

# 25 years of the OeNB in the Eurosystem – tracing the evolution of Governing Council governance

Ingrid Ettl, Anita Roitner<sup>1</sup>

This paper deals with the role of national central banks (NCBs), especially the Oesterreichische Nationalbank (OeNB), since the establishment of the European System of Central Banks (ESCB) and the Eurosystem 25 years ago. It draws on the experiences and perceptions of past and present OeNB governors and a former European Central Bank (ECB) Executive Board member with whom we conducted semistructured in-depth interviews in September and October 2023. After outlining the special setup of the Eurosystem, we investigate the question whether the decision-making process has changed over the last 25 years and what factors played a role. This relates to formal changes like the implementation of the rotation scheme of voting rights, and to the impact of economic conditions and of the presidents of the ECB. Attention is also given to the level of decentralization within the ESCB/Eurosystem and the working methods established to enhance cooperation and collaboration. We conclude by describing what the OeNB, a rather small NCB, has learned since joining the Eurosystem. This can be summarized as follows: the size of a central bank matters, personal contacts and networking are essential, collaboration needs strengthening and specialization can be an asset.

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On 1 January 1999 Stage Three of Economic and Monetary Union (EMU) started with the introduction of the euro as the single European currency in 11 member states including Austria. This brought about a fundamental transformation of overall monetary and economic policy conditions for the OeNB. By transferring formal sovereignty over monetary policy to the ECB, all member states that adopted the euro saw a new distribution of roles between the ECB and the individual central banks in the Eurosystem, which fundamentally changed decision-making and working methods in NCBs.

There is a body of literature dealing with decision-making and the institutional setup of the Eurosystem, especially compared to other currency areas (e.g. Gerdesmeier et al., 2007). However, NCBs have always been an “*obscure part of EMU*” (Van der Sluis 2022, p. 27) as attention focuses on the ECB rather than NCBs. The small literature available is mostly from the time when the euro was introduced.

We want to shed some light on the institutional setup of the European System of Central Banks (ESCB) and the better-known Eurosystem (see section 1) from the perspective of a national central bank. A special focus is put on decision-making

<sup>1</sup> Oesterreichische Nationalbank, EU and International Affairs Division, [ingrid.ettl@oenb.at](mailto:ingrid.ettl@oenb.at); [anita.roitner@oenb.at](mailto:anita.roitner@oenb.at). We thank our interviewees and Majken Corti, Sandra Dvorsky, Thomas Gruber and Birgit Riedler for helpful comments.

and (de)centralization within the system. We also investigate whether there have been any changes over the last 25 years at the level of the Governing Council.

We can draw on the experiences and perceptions of past and present OeNB governors and a former ECB Executive Board member with whom we conducted interviews. These were based on a predefined set of open-ended questions which allowed for an in-depth exploration of the research topic (see annex). The interviewees were addressed in their (former) roles as holders of offices. Such expert interviews are a well-known and often used approach in qualitative research designs in social sciences. We interviewed the former governors of the OeNB Klaus Liebscher and Ewald Nowotny as well as the current Governor Robert Holzmann in September 2023. Furthermore, we conducted an interview with former Vice Governor of the OeNB and former ECB Executive Board member Gertrude Tumpel-Gugerell on October 4, 2023. The analysis followed an interpretative approach which is based on sequencing the material along thematic structures, condensing and comparing (Meuser and Nagel, 1991).

This paper is structured as follows: Section 1 gives an introductory overview, from the perspective of the OeNB, of the preparations for the introduction of the euro and the very start of Stage Three of EMU. In section 2 we briefly look at the institutional setup. In section 3 we focus on decision-making in the Governing Council and its evolution over the last 25 years. Section 4 deals with (de)centralization in the ESCB/Eurosystem and the working methods established to enhance cooperation and collaboration. The final section deals with the lessons that the OeNB learned by being part of this system.

## 1 OeNB on the path to the ESCB

Preparations for the beginning of Stage Three of EMU started well before January 1, 1999. Austria joined the EU in 1995 and was from the very beginning committed to taking part in the monetary union as early as possible. Thus, the OeNB participated actively in the preparations for monetary union and was accepted as a full member of the European Monetary Institute (EMI), the ECB's predecessor.

From a macroeconomic perspective, the period prior to the start of Stage Three, which saw the introduction of the euro as a single currency, was characterized by the unprecedented convergence of economic parameters of the countries joining EMU.

The requirements of legal convergence in EMU imposed substantial changes on the OeNB as an institution and on its relationship with government and parliament to fulfill the requirements of the EU Treaties and the Statute of the ESCB (ECB, 2015). An amendment introducing numerous changes to the Federal Act on the Oesterreichische Nationalbank 1984 was put into effect in 1998. Moreover, an amendment to the Nationalbank Act, which reinforced the independence of the OeNB, set first a five-year, then a six-year<sup>2</sup> term of office for all members of the Governing Board and defined possible grounds for dismissal in line with the Statute of the ESCB (Dvorsky and Lindner, 2006). The biggest change was, however, when NCBs entered uncharted waters by the unprecedented simultaneous transfer of monetary sovereignty to an independent, supranational ECB. And the OeNB was no exception, on the contrary: Before the introduction of the euro, the OeNB

<sup>2</sup> In 2007 the legislative term in Austria was extended from four to five years. Accordingly, the term of office of OeNB Governing Board members was changed to six years to avoid synchronized appointments.

followed a hard-currency policy fixing the exchange rate of the schilling to the Deutsche mark. After two decades of following German monetary policy, the OeNB participated now actively in shaping the single monetary policy, on equal footing with all other participating NCBs, including the Bundesbank. NCBs experienced a “*shift in identity from national bodies to part of a European entity*,” they are more European than their name implies (Van der Sluis, 2022, p. 20). Liebscher described the very first Governing Council meeting as an exciting, cooperative, and forward-looking encounter between international experts with the awareness that the next six months would be decisive for the success of the single currency, the single monetary policy and the institution behind it, the ECB. “*We all knew we had something ahead of us for which there was no precedent*” (Liebscher, 2023).

The transition from the EMI to the ECB, however, was facilitated by an already established cooperative spirit – most members of the Governing Council knew each other from the EMI – and by the fact that many of the staff from the EMI were taken over by the ECB.

Despite the shared spirit of optimism among the Governing Council members (Liebscher, 2023), the first president of the ECB, Wim Duisenberg, faced a deeply skeptical world. Some parts of the global media, analysts and observers were betting on the presumed incapacity of the Eurosystem to deliver effectively on the main objective, namely, to start the new currency on time on January 1, 1999. But Duisenberg demonstrated a capacity to lead a team, i.e. the Executive Board and the Governing Council, with an excellent team spirit and in a collegial manner (Trichet, 2005). “*What central banks can do is build confidence, and that is the most important thing*” (Tumpel-Gugerell, 2023). After all the challenges at the beginning of EMU, the ECB proved that it could build confidence and the euro was no longer questioned at that time.

## 2 Institutional setup of the Eurosystem

Participating in EMU entailed a new institutional setup for central banking in the euro area. The newly established ECB constituted the core of the new ESCB. According to the Treaty on the Functioning of the European Union (TFEU), the ECB and the NCBs of all EU member states constitute the ESCB. The Eurosystem, by contrast, encompasses only the ECB and the NCBs of those EU member states which have adopted the euro. The NCBs are an integral part of the ESCB/Eurosystem and have their own legal personality. Their functional integration into the Eurosystem does not infringe upon their existing institutional, financial and administrative autonomy and they may continue to perform non-Eurosystem functions laid down in national laws.

Scheller (2006, p. 42) lists three reasons why it was decided to implement a system and not a single central bank in charge of carrying out central bank functions for the euro area: (1) A single central bank for the whole euro area, possibly in a single place, would not have been politically acceptable. (2) The ESCB is built on an established central bank structure in which the experience of NCBs is preserved as a valuable resource. NCBs keep their own institutional setup, infrastructure, operational capabilities as well as expertise and can continue to perform some non-Eurosystem-related tasks. (3) Credit institutions have an access point to central banking in each participating member state, which was considered appropriate given the large size of the euro area.

The Governing Council is the main decision-making body of the Eurosystem and consists of the governors of the euro area NCBs and the six members of the Executive Board of the ECB. The governors of the NCBs are appointed in their personal capacity and not as representatives of their NCBs or countries. This differs from the setup at the EMI and reflects the ECB's status as a supranational institution. According to Liebscher (2023), this was on display in the first Governing Council meeting, in which members were still seated in the alphabetical order of the names of their central banks, as was the case at EMI meetings and thus not reflecting the governors' "ad personam" (personal capacity) membership. One member immediately intervened and said that this must be changed, as it was not acceptable that the Executive Board of the ECB sat as a block facing the central bank governors as the Governing Council was a collegial body. Since then, seating has been in alphabetical order of the last name of the governors and the Executive Board members; only the ECB President and Vice-President have a fixed seat.

Although participation in the Governing Council is "ad personam," respondents noted some distinctions between governors from larger and smaller central banks. First, larger central banks brought with them essential international experiences as they were members of international groups like the G7 and the G20. This advantage in understanding international affairs was noticeable at the start of the Eurosystem and appreciated by the other members. Larger central banks were "*not more equal among equals, but internationally more experienced*" (Liebscher, 2023). Second, another distinction and comparative advantage for larger NCBs is their available workforce in a twofold manner: Larger NCBs were able to send a substantial number of staff to the ECB right from the beginning, which is an advantage in knowledge and information transfer; a higher number of posted employees can give the sending organization better information and more influence at the ECB. In addition, larger NCBs have more staff to deal with policy matters, which often means more in-depth preparation. "*Of course, the scope of a larger NCB is greater, apart from the fact that there are huge staffs behind it, and therefore they can prepare for more things*" (Nowotny, 2023). Third, persons from larger member states are more likely to be appointed as members of the ECB Executive Board. Fourth, larger NCBs have an advantage in the rotation scheme (see subsection 3.2).

It should be noted that, legally speaking, the ECB is the subsidiary of the Eurosystem NCBs. "*The national central banks shall be the sole subscribers to and holders of the capital of the ECB.*" (Article 28.2 ESCB Statute in: ECB, 2015). The key for the subscription of the ECB's capital is based on the population and GDP of member states. The OeNB holds a 2.41% share of the ECB's EUR 10.8 billion capital, corresponding to EUR 262 million. This specific ownership structure might influence the perception of the adequate degree of centralization and specialization, work-sharing and division of labor between the ECB and the NCBs. However, for collective success and effective action of the ESCB, it was necessary to encapsulate the NCBs within the ECB (Van der Sluis, 2022, p. 19) (see section 4).

Although we restrict our paper to the Eurosystem, we need to touch upon the establishment of the Single Supervisory Mechanism (SSM) in 2014, which was the biggest institutional change for the ECB and the Eurosystem (Nowotny, 2023). Tumpel-Gugerell (2023) felt that it would have helped if the ECB had "*full integration into banking supervision*" already when the Eurosystem was set up because national

competences slowed down the response to the 2008 banking and financial crisis. However, it was only after the global financial crisis that euro area member states were willing and prepared to establish the SSM, meaning the transfer of banking supervision in the euro area to the ECB. This was an important first step toward the Banking Union, and eventually a genuine EMU (Van Rompuy, 2012).

### 3 Decision-making in the Governing Council

The Governing Council acts as a collegial body in line with the “one member, one vote” principle. Governors must act in the interest of the euro area as a whole and not of their member state (Scheller, 2006, p. 54). Hence, participation in the Eurosystem has increased the OeNB’s influence as the governor of a medium-sized central bank can now participate actively in any decision of the Governing Council based on the “one member, one vote” principle (Dvorsky and Lindner, 2006, p. 61).

Blinder (2007) offers a typology of monetary policy committees distinguishing between individualistic and collegial committees. Accordingly, the Governing Council of the ECB can be described as a genuinely collegial committee which reaches decisions behind closed doors and ultimately arrives at a group decision with or without voting. This contrasts with individualistic committees like the Bank of England’s Monetary Policy Committee, in which group decisions are made by literal majority vote and unanimity is not necessarily expected or may not even be sought for.

The communication style of a central bank is deeply linked to the kind of decision-making practiced. Detailed statements are a more effective tool in collegial central banks, whereas the publication of minutes is more commonly used by individualistic committees as it is difficult to draft a common statement in real time without reaching a consensus (Demertzis et al., 2022, p. 4). Since its creation, the ECB has issued a monetary policy statement after the decision, with the ECB president holding a press conference. In 2015, it also started publishing a reduced version of minutes in the form of monetary policy accounts not mentioning the names of the governors.

The “one member, one vote” principle in the ECB’s Governing Council suggests that all members are equal, and their votes have the same weight in decision-making. This is true to the extent that the vote of the governor of the OeNB has the same weight as the vote of any other member of the Governing Council. However, under the rotation scheme, only members of the Executive Board of the ECB have a permanent voting right, whereas the governors of the NCBs lose their voting right temporarily under specific rules (see subsection 3.2). Based on a composite indicator of economic and financial weights, countries and their governors are divided into different rotation groups, with the larger countries being in a group with a higher voting frequency.

#### 3.1 Voting

According to the ESCB Statute and the Rules of Procedure, the Governing Council votes by simple majority (ECB, 2015). This means that given the rotation scheme (see subsection 3.2) and that there are 21 voting members in the Governing Council, 11 votes are needed for a majority.

However, for the founding members of the ECB, it was important to take decisions as unanimously as possible (particularly for monetary policy decisions) in

the sense of a supranational voice (single voice principle). Hence, decisions in Governing Council meetings<sup>3</sup> are mostly taken by consensus. Duisenberg (2002) described consensus as follows: “*Deciding by consensus means that the conclusions reached by the Governing Council as a whole on a certain decision, in a certain direction, or to decide not to change anything, are supported by the entire Governing Council, by some more enthusiastically than others, but this does not require a vote.*” Therefore, consensus is a blurrier concept than unanimity. In the process of decision-making, the arguments put forward and the exchange of views by all governors are instrumental in bringing about a convergence of views and, finally, decisions as unanimous as possible. The consensus approach crucially relies on the ability of the chairperson to lead the discussion in a sensitive but targeted manner. Nonetheless, Holzmann (2023) sees some merit in occasional formal voting which would force every member of the Governing Council to take a clear position on important issues.

Most of the time, votes are not weighted,<sup>4</sup> and the vote of the governor of the NCB of the largest euro area country counts as much as that of the NCB governor of the smallest country. As each vote is equal in the decision-making process, it is necessary for all members of the Governing Council to build coalitions and to determine the majority view. Telephone calls between the president and governors, and between governors before a meeting are an integral part of the opinion-forming process. At the beginning, this kind of networking and coalition-building was somewhat new to the officials of the OeNB. Thus, it had to be learned over the years and is now broadly institutionalized and applied at all technical levels in preparing for Governing Council meetings and responding to written procedures.

There is no strict distinction between winners and losers in the decision-making process by consensus and once a decision is taken, all members fully support it and represent it externally with “one voice.” The idea was that if the ECB was to speak for the euro area, as indeed dictated by its mandate, it had to ignore national preferences. To be able to convince the public, it would have to speak with one voice (Demertzis et al., 2022, p. 5). This also implies that the individual members of the Governing Council should not disclose their position or express their dissent in public. By speaking with a single voice in many languages and respecting diversity in communication traditions, the Governing Council ensures that information on its decisions reaches all citizens in a timely and comprehensive manner. Nevertheless, in recent years, opinions and voting decisions have become known, either due to deviations from the “single voice principle” by governors or due to the use of qualifiers in the monetary policy accounts (see subsection 3.3).

### 3.2 Rotation of voting rights

To ensure that the Governing Council can take decisions in a timely and efficient manner even in an enlarged euro area, the Council of the European Union adopted a decision in 2003 to adjust voting modalities in the Governing Council based on a recommendation by the ECB (2009). At the founding of the ESCB, it was

<sup>3</sup> Decisions can also be taken in form of a written procedure. According to the Rules of Procedures, written procedures require the express or tacit personal approval of each member of the Governing Council, which is why one could assume that they are taken unanimously.

<sup>4</sup> Only when the Governing Council takes decisions on the capital of the ECB and related matters, the votes are weighted according to NCBs’ shares in the subscribed capital of the ECB and the rotation scheme does not apply (Article 10.3 ESCB Statute).



expected that all EU member states (except the UK and Denmark) would eventually adopt the euro and that EU and euro area membership would therefore soon overlap. As this did not turn out to be the case, the Lisbon Treaty 2007 officially introduced the term “Eurosystem” that encompasses only the NCBs which have adopted the euro.

In the deliberations on voting modalities, the OeNB as a medium-sized central bank feared that its influence and power in the decision-making process would diminish. Long discussions in the Governing Council finally led to the decision to put in place a rotation scheme for voting rights in the Governing Council in 2003. According to Liebscher (2023), it was a discussion where differences between smaller and larger central banks became obvious. In decision-making and in organizations, it is important to know one’s allies, and coordination and cooperation is key for successful positioning. However, in the end, it took another 12 years until the rotation scheme was actually put into practice after Lithuania joined the euro in 2015 since the Governing Council had unanimously decided that the implementation of the rotation scheme would be postponed until the number of governors in the Governing Council had exceeded 18.

Since then, the number of Governing Council members with voting rights has been permanently limited to 21. As Executive Board members are not subject to the rotation scheme, the number of governors with voting rights will not exceed 15. Governors are allocated to different groups according to a country ranking based on two indicators: the share of their country in the aggregate GDP (weighted with 5/6) and in the total assets of the aggregated balance sheet of monetary financial institutions (weighted with 1/6). When the number of governors exceeded 18, two groups were formed, and when it exceeds 21, three groups will be formed. Currently, there are 20 euro area countries, which means that there are two groups of governors: the first group consists of the five governors of the highest-ranked countries sharing four votes, with the second group comprising the other 15 governors sharing 11 votes. The OeNB governor is in the second group (ECB 2009).

However, in practice, not much has changed for the governor of the OeNB after the implementation of the rotation scheme because decisions are taken by consensus, as described above. Furthermore, even non-voting members of the Governing Council participate in every meeting and are invited to discuss and share their positions.

### Enlargement of the Eurosystem and decision-making in the Governing Council

*EU enlargement is a prominent topic that has become and will remain a matter of public debate in the coming years. Surveys suggest that sentiment among the public and the political elite is very positive at the moment. The 2004 enlargement was framed as uniting Europe after the Cold War, and the ongoing war in Ukraine has changed the way the European public views the Balkan and Eastern Neighborhood countries, which are considered as “one of us” (Bonomi and Rusconi, 2023, p. 7). Although EU enlargement might have gained momentum, it will certainly take many years until new EU countries introduce the euro and become Eurosystem members. The same is true even for those EU member states that are not part of the euro area.*

*Nevertheless, all interviewees see some challenges for governance and decision-making in an enlarged Eurosystem despite the implementation of the rotation scheme. If the Governing Council counted more than 30 members, the decision-making process would be quite complex. Some interviewees mentioned the idea of organizing the Governing Council in constituencies comparable to the International Monetary Fund. However, others cautioned against constituencies, saying that this would contradict the setup of the ECB as a supranational institution. Eurosystem decision-making does not focus on voting rights or capital keys but on solid and valid lines of argument.*

*In fact, the rotation scheme was put in place exactly to adapt the decision-making process for Eurosystem enlargement. It would be difficult to argue for any “exclusion” of some members of the Governing Council because according to the principle of *ad personam* participation, governors would have a right to attend the meetings, and would retain the right to speak, irrespective of whether they have the right to vote.*

### 3.3 Evolution of decision-making

The Governing Council’s governance and decision-making evolved and changed over time due to both internal and external factors.

An important driver for change was the global financial crisis which forced the Governing Council to work differently than in the calm period of the Great Moderation around the time of the introduction of the euro. During the financial crisis, daily teleconferences of the Governing Council – even on weekends – were the rule. Decisions became increasingly controversial, especially when the crisis spread to euro area countries and later converted into a sovereign debt crisis in some euro area countries. Van der Sluis (2022, p. 23) draws the attention to the fact that this crisis highlighted the national character of NCBs as divergences between member states arose and influenced monetary policy debates. In retrospect, it is very clear that unity in the Governing Council began to weaken during this time.

Being a collegial system, the Eurosystem does not publish any votes. However, it is possible to analyze the monetary policy accounts and the explanations offered at the press conference after monetary policy meetings. Accounts of the monetary policy meetings have been published since the end of January 2015 and are a shorter version of the full minutes, which are not published. To give an impression of the discussion without attributing contributions to persons, soft qualifiers and impersonal references are used (ECB 2021, p. 34). Qualifiers include “unanimity,” “consensus,” “majority” etc. The president might add some additional adjectives during the press conference.

Claeys and Linta (2019) have built a comprehensive database on how decisions have been taken based on transcripts of ECB press conferences following monetary



policy meetings, the transcripts of the monetary dialogue with the European Parliament (EP) and letters sent to EP members and the accounts. They corroborate the impression that consensus eroded in the Governing Council over time and that it tended to resort to taking simple majority decisions in difficult times: *“Faced with critical crises and major challenges in the second decade of its existence, the ECB’s Governing Council, and its president, recognized that reaching unanimity or even a consensus on every decision was not the utmost priority (and was probably too difficult to achieve given the circumstances) and that decisions could be taken by simple majority if needed”* (Claeys and Linta, 2019). Also, the ECB confirms the decreasing level of agreement in its analysis ahead of the strategy review which took place in 2020 and 2021 (ECB, 2021, p. 35).

Perceived changes in the decision-making process over time may also relate to the different leadership styles of the different presidents chairing the Governing Council meetings. Using the example of the Fed, Blinder (2007, p. 111) points to the tradition of dominance by the chairman. Even though the Fed has an individualistic committee, as opposed to the ECB’s collegial Governing Council, it can be assumed that the discussions and decision-making reflect the leadership style of the chairperson. This was also confirmed by our interviewees.

Chart 1 shows that during the era of Duisenberg, all monetary policy decisions were reached by consensus. During the term of Trichet decisions were mostly reached by unanimity. At the most difficult times for the euro area, the sovereign debt crisis, which reached its peak under the presidency of Draghi, unity eroded and around 15% of decisions were taken by majority. Specifically, when it came to decisions on the asset purchase programs, the Governing Council could not always reach unanimity.

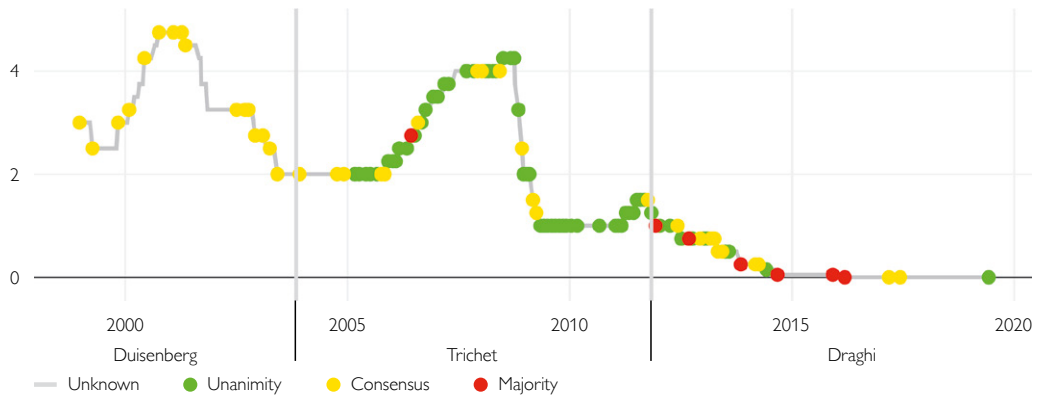
Our respondents report on the different styles of the presidents. Liebscher (2023) remembered Duisenberg as a person known for taking everyone on board, especially governors from smaller central banks, and for sometimes having quite lengthy debates about controversial issues. If it was unclear what decision should be made or no majority was in sight, he would postpone the discussion. Liebscher considered Duisenberg, an experienced politician and central bank governor, to be the ideal first ECB president for the start of the Eurosystem when many fundamental decisions had to be taken and mutual trust and a team spirit among governors had to be established. Trichet – who was in office from 2003 to 2011 – was perceived as leading the ECB in an open but more centralist way. Duisenberg could be seen as a moderator who enabled discussions and exchange of views, whereas Trichet was more active in the debates and did not hold back his own opinions and views. Draghi’s style of presidency was generally described as very efficient with a tendency to tenacity. However, Draghi had to deal with the most severe euro crisis during his term, and there was a need for resolute decision-making.

Whereas in the early days of the euro, national concerns were broadly aligned and it was felt that they were sufficiently taken into consideration, this changed with the global financial crisis, which aggravated differences and left small cracks in the setup of the Eurosystem in relation to the position of the NCBs (Van der Sluis, 2022, p. 27). One must not forget that different NCBs can have very different banking cultures. Whereas the Bundesbank aimed to maintain a stable currency and low inflation, other central banks had a tradition of wider responsibility for macroeconomic stabilization and financial market stability, e.g. the Banca d’Italia

Chart 1

### Interest rate decisions

Main refinancing operations %



Source: Claeys, G. and T. Linta (2019).

(Tumpel-Gugerell, 2021). These differences became more visible during times of crises.

The presidency of Christine Lagarde, which started on November 1, 2019, can be interpreted as a return to a more consensus-oriented approach. She introduced a new working and meeting culture, not only because the pandemic and environmental considerations made virtual meetings a sensible necessity, but also as she tried to achieve greater unity in the Governing Council. Therefore, she organized informal get-togethers in the form of working retreats which offered enough time to discuss difficult issues, connect on a personal level and build confidence. Holzmann (2023) shares this view: *“I can say that [President] Lagarde makes a great effort to get people involved, to discuss things, to get them on board.”* However, as regards the discussions about monetary policy decisions, Holzmann argues that there should be more time and room for a more in-depth and open debate where governors can give their opinions and explain their arguments.

### 4 (De)centralization and collaboration

The basic principle of the Eurosystem is to have all decisions taken centrally by the ECB and the implementation of these decisions, i.e. operations, to be done by NCBs on a decentralized basis. NCBs act in accordance with the guidelines and instructions of the ECB and carry out the tasks which have been delegated to them by the ECB in line with the concept of decentralization. This is not to be confused with the principle of subsidiarity in the EU Treaties, which means that the need for centralization must be proven (Scheller, 2006, p. 50). In the Eurosystem, however, centralization of monetary policy does not have to be justified but it is the ECB’s responsibility to evaluate the extent to which decentralization is appropriate. Article 12.1 of the ESCB Statute (ECB, 2015) states that *“to the extent deemed possible and appropriate [...] the ECB shall have recourse to the NCBs to carry out operations which form part of the tasks of the Eurosystem.”* Reliance on the infrastructure and operational experience built up by the national central banks proved as an asset.

The Eurosystem mission statement<sup>5</sup> provides a clear summary of the concept of decentralization: *“We jointly contribute, strategically and operationally, to attaining our common goals, with due respect to the principle of decentralization. We are committed to good governance and to performing our tasks effectively and efficiently, in a spirit of cooperation and teamwork. Drawing on the breadth and depth of our experiences as well as on the exchange of know-how, we aim to strengthen our shared identity, speak with a single voice and exploit synergies, within a framework of clearly defined roles and responsibilities for all members of the Eurosystem.”*

During the interviews the idea of an enhanced division of responsibilities was mentioned, meaning that the ECB could form a strong center, whereas NCBs would specialize in certain areas in which they contribute to the Eurosystem. This could mean that not all NCBs would perform the full range of central bank tasks, and that eventually, under the model of “one for all” collaboration, only one NCB (or the ECB) would carry out specific tasks for the whole Eurosystem. It remains to be seen whether there is a majority for such ideas among NCBs. The global financial crisis, the euro area debt crises and the pandemic further slowed down ambitions to transfer – at least “critical” – tasks from NCBs to the Eurosystem. Nonetheless, NCBs collaborate to enhance efficiency and effectiveness of the Eurosystem, as described in the mission statement. Services, infrastructure and systems are provided by one or more NCBs for the benefit of some NCBs or the whole Eurosystem (as it is the case with TARGET2).

In addition, committees represent a special form of cooperation in the ESCB (Scheller, 2006, p. 65). To reap the benefits of decentralization in terms of broad information sharing and cooperation, a committee structure that was established under the EMI was retained and adapted at the beginning of Stage Three of EMU. In the ESCB, the Governing Council establishes committees to assist the work of the ECB’s decision-making bodies. The ESCB committees provide expertise in their fields, ensure the regular exchange of views among experts, and facilitate the decision-making process and implementation of decisions. Committees provide fora that allow best practices and expertise to be shared at the technical level, foster cooperation within the ESCB/Eurosystem and ensure regular and fruitful interactions between ECB and NCB staff. Like all NCBs, the OeNB appoints two members to each of the 18 committees, brings in expertise and experience, influencing the decision-making process. Participation in these committees brought a fundamental change to the NCBs which were confronted with new organizational and professional demands in an international work environment (Dvorsky and Lindner, 2006, p. 62). As a rule, the ECB chairs the committees. However, efforts have recently been made to allow NCBs to act as co-chairs.

As it is a big advantage to gather information and exchange positions early in the process, all interviewees see considerable merit in active participation and contributions of NCBs in the committee work to support the decision-making process. All respondents also said that larger central banks have an advantage in gathering and processing information at an early stage due to their international connections, their large employee base at their home NCB as well as at the ECB. It is therefore crucial to place excellent staff at the committees.

<sup>5</sup> <https://www.ecb.europa.eu/ecb/orga/escb/eurosystem-mission/html/index.en.html>

## 5 Conclusions – lessons learned from an Austrian perspective

First, personal contacts at top management level are essential: Joint decision-making in the Governing Council means that it pays to engage in networking and to foster personal contacts. Majorities must be found and, hence, coalitions must be built. The OeNB had to learn and adapt to the need of networking with other governors and the Executive Board. As mentioned above, while in the past, Austria had a fixed exchange rate regime with the Deutsche mark as the anchor, the country is now part of the euro area, with the governor actively contributing to the decision-making at the ECB on equal footing. Hence, Governing Council meetings (including retreats established by President Lagarde) naturally provide for opportunities to liaise. Furthermore, on a governors' level, networking activities take the form of (regular) bilateral meetings and calls with other governors. Establishing a good relationship with Executive Board members is vital, too. Clearly, having a national member in the ECB Executive Board is certainly an advantage.<sup>6</sup>

Second, the importance of personal contacts also holds true for the managerial and the technical levels, both with staff members at the ECB and colleagues in other NCBs. Against this background, cooperation in various committees is a crucial part of the game. This also implies the importance of sending and promoting excellent staff to the ECB at all managerial levels as well as to committees, task forces and working groups. This facilitates mutual understanding, information sharing and efficiency in fulfilling the joint tasks within the ESCB. The interviewees highlighted that attractive conditions by NCBs for outgoing as well as incoming employees must be in place to encourage international assignments.

Third, the structure of the Eurosystem can be thought of as a “hub-and-spoke” structure (ECB 2008, p. 20). The ECB's Executive Board is the hub, and NCBs, i.e. the governors of the NCBs in the Governing Council, are the spokes. This structure minimizes the cost of information gathering and sharing as regional assessment and analysis of economic developments can be best fed into the analysis of the euro area. It is an inevitable institutional development that in a single euro area the “hub” will get stronger. However, the “spokes” could specialize, and each governor can bring in specific areas of concern from the respective background of its country or central bank (Nowotny, 2023). Due to Austria's historical and regional economic ties with Central, Eastern and Southeastern Europe (CESEE), in particular as regards the financial sector, the OeNB has specialized in analyzing that region, and this expertise is highly esteemed at the ECB and among fellow NCBs.

In conclusion, our findings support the view that in the decision-making process in the Governing Council, it is not primarily the size of a central bank that matters but the best argument and the ability to liaise with other governors to build a solid majority, or even unanimity. Nevertheless, it helps to have a strong employee base at home as well as at the ECB, which is easier for larger NCBs to do. In this context, the efficient and effective preparational work in the committees supports and facilitates the decision-making in the Governing Council. The OeNB successfully specialized in CESEE region expertise, enabling it to provide input for discussions in the Governing Council. The decision-making process will further evolve, depending on many factors such as the chairperson, the size of the Governing Council, and the economic environment.

<sup>6</sup> Gertrude Tumpel-Gugerell, the former Vice Governor of the OeNB, was the only Austrian member of the ECB Executive Board up to now. She served from 2003 to 2011 at the ECB.

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## **Annex: Guidelines for the interviews**

### **Interviews with past and present governors**

1. What memories do you have of your first Governing Council meeting?
2. How did you personally experience the relationship with the ECB (President/ Executive Board)?
3. How did you experience the leadership style of the ECB President?
4. How was the cooperation in the Governing Council with the governors of the other central banks? (mood, alliances)
5. How do you see the work of the ECB as an instrument of EU integration? (euro as strongest symbol of EU, global financial crisis – ECB as savior of the EU ...)
6. How did you experience the organization (by the ECB) of ECB Governing Council meetings?
7. What was your biggest challenge? (Within the OeNB, national, but also euro area-specific)
8. In your opinion, what was the most important decision the Governing Council took during your term of office?
9. Specific memories of Governing Council meetings?
10. Regarding governance: What would you have done differently as ECB President?
11. What are key governance reforms?
12. How will the ECB function in 25 years?

### **Guidelines for the interview with Gertrude Tumpel-Gugerell**

1. What memories do you have of your first Governing Council meeting as an Executive Board member?
2. How did you personally experience relationships within the ECB Executive Board?
3. How did you experience the leadership style of the ECB President?
4. How was the cooperation in the Governing Council with the governors of the central banks?
5. How do you see the work of the ECB as an instrument of EU integration? (euro as strongest symbol of EU, global financial crisis – ECB as savior of the EU ...)
6. How did you experience the organization (by the ECB) of ECB Governing Council meetings?
7. In your opinion, what was the most important decision the Governing Council took during your term of office?
8. Specific memories of Governing Council meetings?
9. How did you perceive the change of position in the Governing Council – first as an accompanying person, then as a member of the Executive Board?
10. Regarding governance: What would you have done differently as ECB President?
11. What are key governance reforms?
12. How will the ECB function in 25 years?