30.2 Abstracts

Best

There has been little discussion of central bank accountability in recent decades because monetary policy has been seen as an essentially technical problem. Yet, during the 2008 financial crisis and the economic dislocations that ensued, central banks gained considerably in authority—bailing out failing institutions, using unorthodox monetary tools, and wading into sovereign debt crises. At the same time, the financial crisis and the slow recovery that has followed have revealed just how uncertain and volatile the global economy can be—a situation that poses new dilemmas for monetary policy. This article looks at the existing model of central bank accountability and finds it wanting in this new, more uncertain environment. Because the principle of central bank independence involves a very narrow set of objectives—generally focused on an inflation target—and very few opportunities for sanction, the main mechanism for accountability is that provided by the publication of information about the bank’s deliberations and activities. In an era of increased economic uncertainty, when central bankers themselves admit that simple rules and models are no longer adequate, a narrow, transparency-based form of accountability is not sufficient. I suggest that we need a thicker, more robust form of accountability that fosters more deliberation and debate, ensures that central banks are answerable to their publics, and broadens the standards by which they are judged.

Keywords: central banks, accountability, monetary policy, economic uncertainty