

Clipping Central Bankers' Wings

Abstract

The European Central Bank is in the enviable position of being the world's most independent central bank. The Bank sets its own operational objectives and decided for itself, without interference from the European Parliament or the Council of Ministers, that an annual inflation rate of below but close to two per cent per annum was desirable. Despite the autonomy afforded on such matters, the Bank has relentlessly pursued engagement in mandate and mission creep. Since its creation in 1999, the Bank has adopted advocacy roles in areas such as budgetary policy and structural reform, which are beyond its mandate and competence. This report argues that central banks should become minimalist monetary authorities that do not overstep their intended function.