

Christina Papaconstantinou: Central banks and independence: a test for democracy

Speech by Ms Christina Papaconstantinou, Deputy Governor of the Bank of Greece, at a panel "Central banks and independence: a test for democracy", Delphi Economic Forum XI, Athens, 23 April 2026.

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Central bank independence ensures that monetary policy is conducted within a clearly defined mandate, guided by objective criteria rather than short-term political expediency. Central banks are often required to take decisions that may be unpopular in the short run, but are necessary to secure price stability over the medium term.

This matters because price stability underpins citizens' purchasing power, sustains confidence in the currency and creates the conditions for sustainable economic growth, supporting sound decision-making by consumers and firms. Seen in this light, central bank independence is one of the safeguards through which democracies protect the long-term public interest against short-term political expediency.

In the euro area, central bank independence is firmly embedded in the institutional framework. The principle of central bank independence is enshrined in the Union's primary legislation. The Treaty on the Functioning of the European Union (TFEU) grants the ECB and national central banks a high degree of independence, ensuring that they act with a clear, focused mandate: price stability for the euro area as a whole.

At the same time, independence is most effective when combined with transparency and accountability. The Eurosystem's experience shows that independence does not mean insulation from democracy. It means protection from political instructions, together with accountability to democratic institutions, notably the European Parliament.

This is a deliberate and well-founded institutional choice, made in the interest of all European citizens.

Leveraging on its independence, the Eurosystem has built credibility over time by showing that it was prepared to always do whatever necessary to deliver on its mandate. Namely, credibility – built through independence – is reinforced through action.

Credibility pays off precisely when shocks are severe or in a challenging macroeconomic and geopolitical environment.

The overarching lesson from the European case is straightforward: preserving a clear separation between monetary policy and political influence allows central banks to deliver price stability more effectively – and ultimately at a lower cost to society.