latter could function as a method of regaining the Bank's technocratic legitimacy (Heldt & Müller, 2022; up to an extent Tesche, 2023), while others perceive it as a substitute for input or output legitimacy. Our findings suggest that the challenge to the model of technocratic legitimacy is much more severe than is usually admitted. Therefore, any remedies seeking to bring minor improvements to the transparency or the accountability of the ECB are not sufficient insofar as they do not address the issue of the fundamental change in the ECB's policy environment that we identified in this contribution.

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Supplementary Material

Supplementary material for this article is available online in the format provided by the authors (unedited).

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